



FOREIGN AID 101

A QUICK AND EASY GUIDE TO UNDERSTANDING
US FOREIGN AID

FOURTH EDITION



OXFAM

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Since 1990 the world has made remarkable progress—lifting millions of people out of poverty faster than at any other time in history. Over the same period, foreign aid has changed dramatically, becoming more innovative, more transparent, and more aligned to partner country priorities. The role of aid is shifting, as domestic taxes and private investment become more significant financial resources for developing countries.

Yet today, 766 million people¹ still live in extreme poverty, and severe humanitarian crises threaten to reverse the gains made. Global poverty poses a challenge to the future security, prosperity, and values of the United States. Turning away isn't an option, and foreign aid has an important part to play.

The millions of people in poverty aren't just numbers. They are real people, and most of them are women and girls. All over the world, people like Claudine Nyiraminani are making the move from daily subsistence to providing a better life for themselves and their families.

Nyiraminani is a young woman and trailblazer living in Rwanda's capital city of Kigali. She's one of the many students in Rwanda who are forced to drop out of school due to a lack of funds. Luckily for Nyiraminani, support from the US Agency for International Development (USAID) to a local organization enabled her to enroll in a workforce development training program for out-of-school youth. Bucking convention, Nyiraminani pursued training in welding—a typically male profession—and now works as one of the country's few female welders. She is good at her job, and can provide for herself and save money for her future.

US foreign aid is investing in people, and getting good returns.

Rather than sending food to women like Nyiraminani, the US is doing more to support their efforts to build skills and create the conditions that help them escape poverty for good. US foreign aid can help more people like Nyiraminani help themselves if changes to US policy enable more resources to support local ideas and organizations. Such reforms strengthen the ability for people like Nyiraminani, and countries like Rwanda, to become self-sufficient.

With the support of poverty-focused aid, Nyiraminani is now making an independent life for herself, pursuing her dream of starting her own welding business so that she can offer the same opportunity to others.

The US government doesn't give aid just because Claudine Nyiraminani has a compelling story. Rather, the poverty and inequality that challenge Nyiraminani also challenge the security, prosperity, and values of the US when over 10 percent of the world's population is unable to make enough to meet their basic needs.

Foreign Aid 101 is 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 Claudine Nyiraminani 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:

- **SECURITY**—Aid supports 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**—Aid can help promote human rights and social justice, and providing aid in the right ways can demonstrate the goodwill of the American people.

Programs funded by US foreign aid may fight terrorism or crime in other countries; respond to disasters and conflicts; spur economic development; provide basic services like vaccines, clean water, education, and access to credit; and increase governments' accountability to their own people.²

// America is great when we're the country that the world admires, a beacon of hope and a principled people who are generous, fair and caring. That's the American way. If we're still that nation, then we must continue to devote this small but strategic 1 percent of our federal budget to this mission. //

COLIN POWELL, FORMER US SECRETARY OF STATE, 2017

MAJORITY SUPPORT: AMERICANS SUPPORT AID FOR PEOPLE IN POOR COUNTRIES

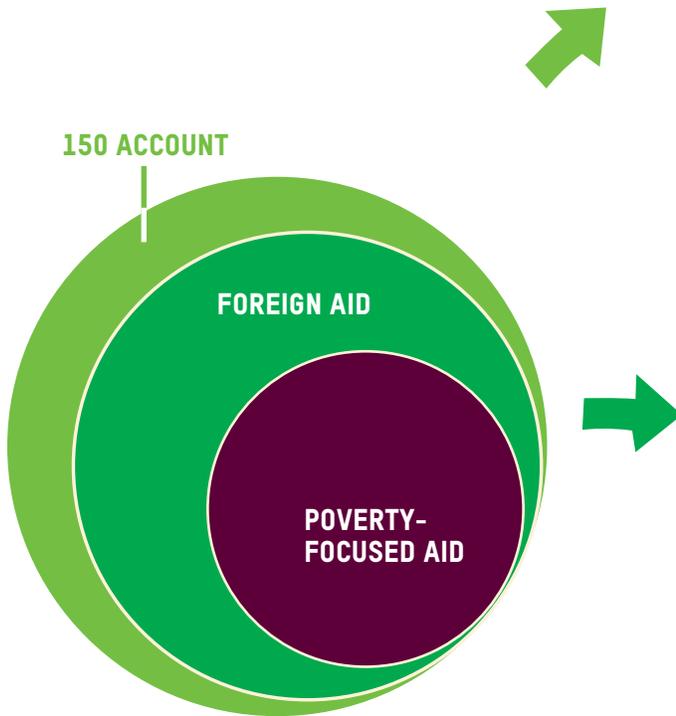


Sixty-eight percent of Americans believe that “global equality is an important value,” and a majority believe that foreign aid benefits the global economy and prevents international conflict.³ Sixty-three percent of the US public also hold the view that US foreign aid spending should be higher than the current level. For example, a 2015 poll of the Kaiser Family Foundation found that 63 percent of respondents think the US should continue current levels or increase support for “efforts to support improving health for people in developing countries.”

SO WHY DO POLLS SHOW AMERICANS WANT TO CUT AID?

Americans vastly overestimate how much the US spends on aid, believing it to be over 25 percent of the federal budget. When they are told—often in the same polls—that it is less than 1 percent of the federal budget, 60 percent of Americans say that we are spending “about the right amount” or “too little.”⁴

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



See page 6 for a comparison of federal budget figures.

THE INTERNATIONAL AFFAIRS BUDGET OR THE “150 ACCOUNT”

The international affairs budget, sometimes called the “150 account,” is the basket of the federal budget that includes the resources to fund US activities abroad. In addition to funds for USAID and foreign aid overall, it also funds the State Department’s diplomacy and protection of the interests of US businesses and citizens overseas. The 150 account also funds important international programs like the Peace Corps, US contributions to the United Nations and other international organizations, peacekeeping operations, and agricultural programs and food aid.

FOREIGN AID, OR FOREIGN ASSISTANCE

Foreign aid is the blanket term for all the assistance the US gives to other countries. In addition to helping people in poor countries, foreign aid provides strategic economic support to important military and political allies. For example, the US provides foreign aid to Iraq and Afghanistan for reconstruction; to Israel and Jordan for their value to US strategic interests in the region; to Pakistan for its cooperation against terrorism; and to Colombia for peace-building and counternarcotics programs. Politically driven foreign aid may help lift people out of poverty, but in general that is not its primary purpose.⁶

POVERTY-FOCUSED DEVELOPMENT AID⁷

Specifically directed toward improving livelihoods and promoting economic growth, poverty-focused development aid provides much-needed services such as health care and schooling, and helps create 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 helps alleviate the suffering of communities in humanitarian emergencies, meeting immediate needs and helping people rebuild their lives. This support has been instrumental in places like Haiti following the 2010 earthquake, in the Philippines following Typhoon Haiyan in 2013, and in West Africa during and following the Ebola outbreak in 2014–2015.

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 the US Agency for International Development (USAID) in 1961.
- 1980s** The mid-1980s begins a downward trend in US foreign aid spending, which continues through the end of the Cold War.
- 1990s** As a result of downsizing, USAID’s 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 signs the first US Presidential Policy Directive on Global Development, creating the first national strategy for foreign aid in the context of US national and economic security. The State Department completes the first Quadrennial Diplomacy and Development Review (QDDR), designed to harmonize foreign assistance policies across US agencies and elevate the role of development alongside diplomacy in US national security and foreign policy.
- 2016** In 2016, Congress passes the Global Food Security Act codifying President Obama’s Feed the Future initiative and the Foreign Aid Transparency and Accountability Act, establishing greater oversight, accountability, and transparency of US foreign assistance spending—a key principle of effective aid.



Lasting health care solutions need local ownership. In Indonesia, US assistance is helping strengthen and mobilize the Ministry of Health and community health workers to combat the stigma and spread of tuberculosis. *Adam Zvanovec / Oxfam and Save the Children*

WHICH US GOVERNMENT AGENCIES PROVIDE DEVELOPMENT AID?

USAID is the primary agency responsible for development aid. However, more than 20 other US government agencies provide foreign aid—including the Millennium Challenge Corporation, the Peace Corps, and the departments of State, Defense, Treasury, Health and Human Services, and Agriculture—as well as smaller initiatives, such as those under the Office of the US Trade Representative, the US Trade and Development Agency, the Overseas Private Investment Corporation, and the Environmental Protection Agency.

HOW DO WE DO AID WELL?

In 2011, global development actors—donor countries, developing countries, the private sector, and civil society—came together and established guidelines for effective aid and good development. The following four core development effectiveness principles set the international standard to which all development actors should subscribe:

1. **Country leadership** and ownership of development strategies and implementation
2. A **focus on results** that matter to the poor in developing countries
3. **Inclusive partnerships** among development actors based on mutual trust
4. **Transparency and accountability** to one another

For foreign aid to have the greatest impact, all development stakeholders—including traditional donors like the US, private sector actors, and emerging providers—must respect and uphold these key principles, and commit to being held accountable to them.

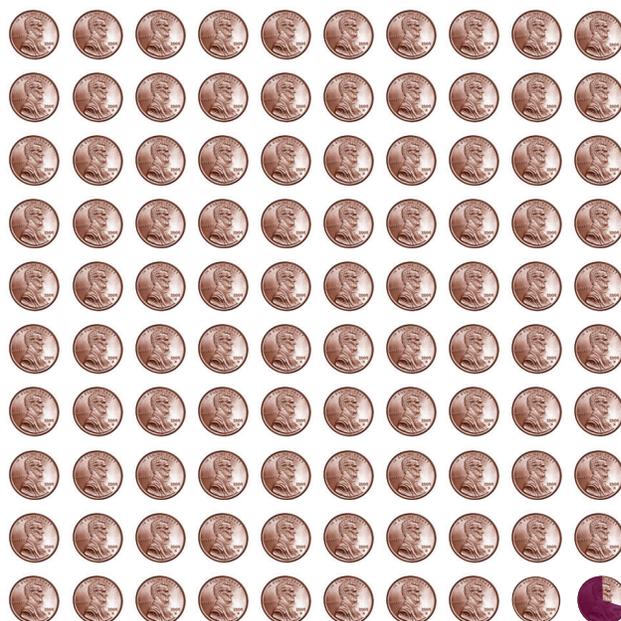
HOW MUCH DOES FOREIGN AID COST?

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 26 percent of the federal budget on foreign aid, which is more than we spend on core domestic programs like Social Security or Medicare. They think spending on foreign aid should be more like 13 percent of the budget⁸—which is only about 4 percentage points less than what the US spends on defense (17 percent of the federal budget).

In fact, the entire international affairs budget—which includes diplomacy and development—is less than 2 percent of the federal budget. Development aid is less than half of that: 0.8 percent of the US federal budget in fiscal year 2015.⁹ Cutting foreign aid has virtually no effect on reducing the nation’s debt, but does threaten the lives and livelihoods of millions of people worldwide.

Although development aid is a small percentage of the US federal budget, in terms of absolute dollars, the US is still the largest bilateral development aid donor in the world. In 2015, the US government spent \$31 billion on official development assistance.¹⁰ Measured as a percentage of national income, US aid spending ranks 22nd among other major aid donors at about 0.2 percent of its gross national income. This puts the US behind most industrialized nations, including Australia, France, Germany, Japan, Norway, Sweden, and Turkey. For example, Great Britain contributed 0.7 percent of its national income on official development aid in 2016 (more than twice the US percentage).¹¹

THE US GAVE \$31 BILLION IN GLOBAL DEVELOPMENT AND HUMANITARIAN AID IN FY 2015.



LESS THAN A PENNY ON THE DOLLAR

Less than 1 percent of the US federal budget is spent on poverty-reducing foreign aid.



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

\$89.44
DEVELOPMENT AID

COMPARE THAT WITH HOW MUCH AMERICANS SPEND ON:¹²

\$107.34
CANDY

\$209.24
SPORTING GOODS

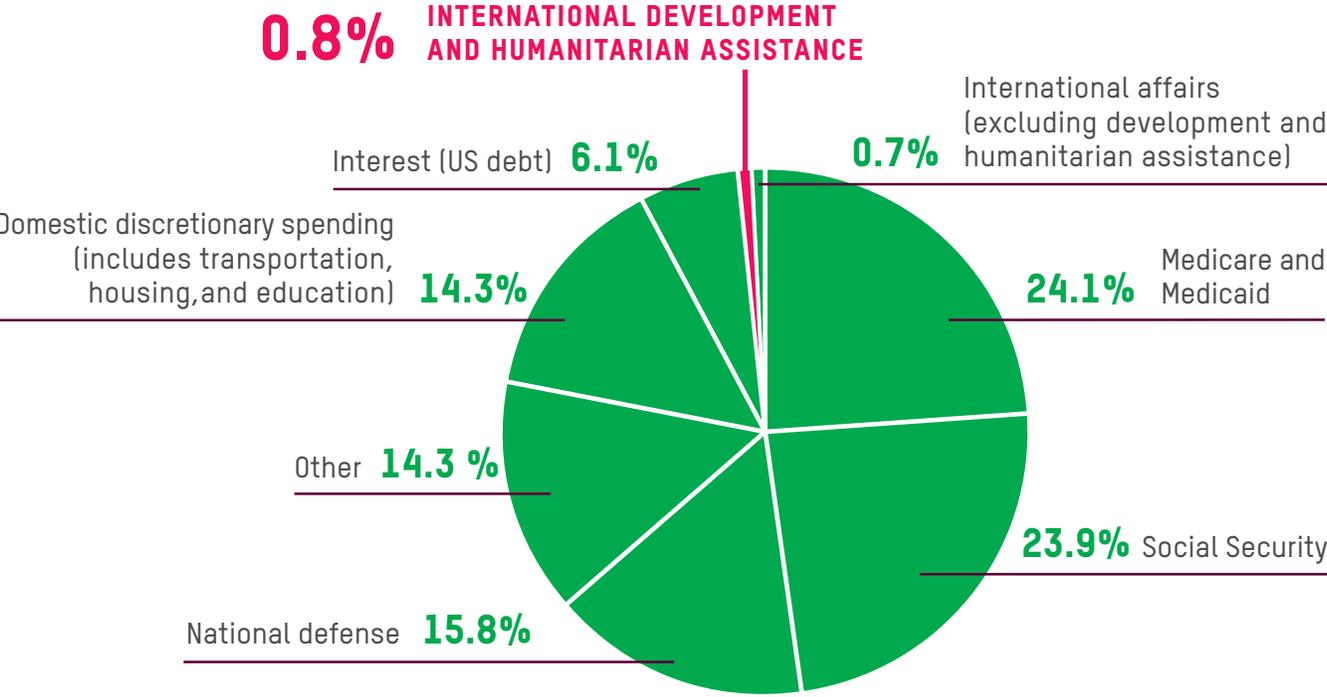
\$212.17
JEWELRY

Note: This graphic is based on a US resident population figure of 321,418,820 people.



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 WITH THE REST OF THE FEDERAL BUDGET?



Source: Fiscal year 2015 budget data obtained from the Congressional Budget Office, www.cbo.gov/publication/51110, published January 6, 2016, and accessed March 28, 2017.

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 26 percent of the federal budget on foreign aid, more than Social Security or Medicare.¹³

In fact, the entire international affairs budget—which includes diplomacy and development—is less than 2 percent of the federal budget. The reality is that poverty-focused development aid is less than half of that: 0.8 percent of the US federal budget in fiscal year 2015.¹⁴ For more information, see pages 5–6.

MYTH:

Most foreign aid goes directly to foreign governments.

FACT:

The US government provides poverty-focused development aid through multiple channels, but the vast majority of aid is channeled through US-based government contractors and nongovernmental organizations (NGOs), and regional and multilateral organizations like the World Bank. In 2015, less than one-fifth (18.6 percent) of USAID funds went directly to local organizations, including host country government agencies, private sector firms, and local NGOs.¹⁵

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 that partner governments and local organizations can sustainably provide for their own citizens. (See more on page 10.)

MYTH:

Aid isn't relevant anymore.

FACT:

Global progress in recent decades has made foreign aid a smaller piece of the economic pie for many developing countries compared with other financial flows like tax revenue and private investment. This isn't the case for all countries though, especially the poorest. In those places, foreign assistance remains very relevant for supporting essential services like health care and education for people living in poverty. For example, in 47 countries (mostly poor countries and fragile states) aid remains larger than any other flow, including private investments. These countries are home to more than 314 million people who are among the poorest 20 percent worldwide. In other words, for the poorest populations—those left behind—aid is an essential means of development.

In addition, while the private sector is critical to the development and economic well-being of developing countries, little international private investment has gone to the poorest countries. Where it has, the investments are heavily concentrated in extractive industries like oil, gas, and mining where little of the economic benefits flows to the poorest people in those countries. In other sectors, private capital tends to flow to middle-income countries where there is less risk and greater likelihood of profit.

MYTH:

Aid just lets recipient governments off the hook for taking care of their own citizens.

FACT:

Donors can provide aid in ways that hold country governments accountable for doing their share. For example, after receiving direct support from other non-US donors, Mali, Zambia, and Tunisia all increased their spending on poverty-fighting programs and improved their financial management systems.¹⁶ Done well, foreign aid incentivizes countries to increase overall investments in development, thus broadening the direct impact of aid.

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 to minimize the risk of fraud and abuse.¹⁷ 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 American taxpayers

The Millennium Challenge Corporation (MCC) provides long-term funding under agreements that it makes with only the highest-performing governments, based on their performance on a set of indicators, including transparency and anti-corruption efforts. Qualifying for MCC funding has created an incentive for some governments to improve, sometimes referred to as the “MCC effect.”¹⁸

MYTH:

Aid doesn't work.

FACT:

Since 1990, the world has seen more than a billion people lifted from extreme poverty—a faster decline than any other time in history.¹⁹ In that time millions have been saved from preventable diseases like HIV²⁰ and malaria,²¹ millions of children are able to attend school,²² and millions of families have seen their economic situation improved through new farming technologies, access to finance, and more.²³ Foreign aid and initiatives like the Millennium Development goals have played a significant role in this progress, especially for the poorest populations. For US foreign assistance specifically, there are many examples of success to point to, including:

- USAID's leadership in containing and ending the Ebola epidemic in West Africa
- The essential role of US assistance in preventing mother-to-child transmission of HIV²⁴
- Investments by the United States and other donors in agriculture over the past 20 years that have helped make it possible to feed an extra billion people in the world

Development is a complex, long-term endeavor. And like any investment, nothing ever works 100 percent of the time. US development and humanitarian assistance make up an important piece of the puzzle, but it's not a panacea; there's always room to improve. We must continue to work toward aligning US foreign assistance with effectiveness principles by increasing program transparency, accountability, local ownership, and flexibility.

DEVELOPMENT AID: WHAT WORKS

DO: SUPPORT EFFECTIVE LOCAL LEADERS IN THEIR EFFORTS TO BUILD LOCAL SYSTEMS.

Adams Elhassan Mohammad is the district coordinating director in Tolon District—an area that is home to about 100,000 people in Ghana’s arid Northern Region. As the top district leader, he—and his colleagues at the district and regional levels—worked to meet the diverse challenges of constituents—namely, poverty, food insecurity, and undernutrition—with almost no resources at all.

What they did have were plans. The Ghanaian government’s long-term decentralization goal meant that local governments had strategies for development, but they needed resources to execute them. In response to the development needs in the northern region and in recognition of the importance of empowering local governments to achieve sustainable progress, USAID began its Resiliency in Northern Ghana (RING) project.

RING established a direct funding relationship between USAID and local Ghanaian government entities—a rarity

for US development projects. This structure was key to USAID’s intention to build the capacity of government in the region: rather than bypass the existing government systems, RING provided funds directly to local district assemblies’ budgets in order to strengthen their ability to serve vulnerable constituents.

“Direct funding from USAID is important to the extent that it supports our own plans and budget. It is not telling us what to do. It is supporting what we planned to do. And I think that is the most important aspect of it,” says Habib Shahadu, the senior development planning officer for the Northern Region.

With the additional resources, Mohammad and his fellow leaders are better able to target, implement, and monitor project interventions—including small-scale agriculture, livelihoods, savings, nutrition, hygiene, and sanitation projects—intended to reach their most vulnerable communities.²⁵



Adams Mohammad, Tolon district coordinating director and USAID RING project partner, outside his office. *Grazioso Pictures / Oxfam*

“What I can say for sure now is that the capacity of the district assembly is very, very strong. Our financial systems are very strong now. Our planning systems are very strong now,” says Mohammad.

“Because RING has adopted the strategy of working through the district assembly, it is working directly through the district assembly to the people in the community. And so the people in the community see the project as their own.”

DON'T: NEGLECT ENGAGEMENT WITH THE LOCAL ACTORS WHO ARE THE EXPERTS ON THE ISSUES AND ON WHAT IS NEEDED TO MAKE CHANGE IN THEIR OWN COMMUNITIES.

When she first learned that Ebola had hit Liberia’s capital city, Monrovia, Mayor Clara Doe Mvogo says she was terrified. After working for years in the US as a medical technologist, she knew what an epidemic could do, and she wasn’t alone in her fear. The panic was fed by a lack of understanding about the disease.

“We had people in our legislature who denied the existence of Ebola on the radio,” says Mvogo. As co-chair of the county’s incident management system, she realized a new tactic was needed.

She noticed that when people were educated, attitudes began to change. So that became her goal: to get the citizens of Monrovia to face Ebola and take action. With support from UNICEF, Mvogo’s administration invited more than 100 elected community leaders to two days of training.

“In less than a month’s time, the numbers started going down noticeably,” says Mvogo. **“There is a direct connection with what we were doing at the grass[roots] level with getting rid of Ebola ... That’s how we got rid of Ebola in Liberia. It wasn’t only the government or the international community. It was with the support of community leaders.”**

And a lot of it had to do with the trust people have in those they chose to lead them. **“It was extremely effective because people were willing to listen to their community leaders,”** Mvogo says.

The approach could be a model for other epidemics, and it reflects a basic truth: local people know what’s best for their communities. The international community should follow the lead of local leaders who understand the context. In big emergen-



Mayor of Monrovia Clara Doe Mvogo in her office on in Monrovia, Liberia, on January 11, 2016. *Jane Hahn / Oxfam America*

cies, international support may be needed, but local actors should guide emergency response.

“I don’t think we should always wait for the international community to do everything,” says Mvogo. **“We should be prepared to help ourselves.”**

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

Over the past decade, bipartisan administrations, in partnership with Congress, rolled out major initiatives on US foreign aid. These reforms have been key to elevating the position of development in US foreign policy, and building on them will be important to furthering global progress.

AFFIRMING AID'S PURPOSE

In September 2010, President Barack Obama issued the US government's first-ever **US Global Development Policy**.²⁶ 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, US foreign aid delivered in ways that strengthen the voice of citizens and the responsiveness of the state. The US has been moving in this direction since the George W. Bush administration. Various US government agencies are working to put this country ownership approach into action, including Feed the Future, the President's Emergency Plan for AIDS Relief (PEPFAR), and the Millennium Challenge Corporation, along with US commitments to the International Aid Transparency Initiative (IATI).²⁷

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: This initiative began in 2009 and addresses several areas of aid: outdated procurement policies that perpetuate a cycle of aid dependence, rebuilding of staff technical capacity, reducing overhead costs associated with contracting, the need for rigorous program feedback and evaluation, and finally, the role of innovation, science, and technology throughout USAID's programs.²⁸

THE RESULTS: Since USAID Forward began, the agency has increased the amount of direct support to governments, citizens, and other leaders and problem 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 nongovernmental organizations. In 2015, 18.6 percent of mission funds were awarded directly to these local institutions, significantly under USAID's goal of 30 percent that same year.²⁹

EMPOWERING WOMEN AND GIRLS

Beginning in 2013, US diplomacy and development programs included gender as a "key interest" for the first time, with some funding allocated to programs specifically aimed at improving gender equality and women's rights. The inclusion of gender funding in US assistance acknowledges that women and girls still bear a large burden of inequality that inhibits their ability to fulfill their potential. It also recognizes that sustainable development cannot be achieved unless women and girls have the same access to resources and opportunities as men and boys have.

MAKING US FOREIGN AID MORE TRANSPARENT

THE ISSUE: Basic information about where aid goes, how much aid is given, and what aid is provided for has historically been difficult to access—both for American taxpayers and for the people in poor countries we’re trying to assist. But when the US 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 in both the US and partner countries make sure that aid delivers results

THE RESULTS: The US government is beginning to make progress both on disclosing aid data and on focusing on how that data is made most valuable to citizens. Since 2010, a public website, the Foreign Assistance Dashboard, provides a view of US aid across agencies and countries.³⁰ President Obama mandated publishing machine-readable data on US aid via executive orders and through public, international commitments like the Open Government Partnership. In addition, a bipartisan effort in Congress resulted in the passage of the Foreign Aid Transparency and Accountability Act, which requires the US to go even further in its aid transparency.³¹

In 2011, the US joined IATI, a global agreement by donors to share info about foreign aid in an easy-to-use manner. Since joining IATI, US rankings in the Aid Transparency Index³² have risen across the board with the Millennium Challenge Corporation (see page 12) ranking number one in 2013 and consistently as a top performer since.

CATHERINE’S STORY

When Catherine Mulaga came to Chabu, in southern Tanzania, in 2010, she found that the sick, the pregnant, and even the injured were often crossing a handcrafted rope bridge to get to the nearest available health center—across the border in Malawi.

And yet, “There was in fact a health dispensary [clinic] in Chabu constructed in 2008,” Mulaga says.

Mulaga is the head of the governance program at MIICO, a consortium of community-based organizations. With the village social accountability monitoring team, MIICO found that the problem with the health center was mostly one of paperwork.

“The clinic had not yet been registered with the Ministry of Health,” says Mulaga. That meant no staff, and no supplies.

Because of the community’s advocacy, the clinic finally opened in July 2012.



Catherine Mulaga at the MIICO Office in Mbeya, Tanzania. She has been a programme officer with MIICO since 2010. *Petterik Wiggers / Panos Pictures*

Despite the uphill battle that remains—the clinic does not have electricity or water, or enough staff—there is no such thing as a small victory to Mulaga in the struggle to restore trust between Tanzanians and their government.

DEVELOPING NEW MODELS OF PROVIDING AID

The **Millennium Challenge Corporation (MCC)** is a bilateral United States foreign aid agency that is applying a new philosophy toward 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. For example, Lesotho 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.³³

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 to 2016, the MCC completed 21 compacts totaling over \$7.5 billion in aid.³⁴

GENERATING NEW RESOURCES FOR DEVELOPMENT

In recent years, domestically generated and private sector resources have increased and gained importance for development. Agencies like USAID are finding ways to support domestic resource mobilization (i.e. by increasing tax revenue) and are expanding their relationships with the private sector through public-private partnerships, new financing models like loan guarantees, and more.

In many ways, this is a welcome shift. Domestic resources and private financial flows make up an increasing portion of money flowing into developing countries³⁵—sometimes far outstripping foreign aid—and these resources will need to be harnessed to fight poverty if countries are to develop sustainably and become self-sufficient.

This doesn’t mean foreign aid is irrelevant. For the poorest countries, foreign aid still makes up a larger portion of their national budgets than domestic revenue, and these countries are often not sought by businesses for investment. In these cases, foreign aid is an essential source of funding to make sure people can meet their basic needs. Aid is also important for lower-middle income and middle-income countries as it can provide investment to strengthen their revenue collection systems in key areas, and can help to fill in the gaps in key sectors like health and education.

SIDI’S STORY

When Ebola struck West Africa in 2014, all eyes were on Sierra Leone, Liberia, and Guinea, but neighboring Guinea-Bissau was gripped with fear. Its borders are porous, and many of its border communities are remote—and lack the basics needed to treat a patient or protect a caregiver.

But vulnerable communities have a strong ally by their side: Sidi Jaquite, the dynamic director of the National Association for Local Development (NADEL), a local NGO. Jaquite and his team of outreach workers helped many of these same remote towns and villages halt the cholera outbreaks that used to strike each year with deadly force. When Ebola appeared on the horizon, NADEL quickly adapted its messages to help people understand how to protect their families. Not only are community members safer now—they can get on with their lives. Watchful and careful, but no longer terrified of the unknown.

Jaquite is the first person to appreciate the international community’s efforts to support and strengthen the work of NADEL and the government. Yet, the system has flaws that trouble him.



Sidi Jaquite talks to NADEL’s Rapid Response Team in Catio Guinea-Bissau. The team deployed to communities that were slow to recognize the urgent need for Ebola preparedness measures—living in tents until they were satisfied the job was done. *Jane Hahn / Oxfam America*

And with all the crises unfolding in the world, it is hard to believe that the troubles of Guinea-Bissau will ever get the attention they need—even in the case of Ebola. The answer, he feels, lies in investing in the capacity of governments and national organizations to manage emergencies themselves.



USAID democracy and governance assistance helps countries create and strengthen democratic institutions and supports citizen efforts to engage with their government. Pictured here, Burmese workers are learning about their rights on the job and how to exercise them. In doing so, they are finding their voices and using them to improve their lives and livelihoods. *Jeanne Hallacy, Solidarity Center / USAID*

TACKLING GLOBAL CHALLENGES THROUGH LOCAL INSTITUTIONS

FEED THE FUTURE

THE ISSUE: The majority of the world’s poor people live in rural areas and rely on agriculture and related activities for their livelihood. In addition, despite global progress on food security and nutrition, 800 million women, children, and men around the world suffer from hunger and chronic undernourishment.³⁶

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 started 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 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, climate change mitigation, and nutrition for maximum outcomes.

THE RESULTS: In 2015 alone, Feed the Future investments supported over nine million farmers—many of whom are women and youth—around the world, enabling them to boost their incomes from agricultural sales by over \$800 million.³⁷ Done right, these investments can produce a big payoff: Every 1 percent increase in agricultural income per capita reduces the number of people living in extreme poverty up to 1.8 percent. For example, in Tanzania and

Malawi—two Feed the Future focus countries—poverty decreased by 24 and 18 percent, respectively, in just five years (2010–2015).³⁸ Understanding the importance of such investments for the US and the world, Congress passed the Global Food Security Act in 2016, codifying Feed the Future investments into law.³⁹

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

THE ISSUE: An estimated 36.7 million people were living with HIV around the world in 2016.⁴⁰ The persistent burden associated with communicable diseases undermines efforts to reduce poverty, prevent hunger, and preserve human potential.

Launched in 2003 by President George W. Bush, 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.⁴¹

THE RESULTS: Although there have been historic declines in AIDS-related deaths and new HIV infections, PEPFAR addresses the continuing challenges of strengthening health systems in developing nations so that 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.
- Strengthen participation in international aid effectiveness initiatives, and increase coordination with other donors to ensure aid impacts poverty reduction.
- Include populations often left behind—women and girls, ethnic and religious minorities, people with disabilities—to achieve equitable outcomes.

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, civil society organizations, and local accountability for results.
- Align US foreign assistance with host countries’ development plans, not simply US interests.
- 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 toward becoming a leading donor.

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

If reforms remain in place, if a spirit of continued improvement is pursued, and if 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, including women-led organizations, can become strong enough to raise their own funds and can freely communicate citizens’ needs to their governments 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.

When that point is reached, US assistance will only be necessary for the recovery from humanitarian disasters, such as wars, earthquakes, and severe storms.



A women’s group facilitates a savings program in Tra Paing Thnan village, Cambodia. Oxfam partnered with a local group to kick-start the practice, but the model is now self-replicating. Partnerships like this one 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 is a global movement of people working together to end the injustice 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 fairer, protecting basic rights and liberties and defending the most vulnerable.

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

Oxfam 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.



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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 anti-corruption 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."⁴²

FOREIGN AID—Foreign aid is support the US provides to other countries for a multitude of purposes, from military to diplomatic to development.

FOREIGN ASSISTANCE ACT OF 1961—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.⁴³

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.⁴⁴ A subcategory of foreign aid, ODA is mostly development aid—specifically designed to promote economic growth in poor countries or to alleviate suffering from human-made or natural disasters.

POVERTY-FOCUSED DEVELOPMENT AID—The development aid community often uses this term to describe US aid that is 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 the USAID Forward agenda have helped restore the agency's expertise and leadership.

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Karen Ramírez has seen what natural disasters can do. As a leader in efforts to secure community rights in crisis, she knows that when aid helps build skills locally, countries and communities can better prepare and respond in times of disaster—thus saving lives and reducing vulnerability. She’s working with donors, government and communities in El Salvador to do just that. *James Rodriguez / Oxfam America*



In recent years, the US government has furthered policy reforms that make US foreign aid more accountable to you, US taxpayers, and to local leaders like Karen Ramírez.

Read more stories at: www.oxfamamerica.org/aidworks.

COVER: Frances Avakit Adong leads a meeting of the Oseera Citizens' Parliament, which she established after participating in a donor-funded and Oxfam-sponsored training session on citizen engagement. The group is a vehicle for Adong and her neighbors to work together and with their elected leaders to solve community problems. Her leadership has helped get a health clinic and school built in Oseera, and has made her a prominent community leader, laying the groundwork for citizens' parliaments in other communities to ensure the voices of average citizens are heard in Uganda. *Quim Vives / Oxfam America*

INSIDE PAGE: Claudine Nyiraminani stands outside the welding shops where she works as one of Rwanda's only female welders. Her job training was supported by US foreign assistance. *Grazioso Pictures / Oxfam America*



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