

REINVENTING FOREIGN AID

Commonsense Proposals for More Efficiency and Impact



ALICE NIMBONA, BURUNDI



As an active partner with the U.S. government, One Acre Fund believes that foreign aid must be designed to maximize impact and value for money for taxpayers, while submitting to rigorous evaluation. As a field-based organization serving over 500,000 smallholder farmers in East and Southern Africa, we are focused on reforms to foreign aid that could generate the most impact for the world's poorest people. Given limited resources, the following policy recommendations highlight practical, commonsense reforms that could stretch each foreign aid dollar further and bring us closer to a more secure, prosperous, and healthy world.

- ➔ **Leverage foreign aid to draw in additional financing from other sources, including partner governments.** Foreign aid should catalyze co-financing from other public and private sources to increase the total pool of development resources available. To do this, the U.S. government could use a variety of tactics, including the following:
 - Consolidate U.S. development finance agencies into one centralized development bank that could serve as a “one-stop shop” for development finance and overseas investments. Streamlining disparate agencies could create efficiencies that would draw in more private investment from American businesses and nongovernmental organizations.
 - Support revenue-generating social enterprises that use innovative development practices. In the case of One Acre Fund, revenue from smallholder farmers offset nearly 75 percent of our operational costs through a competitive interest rate on their loans.
 - Provide technical assistance to developing countries to improve their public financial management and tax revenue systems, in order for domestic resources to account for a larger share of development spending and ultimately to replace donor funding.
- ➔ **Strict reporting requirements incentivize low-risk, low-reward projects. The U.S. should embrace calculated risk-taking, which generates innovative, high-impact returns.** Making simple changes in accountability requirements can incentivize risk-taking without promoting fraud and waste.
 - More foreign aid should be designed like USAID’s Global Development Lab, which gives gradual funding in increments, only rewarding projects that demonstrate results and progress.
 - Development projects should seek to build internal staff capacity within local organizations over the long-term to ensure that they make a sustainable and lasting impact. Initiatives such as USAID’s Local Solutions aim to support local organizations that seek to build their capacity and organizational systems.
- ➔ **Allocate more funding at USAID and MCC to pilot outcome-based aid models.** Outcome-based models incentivize project success, rather than just completion. They also create an environment of project adaptation if early indicators are unsatisfactory.
 - The U.S. should shift funding to outcome-focused approaches, such as increased profit for farmers, and away from inputs-focused approaches, such as the amount of hybrid seed that has been distributed. Outcome-based approaches incentivize adaptation by giving implementing partners flexibility in how to achieve their objectives. The model is less concerned about *how* outcomes are achieved, but rather *if* they are achieved.

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One Acre Fund farmer, Burundi



“ I feel so good. **When my children are hungry, I can take care of them** because now I harvest very well compared to before.