



# FOREIGN AID 101

A QUICK AND EASY GUIDE TO  
UNDERSTANDING US FOREIGN AID

FIFTH EDITION



OXFAM

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**IN MAY 2020,** Cyclone Amphan, one of the most powerful storms ever recorded in the Bay of Bengal, slammed into Bangladesh. Millions evacuated their homes as the wind, waves, and downpours destroyed houses, snapped power lines, and contaminated drinking water supplies with salt—all in the midst of the coronavirus pandemic.

Strict limits on travel and transport ruled out a traditional international response; even the national response was impeded, as moving staff and goods from one district to another required two-week quarantines. But Bangladeshi organization Shushilan, which works in every part of the country, was able to swing into action without delay.

The organization distributed food and cash in the affected areas, as well as lifesaving clean water. Through decades of development work in low-income communities, Shushilan has built trust, knowledge, and networks. These assets, combined with years of strengthening technical skills with the help of international agencies, meant the organization could deliver aid in the combined Amphan/COVID-19 emergency with breathtaking speed: Shushilan began distributing clean drinking water within a day of the storm.

To achieve maximum impact—and sustained results that are tailored to local conditions—US aid should prioritize supporting effective local organizations like Shushilan.

**POVERTY IS NO ACCIDENT.** It's not a natural phenomenon like gravity. It has not always been with us, and given global wealth, it should not be with us today. Yet, it persists for hundreds of millions of people around the world, in high- and low-income countries alike.

Why? Simply put, people in poverty have the cards stacked against them in myriad ways: they live in a war-torn nation; they are a woman or girl that faces discrimination; they are a refugee in a strange land; they are a racial or ethnic minority that cannot access opportunities; or they scratch out a living in fragile climate-affected land.

The world before coronavirus was not a good one for the 736 million people who struggled to live on less than \$2 a day.<sup>1</sup> By the end of 2021, the pandemic will push an additional 150 million people into poverty.<sup>2</sup> Just as a strong wind breaks the shakiest branches, COVID-19 has laid bare gross inequities based on gender, race, and location—the same inequities that cause poverty.

The negative impacts of COVID-19 will reverberate for generations, especially for women and girls. Women lost their jobs at nearly twice the rate of men, and it will take longer for women to get those jobs back.<sup>3</sup> This means COVID-19-related poverty will keep women and their children in its grip longer than men.

Education for girls can be an expressway out of poverty, but with schools shuttered worldwide, 743 million girls are now home and at greater risk for child labor, early marriage, and gender-based violence, not to mention lost learning.<sup>4</sup> Half a million girls under 18 are likely to be married off in 2020 alone, with another 2.5 million at risk because of COVID-19's longer-term effects on poverty.<sup>5</sup>

Nothing has disrupted human habits at this scale since World War II, but like that destabilizing era, disruption provides an opportunity to rethink, revision, and rebuild something better. In this harrowing moment, there is a chance to rethink how the US engages the world to address shared challenges such as global poverty and COVID-19.

Severe poverty around the world poses a serious challenge to the future security, health, prosperity, and human values of the United States and the world. Turning away, especially at this critical moment, is not an option.

*Foreign Aid 101* provides basic facts about US foreign aid, dispels common myths about poverty-reducing aid, and describes critical reforms to make aid a better tool in ending poverty.



Claudine Nyiraminani stands outside the welding shop where she works. She's one of Rwanda's only woman welders. Her job training was enabled by effective US foreign aid.

## COMMUNITY RISING

Poverty is not a concept; it's real people. And women and girls are at highest risk of being trapped in poverty. But all over the world, women like Claudine Nyiraminani are moving from merely subsisting to a better life for themselves and their families.

Nyiraminani is a trailblazing young woman in Rwanda's capital of Kigali. She is one of many Rwandan students who was forced to drop out because of poverty. But support from the US Agency for International Development (USAID) to a local organization enabled Nyiraminani to join a training program for out-of-school youth.

Bucking gender conventions, Nyiraminani pursued a career in welding and now works as one of the country's few female welders. She's good at her job, provides for herself, and saves money for her future. She also wants to start her own company and employ others like her, which would multiply the impact of the assistance she received.

**US foreign aid is investing in people like Nyiraminani. This kind of aid supports people in building skills and creating the conditions that help them escape poverty for good.**

US foreign aid could help more people help themselves if policy changes channel more resources into local ideas, organizations, and systems. Such reforms strengthen the ability of people like Nyiraminani, and countries like Rwanda, to become self-sufficient.



# WHY DOES THE US GIVE FOREIGN AID?

The US government often cites the following four reasons for providing aid to countries:

- **VALUES**—Americans help others because it's the right thing to do. US foreign aid saves lives, protects health, promotes human rights, and advances justice. Providing aid in the ways people want it demonstrates the best of America and our people.
- **ALLIES**—America's security helps its friends become better. US foreign aid supports allies in unstable parts of the world to help keep the peace and help these nations achieve their goals.
- **SECURITY**—America's and the world's security depend on stability and prosperity. Aid supports local efforts to tackle poverty and injustice, which can fuel social tensions and destabilize countries.
- **ECONOMIC INTERESTS**—Prosperous people want American goods and services. Aid creates prosperity; in turn, that prosperity generates demand for American products and builds stable trading partners.

// 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. // <sup>13</sup>

COLIN POWELL, FOUR-STAR GENERAL AND FIRST AFRICAN-AMERICAN US SECRETARY OF STATE, 2001–2005, WRITING IN A *NEW YORK TIMES* OP-ED "COLIN POWELL: AMERICAN LEADERSHIP—WE CAN'T DO IT FOR FREE," MARCH 24, 2017

## MAJORITY SUPPORT: AMERICANS APPROVE OF AID THAT HELPS PEOPLE HELP THEMSELVES



Eight in 10 Americans want the US to participate in global efforts to maintain peace, protect human rights, and promote economic development, since those efforts help to create a more stable world that is less apt to have wars and is better for the growth of trade and other US goals.<sup>6</sup> Fifty-five percent of Americans are concerned or very concerned about people living in poverty abroad.<sup>7</sup>

And despite the growing domestic needs caused by the pandemic, a 2020 poll suggested 64 percent of Americans think we should increase or keep current aid levels.<sup>8</sup>

Support for foreign aid improves when aid is described as contributing to a poverty-related issue. A poll by the Kaiser Family Foundation found that 60 percent of respondents think the US should continue current levels or increase investments in "efforts to support improving health for people in low-income countries."<sup>9</sup>

Eighty-one percent of Americans support aid when provided for humanitarian relief and 66 percent support aid for supporting a country's economic development.<sup>10</sup>

Yet despite this support for foreign aid, some lawmakers fear that their constituents disapprove of votes supporting US foreign aid.

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

Americans vastly overestimate how much the US spends on aid, believing it to be more than 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."<sup>11</sup> Actual poverty-focused aid in fiscal year 2019 was half of 1 percent of the federal budget.<sup>12</sup>

# HOW MUCH DOES FOREIGN AID COST?

*Foreign aid* is a broad term that includes many types of international assistance. The entire international affairs budget—which includes diplomacy and development—is roughly 1 percent of the federal budget.<sup>14</sup> Poverty-focused development aid is half of that: 0.5 percent of the US federal budget in fiscal year 2019.<sup>15</sup> Cutting foreign aid has virtually no effect on reducing the nation’s debt, but it does threaten the lives of millions of people worldwide and puts our shared security at risk.

In terms of absolute dollars, the US is still the largest bilateral aid donor in the world.<sup>16</sup> In 2019, the US government spent \$34.6 billion on official development assistance, which is a tiny 0.16 percent of gross national income.<sup>17</sup> A look at how much nations

give as a percentage of their total economic wealth reveals that the US gives roughly the same proportion as Portugal and Slovenia.<sup>18</sup> The economic powers with which America normally fraternizes, like Germany, are vastly more generous. Germany gives 0.6 percent of their gross national income, four times the share of the US.<sup>19</sup>

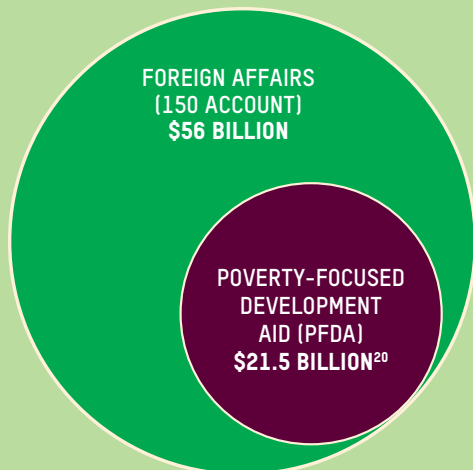
The graphic on the next page provides a quick reference on international affairs spending, general foreign aid, and poverty-focused development assistance (PFDA). See the boxes below to learn what each of these terms mean and what these accounts contain.



A fire truck distributes water to communities in Etas with Oxfam’s support. “It’s a very great relief to get this water,” said Casabella Lakon (right). *Amy Christian*

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

TOTAL USG BUDGET (FY2019)  
\$4.4 TRILLION



## WHAT IS THE INTERNATIONAL AFFAIRS BUDGET OR “150 ACCOUNT”?

In the US chart of accounts, the part of the budget that funds activities abroad is the “150 Account,” also known as the international affairs budget. Twenty-six percent of the 150 Account in fiscal year 2019 supported diplomacy, including embassies and activities that protect American businesses and citizens abroad.<sup>22</sup> The international affairs budget also contains US contributions to the United Nations and other international bodies, peacekeeping operations, and food aid.<sup>23</sup>

## WHAT IS FOREIGN AID OR INTERNATIONAL ASSISTANCE?

These are the blanket terms for all assistance the US gives to other countries. In addition to helping people escape poverty and responding to disasters, foreign aid supports military and political allies. About 35 percent of aid flows to 10 strategically important countries, such as aid to Iraq and Afghanistan for reconstruction; to Egypt, Israel, and Jordan to promote stability in the region; and to Colombia for peacebuilding and counternarcotics programs.<sup>24</sup> Aid to military and geopolitical allies may help lift people out of poverty, but in general that is not its primary purpose.<sup>25</sup>

## WHAT IS POVERTY-FOCUSED DEVELOPMENT AID (PFDA)?<sup>21</sup>

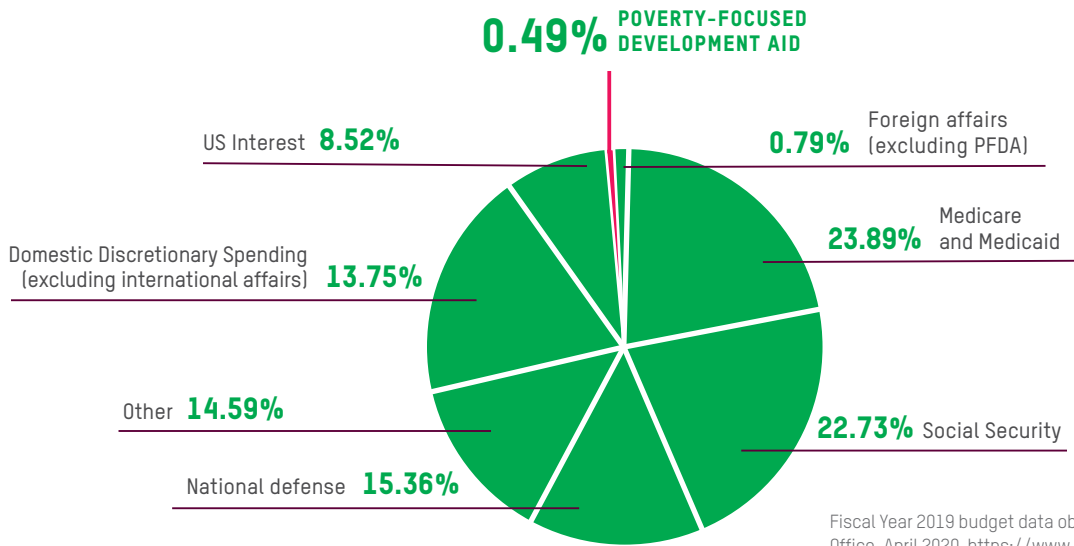
PFDA is directed at the systems and structures that keep people poor. Poverty-focused development builds human capital through health care and schooling, which are essential ingredients for poverty reduction. For example, this aid helps increase maize farmers’ yields in Kenya, prevents famine in Ethiopia, and improves girls’ access to primary school in Bangladesh. Humanitarian assistance is part of poverty-focused aid as it alleviates suffering for people without resources. The assistance the US gives low-income countries to fight COVID-19 is also considered poverty-focused development aid. Often, humanitarian and development aid complement one another in saving lives and alleviating suffering.

## WHAT IS THE DIFFERENCE BETWEEN HUMANITARIAN ASSISTANCE AND DEVELOPMENT ASSISTANCE?

Within foreign aid, humanitarian aid is short-term assistance that relieves suffering during crises, emergencies, and disasters. This support has been instrumental in places like Haiti following the 2010 earthquake and in West Africa during the Ebola outbreak in 2014–2015. Development assistance addresses longer-term challenges in areas such as education, health care, economic growth, and infrastructure.



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



Fiscal Year 2019 budget data obtained by the Congressional Budget Office, April 2020 <https://www.cbo.gov/publication/56324>

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

**\$104.78**  
PER PERSON  
DEVELOPMENT AID

### COMPARE THAT WITH HOW MUCH AMERICANS SPEND ON:<sup>26</sup>

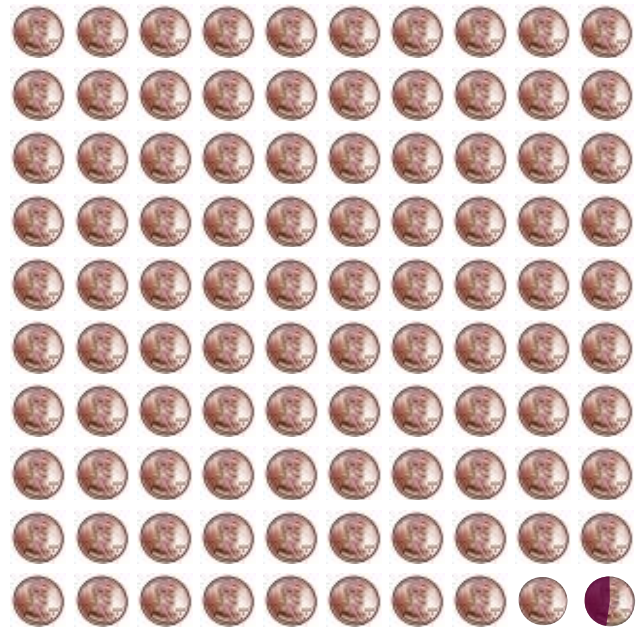
**\$102.74**  
PER PERSON  
HALLOWEEN  
SPENDING

**\$169.58**  
PER PERSON  
SPORTS

**\$236.20** PER PERSON  
JEWELRY

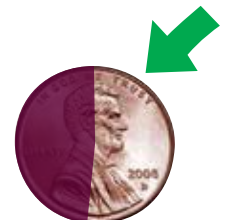
*Note: This graphic is based on a US resident population figure of 330,226,709 people.*

### THE US GAVE \$34.6 BILLION IN GLOBAL DEVELOPMENT AND HUMANITARIAN AID IN 2019.



### LESS THAN A PENNY ON THE DOLLAR

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



## 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

Post-World War II, the US creates its first major foreign aid program—the Marshall Plan—in 1948 to rebuild Europe’s economy following the war.

### 1960s

Congress passes the Foreign Assistance Act, which creates the US Agency for International Development (USAID) in **1961**.

### 1980s

The mid-1980s begins a downward trend in US foreign aid, which continues through the end of the Cold War.

### 1990s

As a result of downsizing, USAID’s staff capacity suffers, and the agency shifts from directly employing people to work on country projects to managing large grants and contracts going through US nongovernmental organizations (NGOs) and for-profit businesses.

### 2000s

In **2001**, US President George W. Bush reinstates the Global Gag Rule, known at that time as the Mexico City Policy, which puts women’s lives at risk by blocking USAID from supporting organizations that provide information on comprehensive reproductive rights and health.

Bush makes development one of three pillars of US national security: defense, diplomacy and development.

Bush creates the President’s Emergency Plan for AIDS Relief (PEPFAR) in 2003 to provide lifesaving medications to people with HIV and AIDS. Congress renews the program in **2008**.

Bush creates the Millennium Challenge Corporation (MCC) in 2004 as a new way to partner with low-income countries that meet certain good governance criteria.

US President Barack Obama takes office in 2008 and repeals the Global Gag Rule on his first day.

### 2010s

Obama signs the US Presidential Policy Directive on Global Development, creating the first national strategy for foreign aid in the context of national security. The State Department completes the first Quadrennial Diplomacy and Development Review (QDDR), to harmonize foreign aid policies and programs across various implementing agencies. The QDDR reinforces the role of development alongside defense and diplomacy in US national security.

In **2016** Congress passes the Global Food Security Act codifying Obama’s Feed the Future agricultural initiative, and the Foreign Aid Transparency and Accountability Act, which establishes greater oversight, accountability, and transparency of US foreign assistance spending—a key principle of effective aid.

In **2016** Donald J. Trump is elected 45th president of the United States and reinstates the Mexico City Policy, also known as the Global Gag Rule, in **2017**. Trump also rolls out additional provisions to prevent support to foreign organizations that perform or promote abortion as a method of family planning in other nations. This policy, euphemistically titled the Protecting Life in Global Health Assistance (PLGHA), expands the rule to apply to all US global health programs in 2020.

Also in **2017**, Trump freezes hiring across the federal government and eliminates thousands of positions. While some agencies eventually recovered, the State Department’s workforce was down 12 percent as Trump left office in 2021.

## GLOBAL GUIDELINES FOR DOING AID WELL

Congress passes the Better Utilization of Investments Leading to Development (BUILD) Act of 2018, which merges the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority of USAID into a single US International Development Finance Corporation. The new independent agency provides low-cost and low-risk financing for businesses to open or expand operations in low-income countries with the long-term goal of expanding employment and economic growth.

Also in **2018**, Congress passes the Women’s Entrepreneurship and Economic Empowerment Act (WEEE Act), which promotes women’s economic rights and mandates USAID to conduct gender analyses for all programs, policies, and projects.

USAID launches the Journey to Self-Reliance (JTSR) in late **2018**. JTSR helps orient all US aid toward sustainable investments and tracks aid-recipient countries’ progress based on 17 third-party, publicly available metrics. These measure a country’s ability to plan, finance, and implement solutions to solve its own challenges. Several metrics look at areas important for aid effectiveness.

USAID creates the New Partnership Initiative (NPI) in **2019**, which seeks to engage NGOs and businesses not previously funded by USAID.

In **2019**, Trump cuts aid to El Salvador, Guatemala, and Honduras in a counterproductive attempt to fight migration from Central America.

### 2020s

USAID begins to shape the Local Capacity Development policy, which brings coherence and consistency to USAID’s work in building effective local capacities in recipient countries.

On January 28, **2021**, US President Joe Biden repealed the Mexico City Policy as one of his first executive actions in office.

In **2011**, global development actors—donor countries, low-income countries, the private sector, and civil society—gathered to establish commitments for effective aid and good development. The resulting Global Partnership for Effective Development Cooperation (GPEDC) established four core principles that 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 people in poverty in low-income countries;
3. Inclusive partnerships among development actors based on mutual trust; and
4. Transparency and accountability between all actors.

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, uphold, and commit to being held accountable to these key principles.

# MYTHS AND FACTS ABOUT AID

**MYTH:** The US government spends 25 percent of its budget 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, which is more than Social Security or Medicare.<sup>27</sup>

In fact, the entire international affairs budget—which includes diplomacy and development—is only 1 percent of the federal budget. The reality is that poverty-focused development aid is less than half of that: 0.5 percent of the US federal budget in fiscal year 2019. For more information, see pages 6-7.

**MYTH:** Most foreign aid goes to corrupt governments.

**FACT:** The vast majority of foreign aid is not given to governments. It goes through US organizations as well as multilateral organizations like the World Bank. Furthermore, as of fiscal year 2016, only 22.5 percent of US assistance went to local governments or in-country institutions.<sup>28</sup> US aid dollars go much further when they are directed to locally based community organizations and local government agencies that provide services directly to citizens. One of the best ways to fight corruption is to give aid to local actors that are holding their governments accountable. See page 10 for an example of an effective US-government-to-local-government partnership.

Experience shows that US aid is most effective when it:

1. Creates incentives for better management of public revenues;
2. Deters corruption where it happens;
3. Assists governments in ending aid dependency;
4. Increases accountability to both local citizens and American taxpayers; and
5. Supports local leaders so they can respond to locally determined needs.

**MYTH:** Aid 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 job. While US aid does support nutrition, education, and health services for populations that would otherwise have no access, the goal is to transition this responsibility to local governments. For example, the US government helps low-income countries improve weak taxation systems, which generates new resources for local development. This approach is called domestic resource mobilization (DRM). For example, after receiving support from donors, Mali, Zambia, and Tunisia all increased their spending on poverty-fighting programs and improved their financial management systems.<sup>29</sup> The JTSR also monitors how much recipient countries invest in their own people.

## WHICH US GOVERNMENT AGENCIES PROVIDE DEVELOPMENT AID?

The US Agency for International Development (USAID) is the primary executive branch agency responsible for development aid. However, more than 20 other US government agencies provide foreign aid. These agencies include:

- Millennium Challenge Corporation
- Peace Corps
- President's Emergency Plan for AIDS Relief
- US Development Finance Corporation
- Department of State
- Department of Defense
- Department of Labor
- Department of Treasury
- Department of Health and Human Services
- Department of Agriculture
- Office of the United States Trade Representative
- Environmental Protection Agency

While more US aid is helpful, too many actors could cause duplication and create hurdles toward a single unified US government approach to partner countries.



**MYTH:** Aid doesn't work.

**FACT:** Since 1990, the world has seen more than a billion people lift themselves out of extreme poverty—a faster decline in poverty than at any other time in history.<sup>30</sup>

Hundreds of millions have been saved from preventable diseases like HIV/AIDS<sup>31</sup> and malaria,<sup>32</sup> tens of millions of children are in school,<sup>33</sup> and millions of families have improved their economic situation with new farm technologies, access to finance, and more.<sup>34</sup> US support for countries to improve domestic resource mobilization (DRM) helped increase health and education spending. Foreign aid played a significant role in this progress, especially for the lowest-income nations. For example:

1. USAID's leadership helped contain the Ebola epidemic in West Africa;
2. US assistance continues to be essential in preventing mother-to-child transmission of HIV;<sup>35</sup>
3. American and global investments in agriculture over the last 20 years helped make it possible to feed an extra billion people; and
4. US support has helped countries generate their own resources for health and education services.

Development is a complex, long-term endeavor that requires agility, applied learning, and strong collaboration between local communities and those seeking to assist them. And like any investment, nothing works 100 percent of the time. US development and humanitarian assistance are important pieces of the puzzle, but they are not panaceas, and there's always room to improve.

**MYTH:** Aid isn't relevant to people in poverty anymore.

**FACT:** For 736 million people worldwide that are in extreme poverty, aid is a lifesaver. Overall, foreign aid has become a smaller piece of the economic pie for most low-income countries compared with financial flows like tax revenues, remittances, and private investment. However, for some fragile states, foreign assistance provides essential services like basic health care and education. In other words, for those in fragile or war-torn states, aid is essential until there can be peace.

**MYTH:** Private charities like Oxfam should help people in poverty, not the US Government.

**FACT:** Private charities can't build roads and banking systems. People become stuck in poverty when there are systems and structures that stop them from moving forward. Sometimes it can be as simple as building a good road so farmers can get their produce to a market. Or providing a safe place for women to put their money so it's not stolen from them. The best kind of aid addresses the root cause of poverty: lack of power to remove the systemic obstacles standing in people's way. Charities alone can't create these shifts in power; overcoming these obstacles requires multiple actors working together including governments and local civil society organizations.

**MYTH:** We should reduce aid to avoid it being used for partisan political agendas.

**FACT:** Withholding aid to serve a partisan political agenda is abhorrent. US foreign aid, particularly poverty-focused aid, must remain free of specific "quid pro quo" agendas. Congressional oversight of aid prevents this kind of abuse by individuals in the executive branch.

# GENERATING NEW RESOURCES FOR DEVELOPMENT

In recent years, domestically generated and private sector resources have gained importance for development. Agencies like USAID are finding ways to support domestic resource mobilization by helping countries increase their tax revenues as well as by expanding relationships with the private sector through public-private partnerships.

This is a welcome shift. Domestic resources and private financial flows make up an increasing portion of money coming into low-income countries,<sup>36</sup> sometimes outstripping foreign aid. These resources need to be harnessed to fight poverty if countries are to achieve their sustainable development goals and become self-sufficient.

In particular, taxation should not increase poverty. Many low-income countries tax consumables such as tea, flour, sugar, coffee, and other essentials. This regressive taxation hurts low-income people. Taxation systems should be fair, transparent, and enforceable, so that businesses and high-income citizens pay their share.

Aid for domestic resource mobilization for lower-middle-income countries is vital for strengthening revenue collection systems in key areas.

## COMMUNITIES RISING

The Ugandan organization African Women and Youth Action for Development (AWYAD) began in 2010 as a collection of volunteers who led discussion groups and connected women in need to services. Ten years later, the group is a powerhouse in the country's humanitarian response community. Between then and now, AWYAD took part in a multiyear program known as ELNHA, or Empowering Local and National Humanitarian Actors. In Uganda, ELNHA is aimed at helping AWYAD and other groups develop and carry out effective humanitarian work and attract funding to grow and thrive.

The project issued small grants and provided workshops on humanitarian standards and practices, financial systems, management, and other organizational issues. The participants themselves oversaw the educational process.

In 2016, when AWYAD director Ritah Nansereko saw women and children who had fled South Sudan taking shelter under trees, the organization didn't just refer them to services: it advocated successfully for a new settlement that now houses more than 50,000 refugees—in conditions that more closely resemble a village than a crowded camp. When Nansereko saw that the local government had no role in decision-making about the settlement, AWYAD spearheaded a successful campaign to change the national response framework to include these key actors. Meanwhile, AWYAD has been working to make the settlement safer through programs to end domestic violence and build peace among the tribes who live there. "Humanitarian work begins from



Scene from a women's group sponsored by AWYAD. "Women who used to be afraid to speak up are now leading women's groups," says AWYAD Field Coordinator Teddie Babu. *Elizabeth Stevens / Oxfam America*

the heart," says Nansereko. Systematically investing in strong local leadership through multiyear programs like ELNHA is an important way to ensure that local organizations get the resources and support they need.

Local organizations are best placed to respond to their locally determined needs, and often, these organizations know how to engage and work with their local government leaders to provide sustainable solutions.

## GLOBAL GOALS MATTER

When countries set joint goals and work toward them together, transformational change happens. In 2000, the UN led a process to create the Millennium Development Goals (MDGs): 15 ambitious targets, including halving extreme poverty and hunger. The goal to provide universal primary education focused countries on this need, brought new donors to the table, and mobilized billions in additional resources. As a result, the world decreased by almost 50 percent the number of out-of-school children—from 100 million in 2000 to around 57 million in 2015. This reduction is a remarkable achievement, considering the population grew over the same period.<sup>37</sup>

Building on the successes and learning of the Millennium Development Goals, the Sustainable Development Goals (SDGs) seek to eradicate—not just reduce—extreme poverty and hunger. The SDGs go beyond Band-Aid solutions and address the systemic issues at the root of poverty. US foreign aid should align with and support the SDGs, rather than create separate goals and programs in recipient countries. The new set of goals outline 17 targets to reach by 2030:

- GOAL 1** No poverty
- GOAL 2** No hunger
- GOAL 3** Good health and well-being
- GOAL 4** Quality education
- GOAL 5** Gender equality
- GOAL 6** Clean water and sanitation
- GOAL 7** Affordable and clean energy
- GOAL 8** Decent work and economic growth
- GOAL 9** Industry, innovation, and infrastructure
- GOAL 10** Reduced inequalities
- GOAL 11** Sustainable cities and communities
- GOAL 12** Responsible consumption and production
- GOAL 13** Climate action
- GOAL 14** Life below water
- GOAL 15** Life on land
- GOAL 16** Peace, justice, and strong institutions
- GOAL 17** Partnerships for the goals



When disaster strikes in El Salvador, women leaders spring into action. “At the community and municipal levels, women are now at the forefront of the civil protection system,” says Magdalena Cortéz, director of the Salvadoran NGO Fundación Maquilishuatl. But 20 years ago, women in leadership were scarce, and that translated into gender-blind emergency responses. “We had to fight to get aid providers to take women’s needs seriously,” says Cortéz. But fight she did—and does. She no longer has to explain the basics to international donors—such as that menstruation doesn’t stop when a hurricane hits—but the battle for gender equality in humanitarian response is still in full swing. “In an emergency, it’s essential to view women not only as recipients of aid,” says Cortéz, “but as decision makers and as people with rights.” Now, she and her organization identify women who are dedicated to their communities but may be struggling with poverty and illiteracy, accompanying them on a journey to become confident spokespeople who can hold their elected officials to account. The harsh realities of life in countries that face frequent disasters forge local aid providers whose commitment is unwavering. For Cortéz, it couldn’t be more personal: Her father, grandfather, and aunt all died in a massive landslide. “I do this work to dignify their memories.” *See p. 16 on the importance of prioritizing gender into US foreign assistance.*

Above: Organizations like Fundación Maquilishuatl (FUMA) in El Salvador are helping women speak up for gender equality and government accountability. “My hope is that more women can participate in making public policies, and that they come to wield the power they need to support the dignity of women throughout the region.” —Magdalena Cortéz, director of FUMA. *Elizabeth Stevens / Oxfam*

# FOREIGN AID: DOS AND DON'TS

## DO: SUPPORT LOCAL LEADERS IN THEIR EFFORTS TO BUILD LOCAL SYSTEMS

Adams Elhassan Mohammad is the district coordinating director in Tolon—an area that is home to 100,000 people in Ghana's arid northern region. He and his colleagues at the regional levels work hard to meet the diverse challenges of their constituents—namely, poverty, food insecurity, and undernutrition—with virtually no resources.

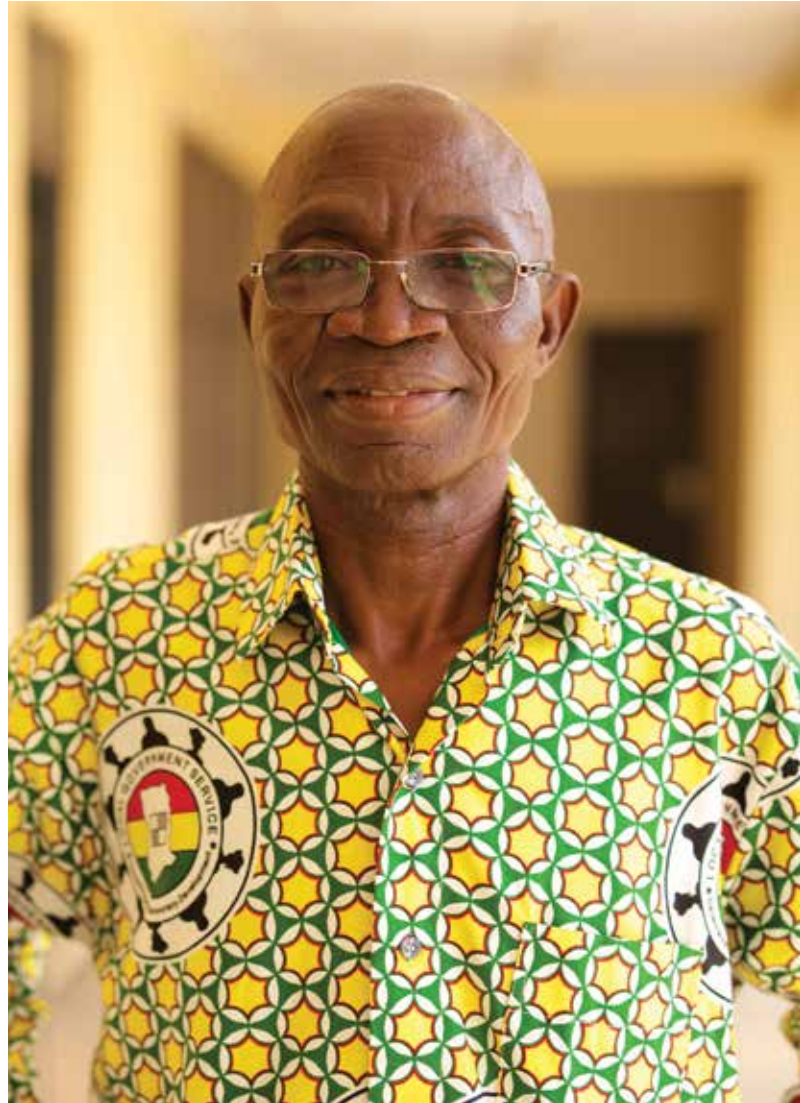
What Mohammad and his colleagues have are great ideas, determination, and, more recently, the freedom to pursue the development their communities want. Ghana's long-term decentralization goal lets local governments create their own development strategies, but the national government does not provide resources to execute anything. In recognition of the importance of empowering local governments, USAID ran the five-year Resiliency In Northern Ghana (RING) project.

RING established a direct funding relationship between USAID and local government entities—a rarity for US development aid. This structure was key to building the capacity of local government in the region. Rather than bypassing these existing systems, RING provided funds directly to local assemblies so that they could serve their constituents. RING also included loan guarantees that facilitated financial inclusion.

**"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,"** said Habib Shahadu, the senior development planning officer for the northern region.

With the additional resources, Mohammad and his fellow leaders were better able to target, implement, and monitor project interventions such as small-scale agriculture, livelihoods, savings, nutrition, hygiene, and sanitation projects intended to reach their most vulnerable communities.<sup>38</sup>

**"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,"** said Mohammad. **"Because RING has adopted the strategy of working through the district assembly, it is working directly ... with the people in the community. And so, the people in the community see the project as their own."**



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



## DON'T: REPEAT HISTORY AND REINFORCE INEQUITIES

Poverty results from centuries of systemic marginalization of certain groups—particularly, indigenous peoples, racial and ethnic minorities, and women. Virtually all low-income countries were once colonies, from which colonizers extracted raw materials, agricultural products, and human beings. Systems of power were set up to ensure that colonizers could access the products that fueled global trade.

When colonization ended, these colonial structures and systems were altered, shifted, and maintained by private companies and local elites with interests in preserving the status quo. Typical colonial structures include banking systems only for the elite, inaccessible private schooling, and communal land being taken and transferred to private owners (normally foreign men) and then closed to indigenous peoples.

Poverty existed all throughout the colonial period as education and opportunities were reserved for those anointed by colonizing powers. These power structures are the root cause of global poverty, and these structures still stop billions of people from reaching true prosperity.

When US development programs attempt to support people in poverty without first understanding this vital history, it can make things worse and create a new kind of colonialism that perpetuates and exacerbates inequalities or focuses on Band-Aid solutions. Many development programs are built on a set of faulty assumptions and unconscious beliefs that come straight from the 19th century, including the following:

### COLONIAL THINKING:

Local people, who are almost always Brown or Black, cannot be trusted to manage resources and timelines. Their culture accepts corruption and poor performance, and a white person must be “in charge.”

### APPROPRIATE RESPONSE TODAY:

The truth is that there are corrupt and honest people everywhere in the world; the US can find and work with those who are highly trustworthy and capable.

### COLONIAL THINKING:

Educated people from developed countries, like development contractors and international NGOs, have the expertise and solutions to the problems of people in poverty.

### APPROPRIATE RESPONSE TODAY:

The reality is that people in poverty have the best understanding of what will work, be fastest, and have lasting results in their contexts.

### COLONIAL THINKING:

What worked for rich countries is what will work for all countries.

### APPROPRIATE RESPONSE TODAY:

The truth is that the economic success of rich countries was largely fueled by hundreds of years of colonialism, which ensured (through force) access to cheap labor, land, and products from colonized countries. In addition, there was significant state intervention such as tariffs to bolster economic growth in high-income countries. Markets were never free. There is no possible way low-income countries can mimic that system, nor should they try. Each nation must chart its own path forward.

### COLONIAL THINKING:

People are poor because they don't work hard enough.

### APPROPRIATE RESPONSE TODAY:

Modern-day systems evolved from colonial ones, which shut the vast majority of people out of educational and economic opportunities. People in poverty work *extremely* hard, but their hard work is not paid well, so they remain poor. And they are not allowed the opportunities, rights, and assets they need to move out of poverty.



## DON'T: NEGLECT THE LOCAL ACTORS WHO KNOW HOW TO GET THINGS DONE

When it comes to navigating a complex environment, local organizations have knowledge and experience that far outstrips their international counterparts. For example, when the ISIS occupation was over in Tikrit, Iraq, the city lay in ruins, and the population reeling from the impact of violence, intimidation, and physical destruction. In 2015, a man named Adil (name changed for security reasons), who had fled Tikrit with his family to Kirkuk, returned home and quickly set out to create an organization that would connect volunteers with a passion for rebuilding their city with projects that would make a difference. The result was the Tikrit Center for Volunteer Work (TCVW).

But Adil was not satisfied with returning to the old status quo, in which women faced barriers to employment and active participation outside the home. From the outset, Adil was committed to ensuring that women play important roles in the center and also benefit from its programs. He faced local resistance, but with positivity and persistence, he succeeded. "We now have female employees who are leading businesses and volunteering activities," he says, "and the community is very supportive and encouraging toward our work."

Then came the coronavirus pandemic. "We saw that there was a role we could play in supporting local authorities in raising public awareness as well as meeting urgent critical needs," Adil says. The center launched a microenterprise that provides locally made masks at affordable prices while enabling women to earn an income. "Everyone loves this idea," says Adil, "and we hear that similar initiatives are taking place in other areas and in other countries, which just goes to show the power of local communities in making positive change. Providing funds directly to local organizations allows more flexibility for local leaders to quickly adjust and address new development challenges."

Above, Adil, founder of the Tikrit Center for Volunteer Work (TCVW) in Iraq, sews face masks as part of a project to provide women with employment and poor families with affordable personal protective equipment. With their local knowledge and networks, organizations like TCVW can often function effectively in settings that challenge international aid providers. *Ali Al-Taboo / TCVW*

## DO: MAKE AID FEMINIST

A person's sex is the strongest predictor of poverty in our world today. Just being a woman or girl means a higher risk of being poor. This is because women and girls are discriminated against in every aspect of life—from surviving childhood and becoming educated to getting a decent job and living free of violence. Women and girls are pushed even further back if they are part of a minority group, have a disability, or don't conform to gender stereotypes.

It makes sense that one of the shortest paths to ending poverty is achieving gender equality. And yet, in 2018, only 2 percent of aid for economic and productive sectors included a goal to improve equality between women and men, let alone for people with other gender identities.<sup>39</sup> Of this tiny 2 percent, only one-tenth of it actually reached women's organizations on the frontlines of change.<sup>40</sup>

Poverty aid that integrates feminist principles:

1. Makes achieving women's rights—and all human rights—a part of each and every program. Whether the project focuses on promoting free elections, increasing corn yields, or reforming healthcare services, all should aim to advance rights and agency along with their formal objectives.
2. Includes a thorough analysis of gender and other forms of marginalization. In fact, under the mandates articulated in the Women's Entrepreneurship and Economic Empowerment Act of 2018, USAID is required to conduct gender analyses for all programs, projects, and policies. This type of analysis uncovers the different roles, responsibilities, resources, rights, and, most importantly, power that women, men, and people with other gender identities have (or don't have). This information is then used to make projects effective for everyone.<sup>41</sup>
3. Acknowledges that US dollars are most effective when aid programs rely on expertise from local people closest to the problems being solved. When aid projects consult with, and directly fund, local grassroots organizations, they are less expensive, more impactful, and highly likely to last over the longterm.<sup>42</sup>
4. Takes care to do no unintentional harm by conducting ongoing gender analyses and relying on local organizations that understand the local context.<sup>43</sup>
5. Guarantees that what's measured is meaningful and shared with all stakeholders, including the local community.<sup>44</sup>

The development sector often states that when projects focus on women, the project has better results. However, aid that aligns with core feminist principles does not direct aid only at women. In fact, when projects target women without engaging men, there are many unintended negative impacts. Women's workloads increase as they, for example, grow a microenterprise while keeping up with time-consuming household roles. Domestic violence often increases when men feel excluded or that they have lost power. Durable solutions must engage everyone in the family and community, while also addressing the power dynamics that keep women and girls marginalized.

## DO: GIVE CLIMATE-SMART AID

Climate change is both deadly and costly. Those least responsible for causing it are the ones living with its impacts. Over the past 25 years, the richest 1 percent of the world's population is responsible for more than twice the carbon pollution of the poorest 3 billion people.<sup>45</sup> In further injustice, it is the poorest and most marginalized people in the world who are hardest hit by climate change, which could undo decades of progress on poverty reduction and dramatically increase global inequities.

US foreign aid for climate adaptation and mitigation should follow five simple guidelines:

1. Provide climate assistance as grants, not loans, to low-income countries that already struggle with high debt payments. Countries and communities should not be forced to take out loans to protect themselves from the excess carbon emissions of rich countries. Right now, 40 percent of climate finance to low-income countries is nonconcessional, market-rate loans. While loans have a role to play in some circumstances, they cannot address the needs of the world's most vulnerable people.
2. Expand resources for locally led action on climate change in line with low-income countries' own national planning, policies, and strategies. Track and report on how much climate finance is spent at the local level.
3. Adapt all foreign aid programs and projects to the reality of climate change. Agriculture and infrastructure projects, for example, must be designed to withstand impending floods, droughts, and extreme weather.
4. Phase down aid for high-carbon technologies and infrastructure, especially in areas where cleaner and affordable alternatives are feasible.
5. Urgently increase financial support for climate action with stronger gender equity and social inclusion considerations integrated. Ensure that all climate finance projects consider the different needs of women, men, gender minorities, and other marginalized peoples in objectives, design, and implementation.

COVID-19 shutdowns will not undo climate damage. While carbon emissions have temporarily slowed because of lockdowns, they will rebound quickly as restrictions ease.<sup>46</sup>

Above, Clarence Tamara demonstrates how she alerts her community when a cyclone is about to strike their island in Vanuatu. In the nations most at risk from storms, drought, and rising seas, there is urgent need for resources to enable adaptation to a changing climate. *Elizabeth Stevens / Oxfam*



## CLIMATE CRISIS

In terms of disaster risks, the Pacific island nation of Vanuatu ranks number one in the world. Pummeled by powerful cyclones and endangered by rising sea levels, the country faces the damaging effects of climate change every day of every year. With its population scattered across scores of islands, much of Vanuatu's disaster preparedness and response capacity rests with rural community members, and they are getting organized. One international agency helped 50 communities create committees dedicated to disaster management; each now has an emergency response plan and a longer-term action plan for reducing risks, and each is closely connected to the government's own disaster management authorities. The committees know how to track oncoming storms and alert their communities, lead evacuations, assess damage and injuries, and ensure supplies of clean water in emergencies. And they are leading efforts to reduce the risks—by protecting and planting trees and grasses to reduce beach erosion, for example. Each committee includes women, men, youth, and people with disabilities, and such representation is ushering in changes for the better. “As a woman leader, you get challenged and questioned a lot,” says Clarence Tamara, the woman who chairs her village's disaster management committee. “But women make good leaders, because we think about the whole community.” Through workshops, Tamara has gained knowledge that could save lives and she has imparted it to her community, she says. “Now everyone shows me respect.” As the climate crisis intensifies, US aid to the governments and organizations should reflect the urgency of climate adaptation measures in the world's most vulnerable countries. The US should provide aid that strengthens community networks so that they can work together to respond to the climate crisis.

## DON'T: GO IT ALONE

Multilateralism is the means by which countries pool resources to solve global challenges together. The US gives about 13 percent of its foreign aid budget to multilateral agencies. The benefits of multilateralism are many:

1. There are issues that the US cannot solve unilaterally, like climate change or responding to the coronavirus. Solving these types of complex global challenges requires nations to come together, share information, coordinate strategies, and pool resources.
2. Coordinated action ensures that donors don't reinvent the wheel or duplicate efforts. Many countries receive funds from 10 or more donors to accomplish the same goal. When donors coordinate, they can make sure that countries aren't being flooded with funds or starved for resources.
3. Pooled funding reduces transaction costs and leads to economies of scale. In Kenya, while other donors use the procurement system set up through the Global Fund to Fight AIDS, Tuberculosis and Malaria, the US uses its own system to buy HIV/AIDS test kits and antiretroviral drugs—a system that costs about four times as much as the Global Fund's.<sup>47</sup>
4. The voice of many donors is louder than just one lone donor. The multilaterals that focus on finance, such as the International Finance Corporation (IFC) and International Monetary Fund (IMF), have more regular communication with, and influence over, country finance ministries than any single donor. These organizations can play an instrumental role in helping low-income countries raise their own resources for development in ways that are fair and equitable.

## DO: GIVE AID AS GRANTS, NOT AS LOANS

According to the IMF, the number of low-income countries that cannot pay their debts or are at high risk of being unable to do so, has doubled since 2013, reaching two out of every five in total.<sup>48</sup> Since 2000, more low-income countries have been taking loans from China or domestic creditors, at much higher interest rates than loans from multilaterals like the World Bank.<sup>49</sup>

Investments in education and health care result in higher tax revenues and GDP over decades, not years. Financing anti-poverty programs with loans only ends up deepening poverty as governments raise taxes on staples like food to generate the revenues to pay back debts. Despite this predictable negative impact, many donors are providing "aid" as loans, instead of grants. African economies are spending up to five times more on debt payments than they are on health care.<sup>50</sup>

Add COVID-19 with its devastating economic impacts and many low-income countries are being forced to seek debt relief. Past experience shows that relieving debt leads to increased investments in health and education, which is a good outcome. However, funds for development should have never been given as loans in the first place.

Finally, multilateral loans come with heavy strings attached. The World Bank and IMF, for example, impose conditions on loans that force fragile markets to open. These demands are based on ideology, not economic evidence.

## STRENGTH OF THE LOCAL HUMANITARIAN NETWORK IN THE PHILIPPINES

Creating a more just and effective system of humanitarian response means helping local and national organizations step to the forefront. A three-year pilot project known as Financial Enablers, or FEP, helps Filipino organizations boost their capacity for humanitarian response and preparedness. The goal was more far-reaching than simply building skills: it was to strengthen leadership, so that participants were encouraged to take charge from the start.





# WHAT IS THE GOAL OF POVERTY-FOCUSED FOREIGN AID?

Oxfam believes that poverty-focused aid should create the conditions in which:

1. People have the ability to improve their lives, with governments enabling such improvement to happen;
2. Countries finance their own needs and development;
3. A thriving civil society holds governments accountable; and
4. A vibrant private sector generates good jobs and wealth for all citizens.

If US foreign aid is going to help achieve this vision in our lifetimes, it must do the following:

## 1. FOCUS POVERTY AID ON FIGHTING POVERTY AND INEQUALITY

Inequality is multidimensional. Its different expressions are created and sustained by unjust systems that can affect anyone, anywhere. Their interaction is the root cause of discrimination, poverty, and injustice. When directed toward poverty and inequality, US foreign assistance can help achieve change at scale, and can support solidarity with, and amplify, the voices of people experiencing poverty and injustice. When poverty-focused development assistance is truly focused on these aims, it will not be politicized, instrumentalized, or used to achieve short-term solutions to systemic problems. And by recognizing the intersectionality of inequalities, from those based on gender, race, sexual orientation, language, class, or any other status, it will address the priorities and strategies of populations who are not adequately represented in decision-making around aid, either at home or abroad.

US foreign assistance can be targeted towards these goals if the US government designs and implements a coherent global development policy to face the most complex, unprecedented set of international crises in the modern era. Rising social and racial inequity, compounded by the global COVID-19 pandemic, laid bare the systemic and structural racism that many communities experience daily all around the world; Domestically, it has emboldened white nationalism and highlighted the rise of political instability and the spread of mass disinformation. The US global development policy must meet these challenges head on by identifying a humble, solidarity-based role for the US government that addresses oversights the US has made

through aid in the past, and charts a path forward that is built on investing in the success of local actors through partnerships founded on trust.

The US should develop a coherent global development policy that reaffirms the country's core commitments to make aid more impactful: aid delivered transparently, as locally as possible, with meaningful multistakeholder engagement, that strengthens partner country capacity to implement programs through local systems, enhances and promotes country ownership, and increases sustainability. No US aid should be gender-blind or ignorant of the challenges posed by climate change. Such a policy will provide a North Star that centers the idea that how we deliver aid is as important as what aid is delivered.

## 2. SUPPORT, NOT SUPPLANT, LOCAL ACTORS

When designing development projects, US aid agencies should default to local priorities and local systems, whether these be locally grown NGOs, businesses, or responsible government bodies. Some local actors need strengthen capacity prior to a partnership with the US; this is an appropriate use of aid.

The US government should also pivot away from US contractors toward locally embedded partners who know their contexts and remain after projects end. Local organizations are also highly cost-effective. For example, in Liberia, US-based consultants cost nearly twice as much as local experts. An official with the Liberian Ministry of Education noted: "The cost of contracts for any consultant takes a chunk of aid. [But] sometimes you can find some local consultants, very skillful, and you would save costs."<sup>51</sup> PEPFAR is making strides in this direction with a commitment to give 70 percent of its funds to local institutions.<sup>52</sup>

Working in partnership with local people also means being flexible. Donors must take a less rigid approach and avoid the common tendency of forcing partners to follow predefined pathways. For citizens to work within systems, they need to adjust strategies as they face unanticipated challenges or find new openings. In Cambodia, for example, local organizations note how the long chain of command from USAID to contractors to subcontractors makes it nearly impossible to make even small budget changes, effectively eliminating creativity and flexibility.<sup>53</sup>

### **3. HELP CITIZENS FIGHT CORRUPTION AND SUPPORT GOVERNMENTS IN DELIVERING SERVICES TO CITIZENS**

Americans rightly demand that their aid not be diverted by corruption—or worse yet, fuel corruption. Poverty-focused aid can actually help citizens fight corruption by supporting local organizations as they reform their country’s dysfunctional institutions. Locally driven approaches are more effective in fighting corruption than traditional donor-driven methods like building anti-corruption units within governments.<sup>54</sup> See page 24 for an example of how rural citizens in Guatemala successfully stopped a corrupt mayor.

Everyone agrees that countries, rather than far-away governments or charities, should provide services to citizens like basic health care, education, infrastructure, and environmental protection. An excellent use of poverty-focused aid is building the capacity of governments, particularly local-level municipal agencies, to serve citizens in these ways. In Ghana, an innovative USAID partnership created a win-win for local citizens and US taxpayers. See the RING project on page 14 for how this worked.

### **4. CHANGE THE SYSTEMS THAT KEEP PEOPLE POOR: TACKLING GENDER INEQUALITY AND ERADICATING RACISM**

Women are at higher risk than men of being trapped in extreme poverty not because of their genetics, but because of widespread discrimination against women and girls. Therefore, the lasting solution is to eliminate the pervasive biases that keep women poor. The same is true of people who are systematically marginalized because of race, ethnicity, or religious or tribal affiliation, as well as people with disabilities. Poverty is a tragic symptom of underlying inequities in society.

Poverty-focused aid should channel resources to country-based organizations that are changing mindsets and social norms, such as women’s and minority-rights organizations.

### **5. COMMIT TO ENVIRONMENTAL AND SOCIAL SAFEGUARDS FOR THE DFC**

The new US Development Finance Corporation (DFC) has a clear mission to facilitate American investments in low-income countries that create good jobs, but these investments should not come at the cost of exploitative labor, environmental degradation, or the disrupting of livelihoods for families and communities. Environmental and social safeguards are critical aspects of ensuring US development finance is both equitable and sustainable. As a new agency, it is essential that the DFC develop and employ robust policies, standards, and operational procedures designed to first identify and then avoid, mitigate, and minimize adverse environmental and social impacts.

Equitable economic growth that creates billions of good jobs is one primary pathway to ending poverty. People-intensive industries, such as solar energy, hospitality, tourism, retail, and services, have huge potential for long-term, high-quality employment. The DFC should focus on investments that promote equitable employment opportunities for thousands of people and steer away from guarantees for extractive industries.

### **6. ALL TOGETHER NOW: ENSURE DEVELOPMENT POLICY COHERENCE**

A coordinated US government approach to impactful development assistance is vital, especially because agencies can work at cross-purposes. All agencies that provide US foreign assistance to a country should work together under a single set of goals—preferably the recipient country’s goals—and harmonize activities, apply a common set of standards, and streamline reporting. Duplication of efforts, slow bureaucratic processes, and the faulty allocation of resources is, put quite plainly, a waste of US taxpayer dollars.

A single, coordinated US interagency approach is especially important for the DFC. As this new agency expands its efforts, it should take advantage of aid effectiveness principles such as country ownership and synchronization with other US government entities.

## 7. MAKE US AID TRANSPARENT FOR TAXPAYERS AND CITIZENS IN RECIPIENT COUNTRIES

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 recipient countries. But when the US shares high-quality, comprehensive, and timely information about our aid investments, partners plan better projects, watchdogs keep an eye on the money, and citizens in both the US and partner countries make sure that aid delivers results.



# WHAT'S HAPPENED SO FAR TO MAKE AID BETTER?

Over the past two decades, the US has launched major initiatives to improve US foreign aid.

**The Millennium Challenge Corporation:** Bush recognized the importance of strengthening country ownership by building it into the very foundation of the Millennium Challenge Corporation in 2004. The MCC's model assesses eligibility for funding based on how countries perform on economic freedom, investments in people, and just rule of law. Once a country is eligible for assistance, the MCC practices ownership by requiring partner countries to set their own priorities, conduct broad-based consultations with citizens, propose their own solutions, and manage implementation locally. The MCC also strives to ensure that local partners are transparent and accountable to the general population, as well as to the MCC.

**Presidential Policy Directive on Global Development (PPD-6):** Obama's Policy Directive on Global Development, issued in 2010, puts ownership at the center of US global development policy. Where country partners reflect high standards of transparency, good governance, and accountability, the US will: "Respond directly to country priorities, making new investments in line with established national strategies and country development plans based on broad consultation. Empower responsible government to drive development and sustain outcomes by working through national institutions rather than around them."<sup>55</sup>

**USAID Forward:** USAID Forward was an agency-wide reform that included an effort to reorient toward country-owned development approaches. Key to USAID Forward was the Local Solutions initiative, which pursued increased local ownership and sought to channel 30 percent of US assistance to local entities (government, civil society, and private sector). Between fiscal years 2010 and 2015, the proportion of USAID funding going directly to local organizations went from 9.7 percent to 18.6 percent.<sup>56</sup> USAID Forward also established country development cooperation strategies (CDCSs), designed to foster local engagement in determining country priorities and strategies.<sup>57</sup>

**Foreign Assistance Dashboard and the Foreign Aid Transparency and Accountability Act (FATAA):** Obama mandated the publishing of machine-readable data on US aid, and, since 2010, the Foreign Assistance Dashboard provides a basic view of US aid across agencies and countries.<sup>58</sup> A bipartisan effort in Congress also resulted in the Foreign Aid Transparency and Accountability Act, which requires the US to go even further in its aid transparency.<sup>59</sup>

**International Aid Transparency Initiative (IATI):** 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>60</sup> have risen across the board with the Millennium Challenge Corporation ranking first in 2013 and consistently being a top performer since.<sup>61</sup>

**Journey to Self-Reliance (JTSR):** The JTSR incorporates several key pillars of aid effectiveness. First, it prioritizes local governments, subnational governments, civil society actors, and community leaders as vital partners in finding local solutions to development challenges.<sup>62</sup> USAID also committed to supporting country efforts to mobilize their own resources for development needs. This includes equitable tax reforms, transparent budget development, and effective tracking of spending. The JTSR also has a robust learning agenda that will harvest lessons learned.<sup>63</sup>

**New Partnerships Initiative (NPI):** The NPI seeks to broaden the number and types of partners USAID engages. Traditionally, USAID has relied on a small set of US-based government contractors to run its projects. The NPI opens space for businesses and nonprofits that have not been prime partners with USAID in the past five years to compete for special NPI funds.<sup>64</sup> The initiative emphasizes local in-country partnerships, but the ability of local organizations to access these funds remains to be seen.

**Women's Entrepreneurship and Economic Empowerment Act (WEEEA):** Passed by Congress in late 2018, the WEEEA makes women's economic empowerment a central tenet of US aid. The bill prioritizes investments in women's economic rights, such as land tenure; promotes access to credit by women; and addresses broader social issues that limit women, such as gender-based violence. A key provision of WEEEA mandates that all US aid policies and programs conduct a robust gender analysis and use the findings to design and deliver gender-smart interventions.

**BUILD Act and the Development Finance Corporation (DFC):** The Better Utilization of Investments Leading to Development Act (BUILD Act) modernized development finance by creating the DFC, which merges the Overseas Private Investment Corporation and the Development Credit Authority. In partnership with the private sector, this innovative approach allows the US to help countries create jobs in sustainable and meaningful ways.<sup>65</sup> The BUILD Act provisions mandate the collection of gender disaggregated data and ensure women and girls will benefit.<sup>66</sup>

**USAID Capacity Development Policy:** This policy proposal brings coherence and consistency to USAID's work in building effective local capacities in recipient countries. It prioritizes investments that advance the performance of local actors (individuals, organizations, and networks) in achieving good outcomes. The draft policy outlines clear definitions, uses a strengths-based approach, describes how USAID will shift toward greater local capacity development, and promotes "partnerships based on mutuality."<sup>67</sup>



# WHAT'S NEXT FOR AID EFFECTIVENESS?

Oxfam America calls on the current presidential administration and Congress to make five urgently needed reforms:

**1. Double poverty-focused development and humanitarian assistance** budgets by 2024 to meet the pressing challenges born out of global inequities. Increased assistance should prioritize tackling extreme poverty.

**2. Produce a US government-wide global development policy and strategy** that further elevates US development assistance. The policy should:

- Set fighting poverty, gender injustice, and inequity as primary goals of US foreign assistance and development cooperation;
- Renew US support for achieving the SDGs;
- Commit to the Global Partnership for Effective Development Cooperation (GPEDC); and
- Articulate country ownership and locally led development as the primary means to achieve these goals.

**3. Soften sectoral earmarks.** The US Congress should provide greater flexibility from earmarks that prevent the investment of adequate revenue in supporting accountability and good governance. Likewise, the executive branch should permit flexibility within presidential initiatives. The investment of

earmarked funds in strengthening accountability could support better outcomes across the US government's entire aid portfolio in a country.<sup>68</sup>

**4. Double the amount of US foreign assistance going directly to local institutions and organizations, particularly women's rights organizations.** USAID should develop an official policy on local civil society engagement that reasserts meaningful targets for the amount of funds flowing to local organizations.<sup>69</sup>

**5. Complete transparency initiatives.** Although the US government has improved aid transparency over the past two decades, transparency is about more than just financial flows; it is also about the work that is happening with that money. Open aid data needs to include the amount of money and the channels the aid flows through; the time frame of the project; project activities, objectives, outcomes, and impacts; the subnational locations of the work; and demographically disaggregated data.<sup>70</sup>



USAID democracy and governance assistance helps countries create and strengthen democratic institutions and supports citizens in their efforts to engage with their governments. Pictured here, young women from the Ita Guasu indigenous community in Paraguay participate in the design of their community development plan as part of a USAID program aimed at strengthening civil society engagement with municipal governments. *Luciano González / Federation of Production Cooperatives (FECOPROD)*

# 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 global 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 marginalized.

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 low-income

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 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.

## TURNING ON THE TAP OF "PEOPLE POWER"

One day in 2009, the people of Chinique de las Flores noticed their water was green. The murky water made children sick, so townspeople began buying bottled water.

When the villagers realized a municipal project was to blame for the contamination, they complained to the mayor. Yet, the mayor ignored them at every turn. Frustrated, the villagers contacted an aid-funded local civil society organization, Acción Ciudadana (the Guatemalan chapter of Transparency International), to help draft legal documents and create a strategy for engagement.

In addition to providing free legal assistance, Acción Ciudadana got people thinking. The organization explained the legal system, helped people understand their rights, and encouraged them to start asking questions. Acción Ciudadana helped the citizens uncover other instances of fraud, including the local government's payroll listing people who did not actually work on municipal projects. At least one was a dead man.

In the ensuing months, citizens mobilized to demand that the central government open an investigation into the mayor. But the mayor still ended up on the local ballot for re-election. On the night of the election, gangs of youth suspected of being paid by the mayor stormed into polling sites, seized ballot boxes, and burned nearly 40 percent of the votes. In the wake of these events, more than 150 angry citizens signed a petition and mobilized any type of transportation they could find to shepherd people to the department capital in Santa Cruz to submit the forms to demand a new election.



Julian Mendoza Vázquez said when the water in Chinique de las Flores, a municipality in Guatemala, became dirty, some community members had to start buying their drinking supply from trucks. *Ilene Perlman / Oxfam America*

Their efforts proved successful. A short time later, a federal investigation found the mayor guilty of embezzlement. He was sentenced to four years in prison. The residents are more vigilant than ever. "We are a group of men and women who have confronted the irregular practices of a mayor," one man said. "Now we are awake."<sup>71</sup>

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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."<sup>72</sup> See also *The Power of Ownership*, available at [www.powerofownership.org](http://www.powerofownership.org).

**EQUALITY AND EQUITY**—*Equity* is distinct from *equality*. Equality is about everyone having the same rights and opportunities. Equity is about every person having the same ability to exercise those rights and take advantage of opportunities. For example, all people have the right to be free of physical harm, but because of prevailing gender norms, women are often less able to exercise that right.

**FEMINISM**—Feminism is the belief that nobody should suffer discrimination because of their gender or other identities such as race, sexuality, class, and age. Feminism is an understanding of power inequalities in people's lives.

**FOREIGN AID**—Foreign aid is support the US provides to other countries for a multitude of purposes, from military to diplomatic to development. The Foreign Assistance Act of 1961, passed by Congress in 1961, 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.<sup>73</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>74</sup> A subcategory of foreign aid, ODA is mostly development aid—specifically designed to promote economic growth in poor countries or 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 advanced policy reforms that make US foreign aid more accountable to you, US taxpayers, and to local leaders like Karen Ramírez.

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**COVER:** Hong Rany, 26, participates in a workshop on Cambodia's fishery regulations at the pagoda in Ksach Leav village. *Savann Oeurm / Oxfam America*



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