



Smart development in practice

Field report from El Salvador

Introduction

In trying to improve US foreign aid, we should listen to those who know aid best: the professionals who deliver aid and the people who receive it. They know more than anyone how aid can and should work, how the way aid is delivered affects its outcomes, and how aid can motivate governments and communities to invest in their own development.

Oxfam America seeks to bring voices from the field to the Washington debate on aid reform, enabling them to weigh in on the following issues:

- **Getting the purpose right.** Oxfam believes that aid designated for long-term development helps build a safer world for everyone. It also strengthens US standing abroad. However, when short-term political and security concerns drive the US foreign aid agenda, they weaken our efforts to fight poverty. How has the pressure for short-term results affected the delivery of aid for long-term development?
- **Modernizing US foreign aid.** Designed at the onset of the Cold War and revised piecemeal since, US foreign aid has become a web of competing agencies and conflicting directives that lacks predictable funding or an overarching strategy. We believe US foreign aid needs new laws, a new strategy, and a new structure to tackle poverty in the 21st century. What kind of reform will make US foreign aid more effective in reducing poverty and promoting development in today's world?
- **Promoting ownership by governments and citizens.** Foreign aid should encourage people to lead their own development. Yet Washington increasingly dictates what sectors to finance and how aid is delivered—with insufficient regard for what poor people and countries want or need. We believe US foreign aid needs to respond to the development priorities of responsible governments and their citizens. How can US foreign aid be more responsive to the people it intends to support?

In this booklet, we share the perspectives on these questions from aid practitioners and intended beneficiaries in El Salvador. This material draws from conversations with the US Agency for International Development (USAID) country mission and the Millennium Challenge Corporation (MCC), US contractors, government of El Salvador staff, civil society organizations, beneficiaries, and other donors.¹

1. These perspectives were drawn from interviews conducted by Oxfam in February 2008.

US foreign aid in El Salvador

EL SALVADOR
Capital: San Salvador
Population: 6.8 million
Per capita income: \$5,610

Source: World Development Indicators, 2006.
Per capita income in gross national income (GNI)
per capita purchasing power parity (PPP).



- US foreign aid to El Salvador peaked during the country's civil war (1980–92), when the US provided an average of \$420 million annually to support counter-insurgency, mostly through the Economic Support Fund and military assistance. (See Figure 1.)² When the UN brokered a peace accord in 1992, the US funded a land transfer program, as well as reconstruction. Aid then fell rapidly and remained low, except for emergency relief for the 2001 earthquakes.
- The US is the largest donor to El Salvador. Between 2002 and 2006, the US provided 32 percent of all official development assistance to El Salvador, followed by Spain (20 percent), the European Commission (13 percent), and Japan (11 percent).³
- US aid to El Salvador now focuses on promoting economic policies, supporting small and microenterprises, and funding education. USAID delivers most US aid, though its relative budget has diminished over time as more agencies have become involved. (See Figure 2.)
- The MCC, a major new US government agency with a significant presence in El Salvador, has pledged to provide \$461 million between 2007 and 2011. Half of these funds are for roadways in the Northern Zone. The MCC will also fund education and training, community development, and agriculture. If the US maintains other levels of economic assistance to El Salvador at 2002–06 rates (\$404 million over this five-year period),⁴ in the coming years, the MCC will more than double the amount of US aid to El Salvador.

2. 1980–92 average of total economic assistance to El Salvador, in constant 2005 US dollars, according to USAID, “The Greenbook” (“US overseas loans and grants: Obligations and loan authorizations, July 1, 1945–Sept. 30, 2006”) (Washington, DC: USAID), <http://quesdb.usaid.gov/gbk>.

3. Annual average between 2002 and 2006, compiled from Organization for Economic Cooperation and Development, Development Assistance Committee (OECD DAC) online database, www.oecd.org/dac/stats.

4. Based on data from USAID, “The Greenbook” (Washington, DC: USAID), <http://quesdb.usaid.gov/gbk>.

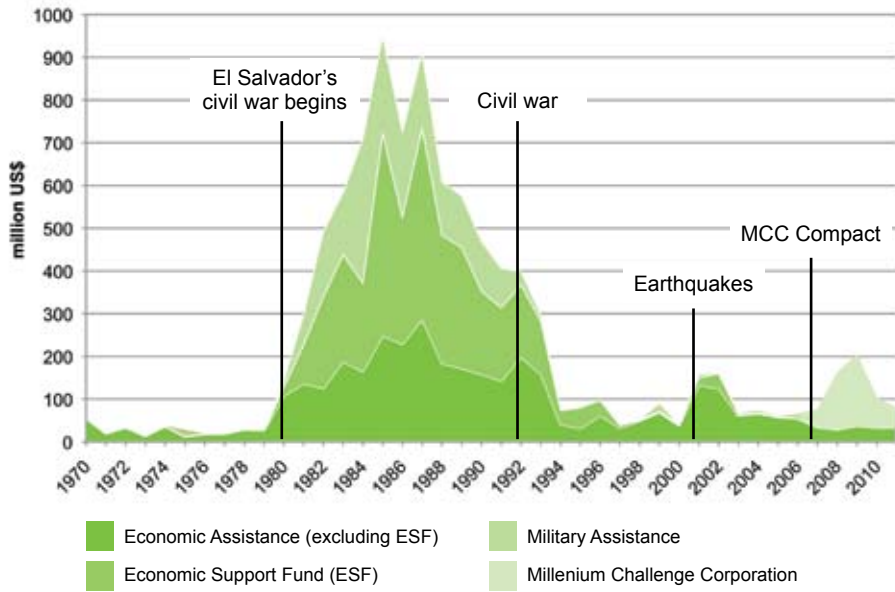


FIGURE 1.
US aid to El Salvador, 1970–2011

Sources: Economic assistance data for 1970–2006 are from USAID, “The Greenbook” (“US overseas loans and grants: Obligations and loan authorizations, July 1, 1945–Sept. 30, 2006”) (Washington, DC: USAID), <http://qesdb.usaid.gov/gbk>. Economic assistance data for FY07 (actual), FY08 (estimate), and FY09 (request) are from FY09 International Affairs (Function 150) Congressional Budget Justification. Economic assistance for 2010–11 is assumed to be the same as the average for FY07–FY09. Values for the MCC are agreed disbursements in the El Salvador MCC Compact.

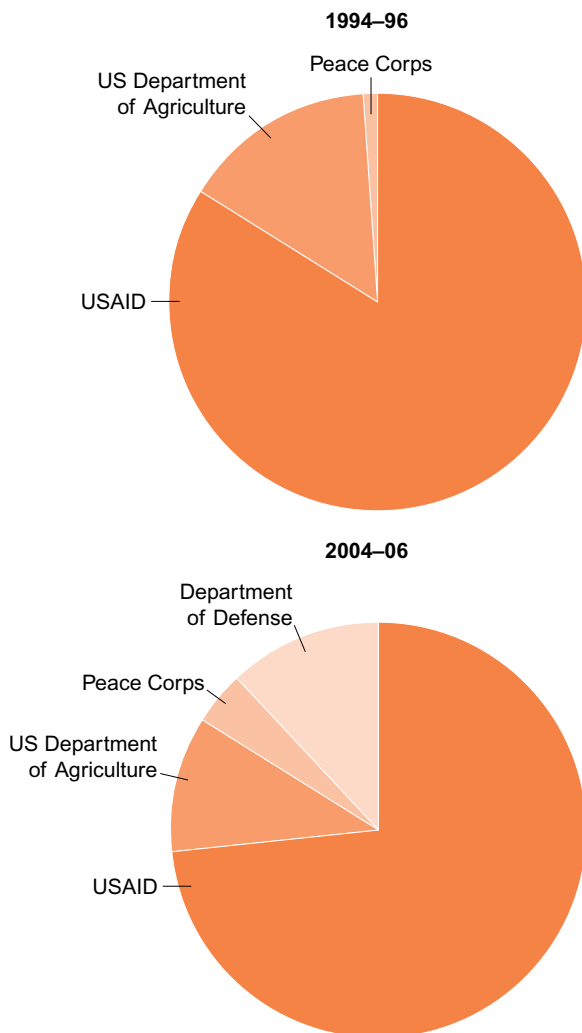


FIGURE 2.
Main US government agencies delivering economic assistance to El Salvador

Source: USAID, “The Greenbook” (“US overseas loans and grants: Obligations and loan authorizations, July 1, 1945–Sept. 30, 2006”) (Washington, DC: USAID), <http://qesdb.usaid.gov/gbk>.

Getting the purpose right

Reducing poverty and generating economic development require long-term vision and commitment. Yet in recent years, Congress has been demanding immediate results from foreign aid. Interviewees in El Salvador are dismayed with the politics of aid and its pressures for short-term results, including budgeting pressures and reporting requirements from Washington.

The politics of aid

A quick glance at Figure 1—with a major peak in US aid spanning El Salvador’s civil war—reflects the politics behind US aid policy. New forces have placed El Salvador back on the US agenda: El Salvador was the first country to sign onto the Central American Free Trade Agreement (CAFTA), it’s the only country in Central America with troops in Iraq, and over one-third of its population resides in the US. As an ally to the US, it became the first lower middle-income country to qualify for MCC assistance.

“The erosion of long-term thinking is the most insidious danger we’ve seen as an agency.”

—USAID country mission staff member

The politicization of aid in Washington has eroded USAID’s capacity to focus on long-term development. The USAID mission in El Salvador notes that, as the Department of State and USAID have moved closer together, USAID senior leadership has increasingly embraced a short-term agenda. And as the US government loses its ability to think about long-term development, it’s unclear who will be looking at where specific countries are heading five to 10 years from now and how the US government can be a part of that process.

Washington needs to better understand that development takes time

Aid practitioners know too well that it takes time to strengthen the competitiveness of a small firm, improve the quality of a school, or help a farmer diversify his crops. Many of USAID’s lasting contributions are precisely those with a long-term vision, such as funding a local nongovernmental organization (NGO) to support cashew growers in El Salvador. (See Box 1.)

In recent years, however, Congressional pressures for immediate results have increasingly hampered the foreign aid system. In the past, country missions developed five-year plans, guided by funding parameters from USAID headquarters. For El Salvador, this process began breaking down with the increase in earmarks and directives, especially since the late 1990s. It deteriorated further with the 2006 establishment of the Bureau for Foreign Assistance (or “F Bureau”). The F Bureau promises a new, more strategic planning process, which it has yet to deliver in the field. Meanwhile, with no alternative, the country mission has been planning around the annual budget cycle.

Washington's short-term outlook also hurts the MCC. As the MCC strives to create and strengthen local institutions to manage their own development strategies, Congress has become impatient. For members of the MCC country mission, this means precious time out of their already ambitious agenda to explain to leaders in Congress why development takes time.

Too much focus on results of the wrong kind

Impatience in Washington is leading to irrational reporting requirements on the mission. Instead of looking at actual development outcomes, USAID headquarters now demands simple measures of inputs, such as the number of businesses served, the number of agronomists trained, or the farm area covered. These numbers may satisfy Congress, but they fail to capture development outcomes associated with aid, such as increased income, improved yields, or higher value of production. (See outcomes illustrated in Boxes 1 and 2.)

BOX 1. USAID's long-term support for cashew farmers reaps results

Small farmers of organic cashews in the town of San Carlos Lempa in rural El Salvador illustrate what a long-term vision toward foreign aid can accomplish.

At the end of the country's civil war in 1992, USAID funded the land transfer program of the UN-brokered peace accord to help displaced communities live off farming. Fundación para la Cooperación y El Desarrollo Comunal de El Salvador (Fundación CORDES), a Salvadoran NGO, then worked with farmers, identifying the potential market for cashew nuts and getting US funding to plant their first trees. Fundación CORDES helped farmers create an association of organic growers and, with funding from the European Union, move into cashew processing. More recently, once again supporting Fundación CORDES, USAID helped farmers make the profitable transition to organic production for exports.

Farmers are now earning about \$1,200 more a year. For a typical family, this means enough to cover up to a quarter of household expenses, send at least two more kids to school, or improve the entire family's access to health services.

To learn more about this and other cases, go to www.oxfamamerica.org/reformaid.

"If we're hired to train 35 agronomists, all they [USAID] want to know is whether these agronomists attended a daylong seminar. That's not training."

—USAID contractor in El Salvador

"Washington just wants to see numbers. We're here to see sustainability."

—USAID contractor in El Salvador



▲
Rudy Gomez, a floor supervisor at the Aprainores cashew processing plant, understands the importance of long-term investments. "Many projects have come to these communities, but this [USAID-funded] one was born with very good ideas and strategies to benefit producers and workers," says Gomez. "Most projects brought here during post-war reconstruction lasted just three or four months and were gone. This project has been around for 10 years."

Photo by Omar Ortez / Oxfam America

Modernizing US foreign aid

The US aid machinery is outdated for a 21st-century world. In addition, USAID, which has historically led US development efforts abroad, has been undermined through cuts in budget and autonomy. Interviewees suggest US foreign aid could better tackle poverty by decentralizing decision-making from DC, reducing the proliferation of agencies delivering aid, and giving the USAID country mission the autonomy it needs to better respond to reality on the ground.

Overcentralization in Washington

Washington is deciding the agenda for the country missions instead of allowing the country missions to do their jobs. To illustrate, the USAID country mission in El Salvador had a longstanding program to increase access to capital among small enterprises. Yet the country mission recently decided to discontinue its financial services program because a host of commercial banks had stepped in, filling the gap once partly filled by USAID. Despite this decision, Washington insisted the mission continue its financial services project. The outdated structure means Washington continues to spend money on services that people in the field say are unnecessary.

“If Congress took the time to see El Salvador, they’d see that watershed management is a major issue. Yet every year they have their pet causes. The reshuffling never stops.”

—USAID country mission staff member

Congressional earmarks don’t help much either. Earmarks have increased since the late 1990s—and have undermined how country missions deliver aid. With earmarks, Congressional preferences drive the aid agenda, overwhelming not only country missions but also recipient governments’ own preferences. On one occasion, the mission in El Salvador prepared an entire project on watershed management—a major priority for the country—and USAID headquarters approved the project. But when the budget finally came through, Congress had earmarked two-thirds of it for biodiversity, leaving less for watershed management.

“If you’re NOAA, you see the world through fisheries. If NASA, you see it through information systems. If USDA, you see it through improved varieties. The strength of USAID in the past was that we didn’t have a narrow technical focus. We were interested in development.”

—USAID country mission staff member

Too many US government agencies deliver aid

Washington is dispersing aid thinly across too many agencies. Congress has allocated \$40 million a year to help governments in Central America meet the labor and environmental conditions of CAFTA. The State Department splits these funds across all the agencies wanting to work in each country. In El Salvador alone, 11 agencies deliver aid related to CAFTA, including the Departments of the Interior, Justice, Labor, and State; the Environmental Protection Agency; the National Oceanic and Atmospheric Administration (NOAA); the US Forest Service; and USAID.

The biggest issue isn’t inefficiency—which is a real concern—but rather the loss of strategic priority setting by the recipient country. One country mission staff member explained, “It’s difficult to keep everyone happy” when each agency focuses on the challenges of development through a different lens.

USAID must be allowed to do its job

Despite overwhelming constraints, USAID often shines through with best practices in delivering aid. (See Box 2.) Frequently, this resourcefulness comes in response to a natural disaster or a major political mandate such as CAFTA. But the fact that country missions can deliver aid so well suggests they could probably deliver much more if given the support and space to do so on a regular basis.

For example, when the 2005 earthquake hit, the USAID country mission created a new office headed by a Salvadoran national to manage \$200 million of disaster assistance. USAID staff ventured to towns and municipalities to assess damage, meeting with local governments and health and education agencies. Within weeks they designed a reconstruction program with roads, municipal offices, schools, health clinics, and 25,000 homes.

Indeed, USAID has demonstrated true expertise in delivering aid—and beneficiaries feel the difference.

BOX 2. USAID helps diversify agriculture—and increase farmer incomes

USAID often shines despite the many constraints under which it operates. Consider its agricultural diversification program in El Salvador. In the wake of the 2001 earthquakes, as USAID provided disaster assistance, it used the opportunity to introduce higher value crops to farmers. Instead of just rain-fed corn, beans, and sorghum, farmers were now using drip irrigation and modern fertilizers to produce tomatoes, green peppers, and other vegetables.

To accomplish this transition, USAID employed a highly qualified contractor, who in turn hired 20 Salvadoran agronomists, mostly trained at a premier agricultural school in Honduras. This contractor remained in the country for years, acquiring a deep understanding of the Salvadoran economy and culture. His team visited farmers weekly to guide the adoption of new crops and technologies. And the project went beyond the farm gate by linking farmers with input suppliers and potential buyers.

Limited data suggest that farmers in the program increased their net income by up to eight times (from \$1,966 to \$16,747 per year). A sure sign of success: neighbors of participating farmers requested similar support from the Ministry of Agriculture. USAID, in response, is now teaching public sector agricultural extension workers to follow its footsteps in the field.

To learn more about this and other cases, go to www.oxfamamerica.org/reformaid.

“When CAFTA was about to be signed, we got lots of freedom to innovate. But once the political objective was reached, they became more interested in maintaining results.”

—USAID contractor in El Salvador

“What’s been different about these [USAID-contracted] agronomists is that they visit us weekly and teach us the production techniques they recommend. ...Agronomists with previous projects barely spent time in the field with us.”

—Don Jose Cortez, watermelon producer at Parras Lempa, San Vicente



▲ In Parras Lempa, El Salvador, many farmers learned to produce improved varieties of watermelons through USAID support for agricultural diversification.

Photo by Omar Ortez / Oxfam America

Promoting ownership by governments and citizens

“USAID had contractors go out to find projects, so there was no possibility for municipalities to raise their voices.”

—Former national staff member of USAID country mission

“USAID has been here for decades, but you can’t tell. They may have built houses and water wells, but that’s not development. The MCC, in contrast, is building the base for development.”

—Member of the National Development Council

Washington—not the recipient country—too often drives the agenda for US foreign aid. As such, US foreign aid often misses out on the opportunity to strengthen local institutions, which Oxfam considers critical for development. (See Box 3.) Salvadorans are drawn to the MCC model of aid, which embraces ownership by the recipient country. Interviewees recognize it’s too soon to judge whether the MCC model will better deliver aid in El Salvador than traditional methods. Yet they value how the MCC engages with the state and citizens—and welcome the departure from the status quo.

Consulting the state

In defining their programs, USAID negotiates bilateral agreements with the country government, detailing the strategic objectives for USAID support over a number of years. Sometimes the USAID country mission engages the government intensively; at other times, it does not.

Not surprisingly, Salvadoran views on USAID are as varied as the experience of USAID itself. Some Salvadorans feel USAID imposes projects without much consultation or complain about having no voice in the choice of contractors. In contrast, others point to extensive consultations across sectors as varied as sanitation, education, and agriculture.

Engaging citizens

The MCC brings with it a new paradigm on country ownership, unlike anything pursued by other US agencies. In El Salvador, the MCC builds on and reinforces a pre-existing national development plan that was developed using uncommonly consultative methods.

When the devastating civil war ended, then-president Armondo Calderón Sol set up an independent National Development Commission to build a unified vision for the future of El Salvador. The commission was eclectic, with members from across the political spectrum, including a former intellectual leader of the opposition. To build its vision, the commission held dozens of public meetings, listening to concerns and ideas from ordinary citizens. That the MCC recognized the value of this autonomous process only adds to its strengths and shows its openness to working with locally grown institutions.

BOX 3. Oxfam helps local communities speak up following disaster

Oxfam knows firsthand the value of local ownership of aid. This past January, a cold front struck rural communities in Ahuachapán and Sonsonate in El Salvador. Strong winds damaged fragile huts and decimated crops. Though devastating locally, the winds were not recorded by the National System of Civilian Protection (NSCP), which decides when communities are entitled to disaster relief. Communities were thus left out in the cold. And this wasn't the first time: the area is also prone to flooding and landslides.

Aware of the situation, in mid-2006 Oxfam America, along with the Interchurch Organization for Development Cooperation, convened local NGOs to help communities voice their concerns to the NSCP and hold it accountable for providing support at times of distress. As a result, communities created Communal Commissions of Civil Protection. Though Salvadoran laws allow for and recognize such commissions, communities rarely implement them because they lack the organizational skills and knowledge about their legal rights. This initiative helped communities overcome these barriers, giving them a voice where they previously had none. The next time the winds blow, many will be better prepared.

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These voices from El Salvador articulate ways US aid can deliver more for each US tax dollar: the aid system needs to commit to long-term development, strengthen its capacities for delivering on the ground, and better engage with recipient countries. By responding to these voices, we can create reforms that embrace a new vision for US foreign aid—one that listens to and works with the countries we are trying to support and, in the process, strengthens US standing abroad as a genuine partner in development.

“[Under the MCC], our country is much more of a protagonist in its own development.”

—Official from Ministry of Education,
government of El Salvador

“The MCC has a strong focus on consultation. USAID tries, but it doesn't have an explicit tool or venue through which to get consultations. The MCC pressures for consultations to happen.”

—Former national staff member
of USAID country mission



▲
USAID, in partnership with the Salvadoran NGO Intervida, supports a youth-run program that produces vegetable seedlings to be sold to small farmers in San Vicente, El Salvador.

Photo by Omar Ortez / Oxfam America

Oxfam America is working to increase the effectiveness of US foreign aid by placing the voices and priorities of poor people at the center of aid policy and practice. Through analytical and field research, we bring out the hopes and concerns of intended beneficiaries, implementing partners, aid professionals, other donors, and host governments. Through political advocacy, we ensure that these voices are heard by policy makers who have the power to make US foreign aid more effective in the fight against global poverty.

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