

Reforming Foreign Aid

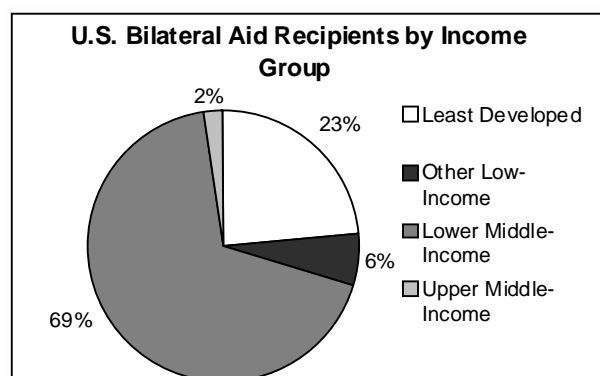
Recommendations for a Renewed Foreign Assistance Act

The reauthorization of the Foreign Assistance Act of 1961 presents a unique opportunity to not just reform foreign aid but to transform the United States' role in fighting poverty and meeting basic human needs. While the organizational structure to support aid delivery is important, form must follow function. The reform of foreign assistance should be guided by principles of (1) poverty reduction, (2) country ownership, and (3) accountability for measurable achievements.

1. Poverty Reduction

The objective of U.S. foreign assistance should be the reduction of poverty as envisioned in the Millennium Development Goal framework. Only about half of U.S. foreign aid is primarily for the purpose of reducing poverty,¹ and less than a quarter of foreign aid is directed to the world's least developed countries.²

Poverty-focused means not only directing aid to the poorest countries, but helping the poorest and most vulnerable people *within* those countries. This requires deliberate "downreach" strategies to address inequity and to reach the very poor. One such strategy is supporting the elimination of health and school fees, which are a major barrier to access for the poor. In Kenya, the elimination of school fees brought over a million more kids into the school system almost overnight, many of them girls and children orphaned by AIDS. The elimination of health user fees could save the lives 285,000 children annually in sub-Saharan Africa.³



One innovative approach to prioritize and measure reaching the poorest is the Microenterprise Results and Accountability Act of 2004 (PL108-484), which requires that 50 percent of overall USAID microenterprise development assistance benefit the very poor, as defined by either the international poverty line (less than US\$1.25 per day) or the national poverty line (50 percent below the national poverty line). As part of this requirement, USAID is developing, testing, and certifying low-cost, country-specific poverty assessments tools (PAT) to be used by USAID microenterprise implementing organizations to measure and report on the poverty level of their clients. While USAID has yet to reach the 50 percent mandate, the ongoing assessments provide the necessary data to drive improvements.

A revised Foreign Assistance Act should clearly articulate that poverty reduction and the achievement of the Millennium Development Goals is the goal of foreign assistance.

2. Country Ownership

Foreign aid reform should advance country ownership — that is, assistance should reflect the priorities of the countries and communities who benefit. The U.S. should move from its current models of project specific aid toward assistance that is more closely integrated with recipient countries' priorities and programs. Multilateral funding (such as Global Fund to Fight AIDS, TB and Malaria) is an underutilized

¹ Lerner M, Uphaus C. *Development assistance: Quantity and Quality*. Bread for the World; 2006. <http://www.bread.org/learn/background-papers/2006/Development-Assistance-Quantity-and-Quality.pdf>. may2008.pdf.

² Organization for Economic Cooperation and Development (OECD). *The United States: DAC Peer Review*. 2006. <http://www.oecd.org/dataoecd/61/57/37885999.pdf>.

³ Keith R, Shackleton P. *Paying with their Lives The cost of illness for children in Africa*. Save the Children UK; 2006. http://www.savethechildren.org.uk/en/docs/paying_with_their_lives.pdf.

mechanism for coordinating donors, providing predictable funding, and creating incentives for the development of national health plans and strategies. The U.S. provides just eight percent of its assistance multilaterally, compared with an average of 28 percent among major donor countries.⁴ In addition to multilateral assistance, the U.S. could move away from heavily projectized aid by providing parallel financing in close coordination and consultation with recipient countries' national health and education strategies.

Tied aid — assistance that must be used to procure goods and services domestically — is another major obstacle to fostering country ownership. This is not only a missed opportunity to build sustainable capacity within beneficiary countries and civil society, but also erodes the value of every foreign aid dollar. In Afghanistan an estimated 40 percent of aid is returned to donor countries in corporate profits and salaries, and profit margins on reconstruction contracts can be as high as 50 percent.⁵

The Foreign Assistance Act should foster country ownership by supporting recipient countries' national health, education, and other development plans; prioritizing effective multilateral mechanisms; and eliminating tied aid restrictions.

3. Accountability for Measurable Achievements

Even when aid is intended to reduce poverty, funding will not be used effectively unless clear, measurable objectives are established. Despite the billions poured into development aid, systematic evaluations of results and impact are alarmingly rare. Between 2001 and 2006, \$2.3 billion was allocated for basic education in developing countries. However, the Government Accountability Office (GAO) concluded that the actual impact on enrollment and children's learning achievements has not been measured.⁶ Neither the GAO report nor the USAID website provides systematic information on the contribution of U.S. assistance to achieving our own basic education strategy objectives.

Accountability to U.S. taxpayers and aid beneficiaries is essential to maintaining confidence in foreign assistance. Unfortunately, data on how funding is actually spent is difficult to reliably obtain for many programs. In 2004 and 2005, the U.S. allocated \$675 million for maternal and child health programs. However, a 2007 GAO review found that "due to USAID's approach to tracking and accounting for such funds, it is not possible to determine how much was actually spent on [child survival and maternal health] activities."⁷ Remarkably, this disturbing finding is nearly identical to that of a 1996 GAO review, which concluded that "USAID is unable to determine with any degree of precision how much funding is actually being used for child survival activities."⁸

Contrary to arguments that it is too expensive or too difficult, rigorous results tracking can be done effectively and efficiently when given proper priority. Measuring and reporting progress against specific goals is not a luxury; it is essential to maintaining political support for foreign aid, as well as correcting ineffective programs and replicating successful approaches.

The Foreign Assistance Act should require aid programs to set outcome targets and collect and report indicators of success.

⁴ Organization for Economic Cooperation and Development (OECD). The United States: DAC Peer Review. 2006. <http://www.oecd.org/dataoecd/61/57/37885999.pdf>.

⁵ Waldman M. *Falling Short: Aid Effectiveness in Afghanistan*. Agency Coordinating Body for Afghan Relief (ACBAR); March 2008. [http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20\(25%20Mar%202008\).pdf](http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20(25%20Mar%202008).pdf).

⁶ GAO. *Foreign Assistance: Enhanced Coordination and Better Methods to Assess the Results of U.S. International Assistance for Basic Education*. March 2007. <http://www.gao.gov/new.items/d07523.pdf>.

⁷ GAO. *Global Health: USAID Supported a Wide Range of Child and Maternal Health Activities, but Lacked Detailed Spending Data and a Proven Method for Sharing Best Practices*. April 2007. <http://www.gao.gov/new.items/d07486.pdf>.

⁸ GAO. *Foreign Assistance: Contributions to Child Survival Are Significant, but Challenges Remain*. November 1996. <http://www.gao.gov/archive/1997/ns97009.pdf>.