# THE UNITED STATES

Development Assistance Committee (DAC)
PEER REVIEW 2011

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND
DEVELOPMENT

**The Peer Review Process**

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Denmark and the European Union for the Peer Review of the United States on 23 June 2011.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.
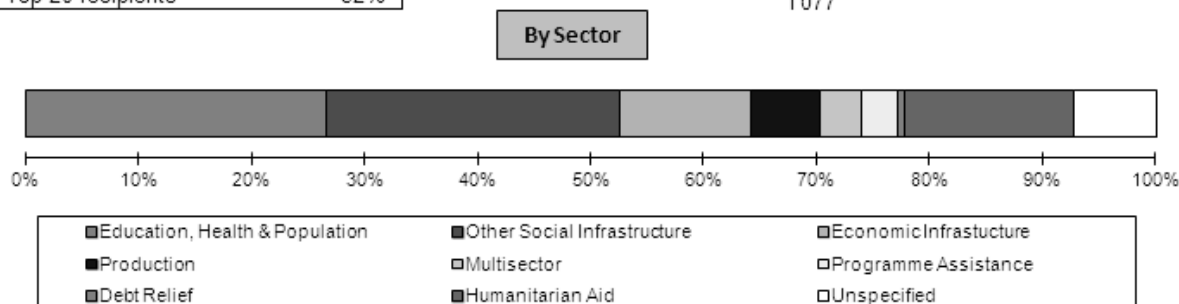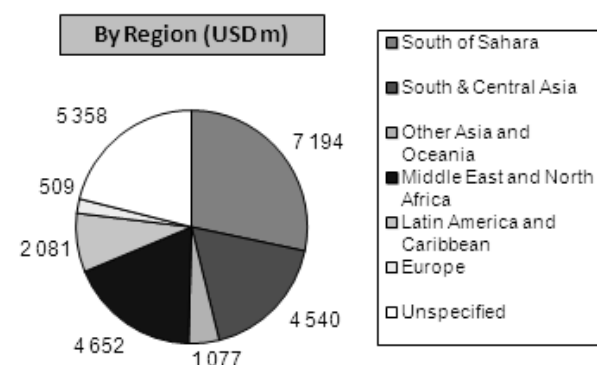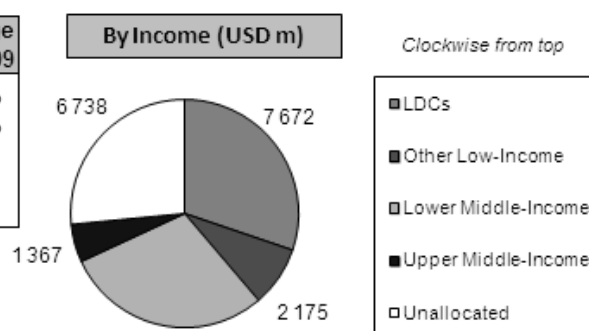
## The United States' aid at a glance

**UNITED STATES**

Gross Bilateral ODA, 2008-09 average, unless otherwise shown

| Net ODA | 2008 | 2009 | Change 2008/09 |
|---|---|---|---|
| Current (USD m) | 26 842 | 28 831 | 7.4% |
| Constant (2008 USD m) | 26 842 | 28 469 | 6.1% |
| ODA/GNI | 0.19% | 0.21% | |
| Bilateral share | 89% | 87% | |

| Top Ten Recipients of Gross ODA (USD million) | |
|---|---|
| 1 Afghanistan | 2 549 |
| 2 Iraq | 2 544 |
| 3 Sudan | 901 |
| 4 Ethiopia | 769 |
| 5 Palestinian Adm. Areas | 667 |
| 6 Colombia | 645 |
| 7 Egypt | 552 |
| 8 Kenya | 516 |
| 9 Pakistan | 484 |
| 10 South Africa | 451 |
| Memo: Share of gross bilateral ODA | |
| Top 5 recipients | 29% |
| Top 10 recipients | 40% |
| Top 20 recipients | 52% |

**By Income (USD m)**

Clockwise from top

6 738
7 672
1 367
2 175
7 458

- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income
- Unallocated

**By Region (USD m)**

5 358
7 194
509
2 081
4 540
4 652
1 077

- South of Sahara
- South & Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe
- Unspecified

**By Sector**



0%  10%  20%  30%  40%  50%  60%  70%  80%  90%  100%

- Education, Health & Population
- Other Social Infrastructure
- Economic Infrastucture
- Production
- Multisector
- Programme Assistance
- Debt Relief
- Humanitarian Aid
- Unspecified

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# Acronyms

| | |
|---|---|
| **AAA** | Accra Agenda for Action |
| **BRICK** | Brazil, Russia, India, China, Korea |
| **CERF** | Central Emergency Response Fund |
| **CERP** | Commander's Emergency Response Program (CERP) |
| **CGD** | Centre for Global Development |
| **CPIA** | Country Policy and Institutional Assessment (World Bank) |
| **CRS** | Creditor Reporting System |
| **CSO** | Civil society organisation |
| **DAC** | Development Assistance Committee of the Organisation for Economic Co-operation and Development |
| **DoA** | Department of Agriculture |
| **DoD** | Department of Defense |
| **DoS** | Department of State |
| **DP-PAF** | Development Partners – Performance Assessment Framework   (Ghana) |
| **DRR** | Disaster risk reduction |
| **FAF** | Foreign Assistance Framework |
| **FY** | Fiscal year |
| **GAO** | Government Accountability Office |
| **GHD** | Good Humanitarian Donorship initiative |
| **GNI** | Gross national income |
| **HIPC** | Highly indebted poor country |
| **ICRC** | International Committee of the Red Cross |
| **IFI** | International financial institution |
| **IMF** | International Monetary Fund |
| **IPC** | Interagency Policy Committee |
| **LDC** | Least developed country |
| **LIC** | Low income country |
| **MCA** | Millennium Challenge Account |
| **MCC** | Millennium Challenge Corporation |

| | |
|---|---|
| **MDBS** | Multi-Donor Budgetary Support |
| **MDG** | Millennium Development Goal |
| **MIC** | Middle income country |
| **MOPAN** | Multilateral Organisations Performance Assessment Network |
| **NGO** | Non-governmental organisation |
| **NSC** | National Security Council |
| **OCHA** | United Nations Office for the Co-ordination of Humanitarian    Affairs |
| **ODA** | Official development assistance |
| **OFDA** | Office for US Foreign Disaster Assistance |
| **PEPFAR** | President's Emergency Plan for AIDS Relief |
| **PPD** | Presidential Policy Directive on Global Development |
| **PRM** | The Department of State's Bureau for Population, Refugees and Migration |
| **QDDR** | Quadrennial Diplomacy and Development Review |
| **UN** | United Nations |
| **UNDP** | United Nations Development Programme |
| **UNFPA** | United Nations Population Fund |
| **UNHCR** | United Nations Refugee Agency |
| **UNICEF** | United Nations Children's Fund |
| **UNRWA** | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| **USAID** | United States Agency for International Development |
| **WFP** | World Food Programme |
| **WHO** | World Health Organization |

**Signs used:**

USD   United States Dollar

| | |
|---|---|
| ( ) | Secretariat estimate in whole or part |
| - | (Nil) |
| 0.0 | Negligible |
| .. | Not available |
| … | Not available separately, but included in total |
| n.a. | Not applicable |

Slight discrepancies in totals are due to rounding.

# The DAC's main findings and recommendations

## Overall framework for development co-operation

### *Translating vision into strategic guidance*

**Key findings**:

*The US Administration's determination to renew its global leadership on development is underpinned by new strategic orientations and major reforms, creating a positive dynamic which raises high expectations among US stakeholders and partners. To achieve its ambition, the US Administration now needs to secure broad cross-government ownership of its development vision.*

**Recommendation**: To secure broad ownership of the development vision outlined in the *Presidential Policy Directive on Global Development*, the US Administration should:

- Continue to make every effort to consult with, and gain support from, Congress for the objectives and results that the development co-operation programme aims to achieve in the medium term.

- Strengthen efforts to communicate results and engage more strategically with Congress and non-state actors in order to reinforce public and political support for the development co-operation programme.

The US Administration set out its new strategic orientations and ways to engage in development co-operation in two game-changing documents published in 2010: the *Presidential Policy Directive on Global Development*, a first of its kind by an American Administration, which provides policy guidance to all US government agencies, and the *Quadrennial Diplomacy and Development Review*, the first ever analysis of how to rebuild civilian power to support sustainable development. Together, they outline an approach based on three elements: i) a policy targeted at sustainable development; ii) an operational model focused on effectiveness and results, underscoring the importance of country ownership and promoting effective division of labour among donors; and iii) a whole of government approach that harnesses development capabilities across government.

The DAC welcomes the work being done by the US Administration to translate the policy shift into concrete strategic guidance for the development co-operation programme. However, the US Foreign Assistance Act – which provides the legal foundation for the US aid programme – now includes 140 broad priorities and 400 specific directives for implementing the priorities. This proliferation makes it difficult to

translate the US vision into a coherent set of strategies. It also leads to supply-driven approaches. Many of these problems could be addressed through a strategic framework agreed between the Administration and the Congress. This shared vision would define the objectives and results to be achieved through the development pillar of the "3D" framework of development, defence and diplomacy. Ultimately, this should allow Congress to give the Administration greater flexibility in how it conducts its development programmes and accounts, within the funding levels determined by Congress.

The US Administration also needs to strengthen public support for the aid programme through more targeted efforts to communicate results. The US has a vibrant and generous civil society made up of a wide range of coalitions, which include think tanks, NGOs, foundations, and the private sector. These are instrumental both in advocating and raising public awareness for development and in implementing the aid programme. The Administration would gain from engaging more strategically with them both at the policy and implementation levels, recognising their specificity and the value they can add.

## *Balancing domestic, geopolitical and development objectives*

***Key findings**:*

*Elevating the development pillar beside diplomacy and defence and strengthening civilian leadership as a prerequisite to achieve sustainable development remain challenging. Ensuring that diplomacy, defence and development are mutually reinforcing and support the development objectives of the Millennium Development Goals (MDGs) requires continued strong political leadership.*

**Recommendation:** To meet this challenge, the US Administration should continue to:

- Reinforce the role for USAID in the National Security Council;

- Give USAID a stronger voice in the final foreign aid budget arbitrations under the State Department's authority.

The US national security strategy drives the government's engagement with partner countries. Its objective is to advance US values and interests in the areas of security and prosperity. The alignment of diplomacy, defence and development can be instrumental in supporting the development efforts of partner countries. However, the US needs to be careful when dealing simultaneously with geopolitical and security priorities and development assistance, ensuring that the security driver also supports development purposes. While reducing poverty is not an explicit overarching objective of US development co-operation, some important US programmes are oriented towards fighting poverty, as reflected by the two recent presidential initiatives focused on food security and health – a focus that the US Administration needs to maintain across all programmes.

While the Department of Defense has become a significant player in delivering foreign assistance, the US Administration is now taking steps to elevate development within the 3Ds and to build back civilian power. These are positive signals and will help balance strategic national interests with development objectives when deciding country and sector aid allocations. In the field, and in particular in fragile contexts, a strengthened US co-ordinated approach led by a reinforced civilian power should bring better, longer-term development results. The clear support that both the Secretary of State and Secretary of Defense bring to this agenda is encouraging. As announced in the 2010 policy

directive, the Administrator of USAID will participate in National Security Council meetings "as appropriate". Meanwhile USAID, the lead development agency, has a greater role in formulating its budget and has established the capacity to do so. These are key developments – if the development pillar is to be elevated, USAID will need to sustain a strong voice in the National Security Council and in the budgeting process for foreign assistance.

## Promoting development beyond aid

*Key findings*:

*The US government has developed a comprehensive approach to development and foreign assistance, and is increasingly tapping into expertise across government. It is also a leader in developing public-private partnerships for development. Other donors can learn from these examples (Box 1).*

*The 2010 policy directive signals a welcome step towards more systematic scrutiny of the impact of US domestic and foreign policies on partner countries. However the US lacks a strategic framework to ensure that its domestic and foreign policies support, or at least do not undermine, developing country efforts.*

**Recommendation**: To address this gap, the US Administration should:

• Consider identifying key priority areas in which it will pursue coherence between development goals and its domestic and other foreign policies;

• Make full use of its interagency policy committee on global development to monitor and report on efforts to promote coherence and their impact.

The national security strategy and the National Security Council together provide a framework and an institutional mechanism to ensure consistency across US policies. However, being driven by US national security interests, they do not aim primarily at making these policies coherent with partner countries' development aspirations. Neither does the national security framework encompass all policies with a potential impact on partner countries. The policy directive now calls for the Administration to look at the impact of US policies on developing countries. This is an opportunity to develop a policy framework which prioritises key areas in which to ensure coherence – an approach that other donors have found helpful. The interagency policy committee on global development, established in 2010, could serve as a focal point to promote development concerns in policy arbitrations related to these areas, and monitor the development impact of these policies. The US Administration is strengthening its approach to monitoring performance and results. This should enable it to report better on efforts made to promote coherence and their impact. Achieving coherence also requires attention in the field. Clear guidance should encourage US embassies to point out areas of incoherence and ensure that US engagement does not undermine the partner countries' development efforts. The Committee was informed that USAID is soon to launch a "dissent channel" to allow officials to state their disagreement with US policy, including on matters of coherence of policies affecting development.

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**Box 1. Good practice:**
**Going from aid to development, stimulating public and private investments**

Within government, the US is increasingly working across agencies to motivate all departments to contribute to development goals, using the policy-making capacity of USAID and the State Department to design initiatives that have the potential to gain clout. Recent presidential initiatives, such as Global Health and Feed the Future, harness a range of diplomatic, development, and technical capacities from across the US government. Likewise, since the creation of the Global Development Alliance in 2001, the US has been a leader in promoting public-private partnerships. These increasingly go beyond corporate philanthropy to address core business interests. The US Administration is also at the forefront in tackling corruption. Given its extensive experience, the US should assess the contribution of public-private partnerships to development. This could be shared with the donor community to feed into current debates on promoting development beyond aid.

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## Aid volume and allocation: ensuring strategic budgeting of sustained levels of funding

*Key findings:*

*Increasing its official development assistance (ODA) over the last decade, the US has met all its commitments on aid volume.*

*The US' plan to focus on fewer countries while also working more with good performers may put at risk the support it has given in recent years to poor countries with weak capacity, especially in Africa.*

*The predictability of future US assistance would be further enhanced if the US set and published targets for its future aid volumes.*

*Budgets continue to be fragmented and heavily earmarked, making it difficult for implementing agencies to deliver coherent and effective programmes.*

*The Administration is developing a website on foreign assistance that will increase transparency of its aid, in its first stage covering the State Department and USAID (Box 2).*

**Recommendation**: to support its desire to be a global leader on development, the US should:

- Maintain the 2010 ODA level, the highest the US has achieved, and as the US economy improves, increase ODA.

- Ensure that budgets align with the strategic direction provided by the presidential policy directive, and continue efforts with Congress to streamline and simplify the foreign aid budget.

- Continue to guard against the risk of dropping aid to the poorest countries with weakest capacities as a result of the new focus on well performing states.

The US provides about a quarter of global development assistance and remains by far the largest DAC donor. Both republican and democratic administrations over the last decade have increased the aid budgets greatly, reaching record levels of USD 30 billion in

2010. The US has doubled its assistance to Sub-Saharan Africa since 2005, as promised at the G8 Summit in Gleneagles. US co-operation has also doubled in relation to the size of the US economy, from 0.1% of gross national income (GNI) in 2001 to 0.21% in 2010. At its current level, the US ranks 19th of the 23 bilateral DAC donors on this measure. The DAC takes note of the fact that the US has not committed to the UN target of allocating 0.7% of its GNI as ODA. A budget deficit of 11% of GDP and the sluggish recovery of the US economy are putting pressure on the US foreign assistance budget. Rather than increasing the quantity of aid, the US plans to enhance aid quality by delivering development co-operation more effectively and efficiently, and by using other resources to reinforce the impact of development co-operation.

Better, more strategy-driven budgeting should be a key part of efforts to improve the quality of US assistance. Currently, different allocation models interact, based on previous funding requests, Presidential initiatives, congressional earmarks, country-specific budgeting and supplementary appropriations. The result is a highly fragmented budget that translates into a complex array of instruments and reporting requirements for field offices, leaving them very little discretion. Consequently, they find it difficult to build a coherent programme out of such supply-driven funding, let alone to adapt programmes to local priorities. The DAC welcomes the Administration's intention to reform the way in which budgets are prepared, and to i) allocate funds to broader envelopes with a requirement to report impact, ii) take coherent, country-specific approaches; iii) work with Congress to limit earmarking and supplementary appropriations; and iv) simplify *ad hoc* interagency transfers guided by shared authority and objectives.

As it plans to engage more with well performing states while focusing development co-operation on fewer partners, the Administration should guard against the risk of dropping aid to the poorest countries with weakest capacities – the countries that need aid the most.

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**Box 2. Good practice: the dashboard on US foreign assistance**

The new "dashboard" website on foreign assistance launched in December 2010 is a positive step to bring more transparency and accountability on aid volumes. This database was set up to record all US foreign assistance by agency and purpose, and could prepare the ground for better joint planning and stronger synergies between aid and non-aid components. To evolve from a reporting to a planning tool, the dashboard will need to record not only obligations but also disbursements, and include agencies other than USAID and the State Department.

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The US is the fourth-largest donor to the multilateral system, representing 9% of the DAC's multilateral aid. The current US Administration has fully embraced multilateralism; "strengthening multilateral capabilities" is a cornerstone of its new operational model outlined in the presidential directive. The US is now a constructive multilateral donor that drives the reform of multilateral agencies towards more results-based approaches and tries to reduce their reporting burden by relying more on their own evaluation capacities. The Administration should continue these efforts, and engage with Congress to ensure that the US supports multilateral agencies in a way that acknowledges their special nature and comparative advantage.

## Organisation and management

### *Streamlining systems and processes in a fragmented development co-operation set-up*

*Key findings*:

*The institutional fragmentation of the US development co-operation system is hampering a more strategic and consolidated approach to policy co-ordination and programming. The US Administration is making efforts to streamline and co-ordinate its development co-operation activities at headquarters and in the field, where the new country strategies offer promising opportunities.*

**Recommendation**: to overcome the difficulties linked to the institutional fragmentation of the aid programme, the US Administration should:

- Complete the roll-out of the whole-of-government country strategy model to all field missions, to ensure stronger oversight and consistency of development activities in the field, ensuring that lessons from the ongoing pilots are properly integrated;

- Review programming approaches of entities involved in development cooperation in order to rationalise planning and budgeting processes;

- Harmonise and simplify reporting requirements.

Out of the 27 entities involved in US development co-operation, USAID and the State Department are the two key drivers of the system. Four other entities are of specific importance: the departments of health and human services, defense, and treasury; and the Millennium Challenge Corporation (MCC). In 2006, the US Administration launched a set of reforms which strengthened collaboration between the State Department and USAID for strategic programming, budgeting and reporting. However, this reform did not apply to the other 25 US agencies.

Co-ordination is vital to ensure that the US uses resources and skills in a complementary and consistent manner. Since 2009 the Administration has taken steps to improve joint planning and activities, with good results. Strategic co-ordination among US agencies should be pursued and widened to reinforce synergies among their different approaches, avoid overlaps and support the US development vision. The policy directive and quadrennial review provide opportunities to establish cross-government mechanisms for ensuring consistency in US development policy. In particular, they require Chiefs of Mission to produce a multi-year integrated country strategy that brings together all organisations' country-level planning – a challenging task, since programming, budgeting and reporting processes vary from one entity to another. The Administration should also use the country strategies to ensure that resource allocation decisions are closely linked to realities in the field. It should give country offices a stronger voice in deciding how resources are allocated across sectors and areas in relation to priorities set in Washington.

## *Putting reforms into practice*

**Key findings**:

*The State Department and USAID have taken promising steps to drive forward the critical reforms required to implement the policy directive and quadrennial review – in themselves significant political achievements. Pursuing these necessary reforms as a top priority and in ways that ensure sustained progress requires a strong commitment at all levels.*

**Recommendation**: To pursue the reforms, the US Administration should:

- Provide adequate guidance to staff at headquarters and in US missions, and ensure – and monitor – that US missions internalise and implement this guidance;

- Accompany the reforms with appropriate communication and training.

Restoring USAID's capabilities and promoting more country-driven, outcome-oriented systems are key priorities for the US Administration. In 2010, USAID embarked on an ambitious reform – USAID Forward – to make USAID the world's premier agency and re-establish it as the leader on development within the Administration, through modernising and strengthening the agency. The quadrennial review takes the reform further. It outlines a new business model for a more strategic agency with stronger linkages between programming and budgeting; more aligned with partner countries' priorities; more hands-on, implementing rather than only contracting out programmes; more results-oriented; and more focused on building local capacity to support systems that are sustainable. The organisational changes needed are now clear and should be implemented without delay. Promising steps have already been taken, such as the establishment of the Bureau for Policy, Planning and Learning and the Office of Budget and Resource Management. Evaluation is another positive example: having recognised the negative impact of its lack of a central evaluation function, USAID has now set up a new central evaluation office, and is aiming to re-establish a culture of evaluation and learning across the agency. An evaluation strategy aligned to DAC standards was published in January 2011.

The reform process should remain a top priority in the coming years. The quadrennial review must be implemented at all levels in ways that ensure sustained progress. While some measures are already being put into practice, others require longer time to take effect. Along with ensuring sufficient financial resources, implementing the reforms requires headquarters to provide US missions with adequate guidance and appropriate training. US missions must internalise this guidance, and will need appropriate incentives to overcome bureaucratic inertia. In this transition period, it is necessary to bring staff and external partners up to date with the changes in a supportive way. Meanwhile managing whole-of-government approaches involving 27 agencies is labour intensive and the US government should continue to look at ways to streamline the aid system, using the interagency policy committee to this end.

### *Rebuilding USAID's human resources*

**Key findings**:

*Since the 1990s, decreasing numbers of staff combined with massive increases in the volume of aid have presented major challenges to USAID's ability to manage its programme. USAID needs to consolidate efforts begun in 2006 to rebuild its human resource capacity.*

**Recommendation**: To build a strong human resource base, USAID should:

- Back up its workforce plan with a reliable data system to identify gaps in staffing and skills;
- Set timeframes to adjust the staff skills mix to the new US aid model and working contexts;
- Provide stronger career prospects for local staff.

USAID's workforce declined by 2.7% between 2004 and 2009, while programme funding levels almost doubled. This trend, which started in the 1990s, had a major impact on the way USAID delivered its aid programme, depleting its technical skills and turning USAID from an implementing organisation to a contracting organisation with reduced flexibility, weakened ability to support ownership and engage in partnerships, and an increasingly risk-averse bureaucracy. The number of staff becoming eligible to retire is another concern, especially as this involves most senior staff.

USAID is aware that it has lost much of the staff expertise, experience and know-how needed to ensure quality aid. Since 2006, it has taken a strategic approach to rebuilding its human resources. This has three key components: i) increasing core staff numbers; ii) developing a workforce planning model; and iii) launching a new agency-wide approach to training and better aligning staff skills to the agency's mission. These reforms are underway and need to be consolidated. In particular, to make its workforce planning model more effective, USAID should continue to deepen its analysis of workforce and competency gaps in relation to its objectives. USAID also relies heavily on locally-recruited personnel. With numbers of local staff set to increase, and recognising their importance in delivering a quality programme, it should continue to look at ways to make better use of their expertise and retain the staff at higher grades.

## Improving the impact of development co-operation

### *Disseminating aid quality principles across US development co-operation*

**Key findings**:

*Recent US reforms put new emphasis on the aid effectiveness agenda. Past surveys have shown the US lagging behind in implementing the Paris Declaration principles of effective aid. These principles are now well understood by USAID, MCC, and the Treasury, but not to the same extent by other US entities.*

*As the MCC started implementing its programmes, it demonstrated that its set up allowed it to deliver aid in line with the principles of more effective aid. In this, there are good lessons for both the US and other donors (Box3).*

> **Recommendation:** To implement the principles related to improving aid quality outlined in the policy directive, all relevant US agencies should:
>
> - Develop practical guidance for their development co-operation activities in a way that also honours the internationally agreed principles of effective aid;
>
> - Accompany the guidance with adequate training and appropriate incentive structures, conducive to harmonising efforts with other donors and making more use of country systems where possible.

In OECD surveys covering 2005-2007 data, the US scored poorly on the Paris Declaration indicators related to alignment with partner country priorities, the use of countries' financial and procurement systems, and harmonisation with other donors. Challenges in implementing the aid effectiveness principles include congressional requirements such as earmarking and tying aid to the delivery of US goods and services, and the focus on short-term outcomes. Current US foreign assistance reforms aimed at making development co-operation more effective are therefore timely. In line with the presidential policy directive and the quadrennial review, the USAID Forward reform defines significant concrete steps. These include ensuring USAID's procurement system relies more on non-US providers and building the capacity of partner countries so that the US can increasingly use their systems. The Feed the Future and Global Health initiatives also emphasise country-led programming.

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**Box 3. Good practice: the MCC's approach to quality aid**

Through the MCC, the US has shown that it can deliver development co-operation that is in line with the principles on effective aid. In particular, ownership, predictability, untying, unearmarked funding, and a strong emphasis on results are key characteristics of MCC's approach. MCC also provides an incentive model that supports partner countries in their reform: it allocates aid based on a country's policy performance, employing objective indicators to determine a country's eligibility for funding. Threshold programmes managed by USAID can be set up to help countries meet these eligibility criteria. The MCC benefits from independent legislation which frees it from many of the constraints imposed on other government institutions. MCC nonetheless faces challenges, including in ensuring long-term sustainability, but it has demonstrated its ability to learn from experience and thus its model continues to evolve. Meanwhile, good practice by MCC has been incorporated in other US programmes (para 77).

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The international principles that aim to drive more effective development co-operation are now well understood by USAID, MCC, and the Treasury, but not to the same extent by other US entities involved in development co-operation. The US should therefore raise awareness of these principles among all its agencies involved in development co-operation, and provide guidance to their staff on adapting working practices for more effective development co-operation (para 107).

The two issues requiring most urgent guidance now are how to use country systems more, and how to co-operate better with other donors. The US generally aligns its strategies with the host country's policies, respecting partner country ownership of the development process, provided partners are committed to good governance and reform. USAID's approach to align co-operation with the whole of society, not only government, is particularly suited for fragile states. The DAC also commends the US for its efforts to build partner governments' capacity in finance and audit (para 123). Yet at the same time, the US has until now largely bypassed its partners' national structures for financing or

procurement even in permissive environments, and relies little on the local private sector. It should make more use of country systems wherever possible. USAID's recent procurement reform could therefore yield valuable lessons for other agencies as well. USAID should also put more of its assistance on partner countries' budgets where it does not yet do so. MCC – which usually creates a temporary entity to implement its compacts – should examine whether it could rely more on, and strengthen, existing local capacity to manage the programmes. Further, the US is not playing a role in co-ordinating with other donors that is commensurate with its ambition to be a leader in development. It should explain to staff how they can co-ordinate better with other donors, for instance by harmonising their reporting requirements, missions, conditions placed on partner governments, and programmes.

## *Making further efforts to untie aid*

**Key findings**:

*Part of US aid, governed by the DAC recommendation on untying aid, remains tied to the delivery of US goods and services. This has a negative impact on the efficiency of the US programme.*

**Recommendation**: to provide better value-for-money and comply with the OECD recommendation on untying aid, the US should:

- Fully untie its aid to least developed countries (LDCs) and to heavily indebted poor countries (HIPCs), consistent with the 2001 DAC recommendation on untying aid as amended on 25 July 2008.

- Continue to carry the message to Congress that US co-operation would yield better value for money for partners if it were not tied to the provision of US goods and services.

The US has made considerable progress in implementing the 2001/2008 DAC Recommendation to untie aid, from 47% being tied in 2005 to only 15% in 2009, progress the DAC welcomes. Overall however – when all forms of aid and all developing countries are considered – the US still ties almost a third (32%) of its aid to the delivery of US goods and services, the sixth-highest share in the DAC. The US is encouraged to follow other donors' lead in untying beyond the DAC recommendation, all the more since the costs of tying aid have been well documented, including by the US's own Government Accountability Office. The Administration should therefore continue to remind Congress that US co-operation would be more cost effective if Congress removed or eased the requirement to tie aid. MCC and the President's Emergency Plan for AIDS Relief both have principles for untying and non-earmarking, showing that the US can achieve this. To get the best value for money, and strengthen the capacity of local partners, the US should further ensure that its bidding processes are open to non-US companies (in particular in LDCs and HIPCs) so that local companies truly benefit from the USAID procurement reform.

## Towards better humanitarian donorship

### *Promoting coherent and strategic planning*

*Key findings:*

*Recent policy shifts provide a welcome opportunity for the US to build on existing good practice in humanitarian programming, by addressing programmatic inconsistencies and linking humanitarian and development tools across government. Promising steps towards the reform of food aid should continue.*

**Recommendations:** To promote more coherent and strategic humanitarian programming, the US should:

- Develop cross-government humanitarian guidance that reinforces existing good practice, but also
    - encourages a systematic approach to support recovery
    - enables more flexible and predictable funding for protracted crises, and
    - eliminates inconsistencies in support to internally-displaced persons (IDPs) compared with refugees.
- Strengthen cross-government co-ordination mechanisms – including incorporating humanitarian activities into wider US mission strategies.

The US remains a responsive, flexible, rapid and generous humanitarian donor – the world's largest – with an extensive, experienced and engaged field presence, strong partnerships with the humanitarian community, and an increasing global advocacy voice. However, programmatic inconsistencies remain, such as its unequal responses to IDP and refugee situations. It could also deliver a more holistic response by incorporating a stronger focus on disaster risk reduction, beneficiary participation and supporting recovery.

The US has taken promising steps to reform its emergency food aid, as recommended by the 2006 peer review. Local and regional procurement, cash transfers and food vouchers are now possible under the 2010 Emergency Food Security Programme. The range of tied food commodities is also expanding to include, for example, more appropriate ready-to-use foods for nutritional programmes. Commodities have been pre-positioned in new sites around the world, speeding up delivery.

However, continued over-reliance on Congressional supplementary appropriations, used to top up budgets and provide funding for new crises, is hampering overall funding predictability, limiting strategic planning and restricting the US's capacity to respond to new emergencies. Efforts by the current Administration to reincorporate humanitarian funding into base budgets are therefore welcomed. The US is also taking innovative steps to broaden the global donor base, by encouraging new donors to contribute more and supporting cash funding to humanitarian organisations by US citizens. Other DAC donors could learn from these practices.

*Partnering with the military*

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**Key findings:**

*Implementing a partnership between US civilian and military actors that is coherent and meaningful, guided by humanitarian principles, best practices and value for money, will need continuous attention.*

**Recommendation**: To support the most effective means of humanitarian aid delivery for each context the US should:

- Develop new cross-government guidance on how humanitarian assistance should best be delivered or supported by the US military, based on practical and principled solutions that deliver maximum value for money.

- Engage with the humanitarian community to find workable solutions and compromises to ensure that its counterterrorism measures are consistent with the shared humanitarian imperative.

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The humanitarian imperative calls for the delivery of life-saving aid in the most effective manner, and this may at times justify involving military assets. Current policy instructions provide the US military with a mandate, in certain exceptional cases, for the direct delivery of humanitarian aid, in addition to the traditional heavy logistics support role. This mandate has at times been controversial, although there have recently been positive experiences, including in Haiti after the earthquake.

The humanitarian community remains concerned about compliance with the 2001 Patriot Act, which prohibits material support to terrorists, noting both the administrative burden created by new vetting tools, and the potential repercussions for staff and neutrality if the Act is enforced to the extent envisaged by the Supreme Court. These fears have potential to affect the access, security and scope of humanitarian operations, by reducing the pool of humanitarian actors willing to partner with the US.

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**Box 4. Good practice: engaging partners in humanitarian training**

The overall impact of the US humanitarian system is heavily dependent on the quality of USAID and State Department staff, who are widely praised for being well trained, effective and fully engaged. The State Department's approaches to staff training, which include embedding partner agency personnel in its training programmes, and training locally-engaged staff in Washington, where they can meet their regular work contacts face-to-face, could provide valuable lessons for other donors.

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# Secretariat report

## *Chapter 1*
## Strategic orientations

### A global leader with an ambitious agenda

As a global leader, the United States (US) plays a key role in shaping the international development agenda. Its lead position rests on its economic power; its active role in key international fora such as the G20 and G8; the size of its aid programme − by far the largest among DAC countries with USD 30.1 billion of official development assistance (ODA) in 2010; and its world-wide network of embassies. Major events during the past decade have had a dramatic impact on the way the US government engages in the world: these include the September 2001 terrorist attack, substantial war efforts in Iraq and Afghanistan, the spread of major pandemics like HIV/AIDS and more recently the global economic and financial crisis. These events have led the US government to give greater prominence to foreign aid, recognising that development and national security are inextricably linked. It announced in 2005 the concept of "transformational diplomacy and development", an approach to ensure that development aid complements wider foreign policy and national security objectives.

Although the US has taken a strong lead on key development co-operation agendas, such as global health and anti-corruption, until recently its role in international debates on development issues had been weakening. Since 2010, the US has been determined to renew its global leadership on development, an ambition stated clearly by US President at the Millennium Development Goal Summit in 2010: "We are making sure that the United States will be a global leader in international development in the 21st century" (White House, 2010a). The US Administration is aware that meeting this ambition requires profound reform, and is committed to changing the way it delivers the aid programme.

Overall the US has made good progress towards implementing a number of recommendations made in the 2006 DAC peer review, in particular as regards the volume and geographic balance of official aid − meeting all its international aid targets -, the co-ordination between the State Department and the US Agency for International Development (USAID), the focus on results, and the development of innovative approaches by the Millennium Challenge Corporation (MCC). However, some weaknesses in the US development co-operation system remain. In particular, with 27 entities involved in the aid programme, the institutional and budget fragmentation makes it difficult to guide the programme strategically and to deliver it efficiently and effectively. In addition, the limited visibility of USAID at cabinet level hampers the

elevation of development assistance beside diplomacy and defence as a foreign policy tool. Finally, the US Administration could build on its comprehensive approach to development co-operation to advance the coherence of its domestic and other foreign policies with development goals (Annex A and OECD, 2006).

## Strategic orientations: a renewed approach to development

Recognising weaknesses and inefficiencies in the aid programme deriving from the country's regulatory environment and political system, the US Administration is now committed to making its system more effective. Until recently, one of the weaknesses was the lack of a national foreign assistance strategy to which the entire administration was committed. The first ever Presidential Policy Directive on Global Development (referred to as the policy directive), issued in September 2010, is a significant achievement in this respect. While signalling the importance given to development co-operation at the highest level of government, it sets clear orientations for the development agenda and the aid programme. The policy directive will be carried out starting with the 2012 budget process, and a new interagency policy committee on global development was set up in October 2010 to translate it into strategies and guidelines for the aid programme. The Quadrennial Diplomacy and Development Review (referred to as the quadrennial review) launched by the State Department in December 2010 also illustrates the US Administration's determination. It outlines ways to implement the policy directive with a focus on re-establishing strong civilian power, vital for achieving sustainable development. In line with this, the 2010 US *National Security Strategy* (White House, 2010b), which provides the overarching framework for the aid programme, confirms the importance of elevating the development pillar beside diplomacy and defence. These three strategic documents will guide the US aid programme in the coming years (Box 5).

To complement this framework, the US President announced in September 2010 three major presidential initiatives: i) the Feed the Future initiative, which is the US component of the global initiative on food security launched by President Obama at G20 London Summit; ii) the Global Health initiative, which builds on the US President's Emergency Program for AIDS Relief (PEPFAR) established in 2004 under President Bush; and iii) a new Global Climate Change initiative aiming to integrate climate change considerations into the US foreign assistance strategy to foster a low-carbon future and promote sustainable and resilient societies.

These developments, along with the US strategy for meeting the Millennium Development Goals (White House, 2010d), shape the policy orientations for the aid programme and signal a renewed engagement. The US will focus on sustainable economic growth, democracy and governance, food security, global health, climate change and humanitarian assistance. Gender equality will cut across all these themes. Key policy priorities are described below.

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**Box 5. Three key strategic documents guiding the US aid programme**

**The National Security Strategy: diplomacy, defence and development as pillars of foreign policy**

The *National Security Strategy* has been issued by every US President since 1988. It provides the overarching framework to all official entities delivering the aid programme, recognising that development is vital to US national security. The 2010 *National Security Strategy* outlines the US strategic approach to sustain its international leadership role and to advance four enduring national interests: security, prosperity, respect for universal values, and a just and sustainable international order. It considers development as a strategic, economic and moral imperative, and confirms the elevation of development as one of the three pillars of national foreign policy, along with diplomacy and defence. It aims to integrate further capabilities within its military and civilian institutions (White House, 2010b).

**The presidential policy directive on global development: a comprehensive approach to development**

The policy directive provides clear policy guidance to all US government agencies. In line with the *National Security Strategy*, it "calls for the elevation of development as a core pillar of American power and charts a course for development, diplomacy and defense to mutually reinforce and complement one another in an integrated comprehensive approach to national security." (White House, 2010c). The policy directive recognises that, over the last decades, trade-offs among competing development objectives have been made implicitly rather than explicitly, thereby weakening the effectiveness of US development efforts. It outlines an approach based on three pillars: i) a policy focus on sustainable development outcomes; ii) a new operational model which underscores the importance of country ownership and which promotes an efficient division of labour among donors in support of a strengthened geographic and sector focus; and iii) a new architecture that harnesses development capabilities across government.

**The 2010 Quadrennial Diplomacy and Development Review: leading through civilian power**

Alongside the strategic vision, it is essential to ensure that foreign assistance is delivered efficiently and effectively. In 2009 the Secretary of State launched a first Quadrennial Diplomacy and Development Review to modernise State and USAID's capabilities and align their efforts as core pillars of America's civilian power (DoS/USAID, 2010). It sets forth a sweeping reform agenda for the State Department and USAID, recognising the need to adapt to the evolving global geopolitical and economic landscape. The review sets as a driving principle that responding to global challenges requires civilians to move beyond the embassy and into the field, and leveraging the contributions of all US agencies operating overseas. Other principles include anticipating, preventing and responding to crisis with flexible, rapid and integrated capabilities; and focusing on cost-effectiveness and results.

*Sources*: White House, 2010b&c; DoS/USAID (2010).

## *Supporting broad-based economic development*

Creating opportunities for sustainable growth is a primary objective of the US support to development, an approach which goes beyond its aid policy. The US plans to enhance its focus on broad-based economic growth by investing in infrastructure, encouraging entrepreneurship, creating favourable business environments, and promoting open markets and a Doha trade round that is ambitious and balanced. The US also plans to invest in innovations with the potential to solve long-standing development challenges.

This implies a stronger effort to pioneer scientific and technological research for development (*e.g.* vaccines, clean energy technology).

### *Promoting governance and democracy*

The US emphasises the importance of governance for sustainable development and plans to focus more on countries that promote good governance and democracy, the rule of law and equal administration of justice, transparent institutions with strong civil societies, and respect for human rights. It also plans to focus on countries making transitions from authoritarianism to democracy, and from war to peace. Its bilateral approach includes a wide-ranging portfolio to help strengthen electoral institutions and processes, develop vibrant civil societies, nurture an active media and promote the rule of law.

### *Engaging in food security and health as key factors for the MDGs*

While embracing economic growth and governance, the US strategy for meeting the MDGs emphasises health, agriculture and food security as key sectors for meeting the MDGs, alongside gender equity (White House, 2010d). Already a major actor in these areas, the US now takes a broader approach, placing a greater emphasis on building sustainable capacity at the national and community levels to provide basic services over the longer term. The US will use the Global Health and Feed the Future initiatives as well as the Global Fund to Fight AIDS, Tuberculosis and Malaria to build sustainable delivery systems. Although reducing poverty is not explicitly the overarching goal of the US aid programme, key programmes are directly oriented towards fighting poverty. Sustained, high-level leadership would help to broaden the poverty focus across all US programmes.

### *Preventing and responding to conflict and crisis*

As stated in the national security strategy, engaging with fragile states is one important element of the US security policy. The US is now shifting its approach to fragile states from a short-term response to crisis situations to preventing conflict and building long-term development. The policy directive pledges to tailor development strategies in stabilisation and post-crisis situations to each context, and to balance civilian and military power to address conflict, instability and humanitarian crisis (Chapters 2 and 3).

### *Renewing efforts to integrate gender equality and women's empowerment*

Political leaders at the highest level recognise that investing in the health, education and rights of women, and working to empower the next generation of women entrepreneurs and leaders are important for economic growth and improved governance. This has led to a new impetus to integrate gender aspects into the aid programme – as is the case in the new presidential initiatives – and progress is becoming apparent (Box 6). The Millennium Challenge Corporation (MCC), which developed its gender strategy in 2006, has spearheaded efforts to mainstream gender into its programmes. While rebuilding its policy capacity, in 2010 USAID created a new senior gender advisor position, a positive step as it needs to update its gender policy. The US has also played an active role in the United Nations, leading to the adoption of key resolutions on protecting women and girls from sexual violence in conflict situations. Finally, the US has reviewed

how it collects gender equality data and determined that for the sake of reliable and valid reporting, it will significantly modify the methods. The US anticipates that reporting on the gender equality policy marker will resume in 2011 under the new methodology. This is a welcome move.

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**Box 6. A leader in aid focused on gender equality**

In partner countries such as Ghana and Jordan (Annex C), gender equality appears to be systematically integrated into the aid programme through the application of clear regulations and tools. USAID has developed innovative programmes and instruments in areas such as women's entrepreneurship and post-conflict situations. For instance, USAID has developed a methodology known as the Gender Business Climate Legal and Institutional Reform Tool to expand women's access to political and economic opportunity and identify and monitor the barriers to progress. In the same vein, the US government is supporting the Greater Access to Trade Expansion Project to enhance development practitioners' understanding of how gender roles and relations affect value chains and the outcomes of programmes.

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### *Progress on mainstreaming environment and climate change*

Climate change has become a key issue in US development policy, out of concern for both security and sustainability. The President's Global Climate Change Initiative makes climate change considerations a prominent part of US foreign assistance. In its bilateral co-operation, the US mainly helps developing countries formulate low-emission development strategies. In addition, it is now developing whole-of-government strategies on adaptation and clean energy. Multilaterally, it makes a key contribution to the Climate Investment Funds implemented through the multilateral development banks. Nonetheless, climate change concerns are not well mainstreamed within US co-operation, as they are not clearly regulated. The Federal Assistance Act requires agencies to assess the impact of programmes on biodiversity and tropical forests, but they do not yet perform screening and climate proofing in a consistent manner. Since 2007, the US has improved its reporting to the DAC using the Rio markers; this will mean it will be able to track its focus on climate change better.

Other environmental concerns are better mainstreamed within US co-operation, with clear regulations in place. Although strategic environmental assessment is not a federal requirement, environmental impact assessments are required by law through the Code of Federal Regulations, and performed systematically. Both USAID and MCC have translated the procedures into practical guidance for project officers. At the policy level, water has become a priority for the State Department, and a whole-of government strategy is being developed. US missions visited for this peer review stressed that the focus on climate change should not mean neglecting pressing environmental issues such as pollution.

## Translating priorities into action

Alongside these policy orientations, the US is redefining its model of engagement. Following an Administration that had often favoured unilateral approaches, the Obama Administration has embraced multilateralism. The US also intends to use more whole-of-government approaches, build more partnerships – including with non-aid actors – and place a renewed emphasis on key aid effectiveness principles (Chapters 2, 4, 5). The US's renewed ambition to be a global leader in development, which goes hand in hand with

clear strategic and operational orientations, raises high expectations among US stakeholders and the donor community. However, in addition to overcoming bureaucratic inertia, meeting this aspiration requires addressing two challenges: to balance strategic national interests with development objectives and to get support from Congress.

### *Balancing geopolitical and development objectives*

The elevated status of development is affecting not only how USAID implements foreign aid, but also how it is used in conjunction with diplomacy and defence to address instability and fight global terrorism. This three-pronged policy alignment can be powerful, with the various strands of the US government supporting simultaneously the development efforts of partner countries. At the same time, the US needs to be careful when dealing simultaneously with geopolitical and security priorities and development assistance, ensuring that the security driver also supports development purposes. It is therefore positive that the presidential policy directive states that the US will promote sustainable development consistently, "even in those countries where our assistance efforts have been driven largely by other strategic considerations" (White House, 2010c). This announcement, put into practice, will help to ensure that the security objective supports development goals embedded in the MDGs. It requires the US Administration to review how decisions on allocations are made between and within the different development co-operation accounts, in order to ensure that the development perspective is heard in final budget arbitrations (Chapter 4).[1]

Since 2006, the US has taken steps to elevate the position of development within the "3D" framework of development, defence and diplomacy. Nonetheless the military has taken the lead in stability operations over this period, notably in Afghanistan and Iraq, while civilian aid has played only a comparatively small part. The US Administration recognises the need to re-build strong civilian power if it wants to achieve lasting development results in fragile contexts. Acquiring a better balance with defence, with the military moving back to its security role and civilians leading foreign policy and development co-operation, is the purpose of the quadrennial review. Both the Secretary of State and the Defense Secretary affirm that defence, diplomacy and development must be mutually supportive.[2] This is encouraging since elevating development and making sure that each of the 3Ds is used in the most efficient, complementary way remains challenging, and will require strong leadership from the top.

### *Administration and Congress: towards a new partnership?*

In the US presidential system, both the executive and legislative branches of government play an active role in shaping policies and in determining and overseeing federal expenditures. As described below, diverging priorities between US Congress and the Administration have an impact on US development co-operation.

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1. Major accounts include the Global Health and Child Survival account; the Economic Support Fund, which is intended to support foreign policy and national security imperatives and is often allocated for strategic reasons, although it also provides a large amount for development purposes; and the Development Assistance Account, which aims to support economic and social development activities.

2. As an example, the Defense Secretary has recognised that, "it is in the Pentagon's interest to have a healthier foreign aid budget" (Gates, 2009). See also Gates, 2010, and Clinton, 2010.

In 1961, the Congress adopted the Foreign Assistance Act which reorganised US foreign assistance programmes and led to the creation of USAID. The Foreign Assistance Act continues to provide the legal foundation for the US aid programme. It is however periodically amended, and an accumulation of foreign assistance legislation has been added to the original act of 1961 (Congress, 2003). For instance, since 1989, there have been 17 additional pieces of legislation governing US foreign aid, with a variety of focus areas and goals.[3] The act, as amended, is viewed by most development experts as outdated. Despite numerous recommendations made to rewrite it, efforts to replace the act have so far been in vain.

The proliferation of objectives reflects diverging priorities between Congress and the Administration for foreign assistance. On the one hand, the Administration has sought to pursue its policy objectives by creating presidential initiatives and avoiding Congressional limitations by funding them outside the International Affairs Account. This has created new channels for funding innovative development programmes like the MCC, but has also led to additional fragmentation. On the other hand, Congress pursues its own priorities through directives and earmarks[4] that may not be consistent with the priorities of the Administration. US foreign assistance now has a total of at least 140 broad priorities and 400 specific directives for implementing the priorities.[5] Extensive earmarking may reduce resources for core programmes and weaken co-ordination and consistency of the aid programme. In partner countries, it hampers the predictability of US aid and leads to supply-driven approaches that contradict the need to align to partner countries' priorities. It also increases administrative and reporting costs.

Many of the problems outlined above could be addressed through a strategic, results-focused compact agreed between the Administration and Congress. Such shared vision on the objectives pursued on the medium term through the development component of the 3Ds would complement the Administration's foreign assistance framework (known as the "F" framework, see Chapter 4). It would help rationalise priorities and, ultimately, it should lead Congress to allow the Administration greater flexibility in how it conducts development programmes and accounts, within the funding levels Congress determines. Many observers have requested that the Administration and Congress agree on a vision for foreign assistance (Kunder and White, 2010). There are now opportunities to do so. The US Congress has been reviewing a wide range of possible foreign assistance reforms.[6] Key members of both the House Foreign Affairs Committee and Senate Foreign Relations Committee think such reform should involve a national strategy and put the new quadrennial diplomacy and development review into statute. The Government Accountability Office (GAO) also recommends that the Secretary of State work with all US government entities involved in foreign assistance to develop and implement a

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3.    For example, the Tropical Forest Conservation Act of 1998; Global AIDs and Tuberculosis Relief Act of 2000; and Millennium Challenge Act of 2003.

4.    Earmarks are specific funds for projects, activities, or institutions that have not been requested by the President, but added on by Congress. Congress can also issue notifications that oblige US aid agencies to consult relevant committees about changes in levels of funding previously approved by Congress.

5.    See Burall *et al*. (2009) for more information on the role of Congress in foreign assistance.

6.    Back in 2007, the Congress HELP Commission (a 21-member bipartisan commission established in 2004) already recommended developing a "national international affairs strategy" to further define US objectives and outline government-wide capabilities and assistance needed to achieve these objectives (HELP, 2007).

comprehensive, government-wide foreign assistance strategy (GAO, 2009a). The Administration has stated in the policy directive its intention to do so: "Any meaningful and permanent change to how we approach development will require engagement with and buy-in from Congress. In forging this new partnership, we will seek greater flexibilities, including a reduction in earmarks and the ability to reallocate funding from less to more effective programs, while committing departments and agencies to a much higher standard of accountability for results." (White House, 2010c) This is encouraging and should pave the way for a reinforced, proactive engagement with Congress to establish a shared vision of the way forward on global development.

## Communicating and building public awareness and support

### *Need to build further on public support for development co-operation*

The American public vastly overestimates the amount of foreign aid given by the US. Asked in 2010 to estimate how much of the federal budget goes to foreign aid, the median estimate was 25%. Asked how much they thought would be an "appropriate" percentage, the median response was 10%. Foreign aid (which goes beyond the strict delimitation of official development assistance) accounts for only 1% of the federal budget. This overestimation of foreign aid is not new, but has increased since 1995 (PIPA, 2010).

Despite this weak awareness on aid flows, Americans are generous and give huge amounts to development and humanitarian assistance as private donations (Chapter 3). US citizens also value official aid both as a moral imperative and as a way to promote US economic and security interests. A vibrant civil society includes a wide diversity of actors grouped in numerous coalitions. These are recognised as instrumental in building public support and influencing the debate on development – with sometimes diverging interests. An example is the US Global Leadership Coalition, a broad-based influential network of 400 businesses and NGOs, national security and foreign policy experts, and business, faith-based, academic and community leaders in all 50 states. Together they support a "smart power" approach of elevating diplomacy and development alongside defence in order to build a better, safer world. By advocating for increases in the International Affairs Budget, the coalition is working to make diplomacy and development keystones of America's engagement with the world. Another example is the "modernising foreign assistance network", which supports a bipartisan plan for enhancing and streamlining the US foreign aid system to enable it to work towards a stable, prosperous and peaceful global future.

The Administration could take its relationship with non-state actors forward by involving them more in strategic dialogue and by recognising their capacity to advocate for development issues and to raise public awareness and support for development co-operation. This is all the more important since the Administration relies on non-government actors for development awareness activities. To engage further with non state actors at a strategic level, the Administration should re-activate the Advisory Committee on Voluntary Foreign Assistance (the USAID standing body for consultation with NGOs and other non-state actors) which has not met in the last two years. The creation of the Global Development Council announced in the presidential policy directive could also be an opportunity to strengthen the dialogue at a policy level. As resources are more constrained, this could be an opportunity to develop a streamlined strategy for leveraging, combining private and public resources in effective ways (Chapter 2). In revitalising its

relations with NGOs, USAID could look at the MCC example, which convenes NGOs after each board meeting to share findings, in addition to holding country-specific meetings.

### *Raising development awareness and communicating results are crucial*

The US Administration is aware of the need to raise public awareness and communicate better about its activities if it is to get the support needed to sustain the increase in aid volume. As an example, it has organised 50 events on the Haiti earthquake response to explain the value of the US investment and on how Americans can participate. USAID and other departments involved in the aid programme need to extend this effort to cover not only humanitarian responses, but also longer-term development assistance programmes, which receive less public support. The new "dashboard" website on foreign assistance aid launched in December 2010 is a positive step to bring more transparency and accountability on aid volumes. Meanwhile it is crucial that the US Administration not only provides an overall picture of data and figures, but also communicates results effectively.

Strict oversight of the aid programme is needed to ensure public and political support for foreign aid, and many mechanisms are in place in both Congress and the Administration to scrutinise the aid programme. However, current mechanisms for domestic accountability entail several risks which the US needs to address (Chapter 5). One of them is that they are skewed towards immediate results rather than longer-term impact. To avoid undermining the goal of US development programmes, Congressional oversight must focus on outcomes and results rather than only financial inputs. To do so, the US can learn from several accounts that have a focus on longer-term performance, supported by Congress. These include the State Department's Support for East European Democracies, and USAID's International Disaster and Famine Assistance and Transition Initiatives accounts.

USAID is not allowed by law to spend funds in awareness-raising and development education. This constrains USAID's efforts to raise public awareness. Its communication budget comes from its restricted agency operating expenses, and is therefore limited (USD 1.4 million annually). USAID's Bureau for Legislative and Public Affairs is responsible for the agency's external affairs, serving as the central point of contact between the agency, the American people, Congress, the media and other key constituencies. This office is staffed with 40 communication professionals. USAID missions also rely on 110 outreach and communication officers based overseas. Strong interaction also exists with the State Department, which provides support to USAID messages, events, activities and logistical requirements.

USAID has a clear policy on branding. It requires all US foreign assistance activities to be fully identified in the host country as being "from the American people", with a few exceptions and waivers. It has produced guidelines on how to communicate about the aid programme. However, it lacks a comprehensive communication strategy, and is in the process of developing the Agency's first ever strategic communications plan. Such a plan should in particular define targeted approaches to reach out to the different audiences, including Congress. It could build on the State Department's efforts to extend public diplomacy, which aims to link people in the US with people in partner countries. This includes scholarship programmes, the international visitors' leadership programme, as well as engaging with the diaspora and specific communities able to amplify US development priorities among broader audiences.

## Future considerations

- Building on the presidential policy directive on global development, the US Administration now needs to secure broad ownership of its development vision across government. This requires continuing to make every effort to consult with, and gain support from, Congress for the objectives and results that the development co-operation programme aims to achieve.

- The US Administration should continue to elevate development and strengthen civilian power within the 3Ds, ensuring that diplomacy, defence and development are mutually reinforcing and support the development objectives of the MDGs. This requires reinforcing the role for USAID in the appropriate high-level decision-making fora.

- To increase public and political support for the aid programme, the US Administration should strengthen efforts to communicate the objectives, size and results of the aid programme, and to engage further with non-state actors.

*Chapter 2*
# Development beyond aid

The OECD/DAC describes progress towards policy coherence for development (PCD) as involving three building blocks: (i) a political commitment that clearly specifies policy objectives; (ii) policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies; and (iii) monitoring, analysis and reporting systems to provide the evidence base for accountability and for well-informed policy making and politics (OECD, 2008a). The 2006 peer review encouraged the US government to develop a more explicit policy on the role of policy coherence for development and to put in place the resources needed to carry out analysis and effectively manage the policy coherence agenda (Annex A). Five years on, the US has achieved mixed progress in implementing these recommendations and the three PCD pillars (Table 1).

## Policy coherence for development

### *The national security strategy cannot substitute for a policy coherence for development agenda*

The US national security strategy drives the government's engagement with partner countries. It calls on the US Administration to align US policies and resources to the strategy. The 2010 strategy emphasises the need to integrate better all the tools of American power, including defence, diplomacy, economic development, homeland security, intelligence, strategic communication, and the American people and the private sector (White House, 2010b). However, while providing a framework to ensure consistency across US policies, the national security strategy does not aim to make these policies coherent with partner countries' development aspirations, and it does not encompass all policies with potential impact on partner countries. The objective of the national security strategy is to advance US values and interests in the areas of security and prosperity. Even if the US sees global development as a way to meet this objective, the national security agenda can at times contradict efforts to ensure that US domestic and foreign policies support, or at least do not undermine, the development efforts of partner countries.

The 2010 presidential policy directive signals a welcome step towards more systematic scrutiny of all US domestic and foreign policies in light of their impact on developing countries. It states that "through existing policy mechanisms, an assessment of the 'development impact' of policy changes affecting developing countries will be considered" (White House, 2010c).

To put this into practice, the Administration might develop a policy framework setting key priority areas in which it wants to pursue and monitor coherence of its policies

with the development efforts of partner countries. Other DAC members have found such an approach helpful. Meanwhile it should communicate the new screening policy to US embassies and missions. As the peer review team saw in Ghana and Jordan, there is often confusion between achieving coherence in delivering the aid programme and ensuring that US domestic and other foreign policies are consistent with, and support, development efforts. With adequate guidance from headquarters, US missions could more systematically point out areas of policy incoherence. To date, these issues are treated on a piecemeal basis rather than through screening procedures. As US ambassadors represent the US government's reinforced co-ordinated engagement, they need sufficient knowledge of policy impact to feed perspectives from the field into the policy debate (Chapter 4). In this regard, the Committee was informed that USAID is soon to launch a "dissent channel" to allow officials to state their disagreement with US policy, including on matters of coherence of policies affecting development.

**Table 1.   US building blocks for policy coherence for development**

| Building block | Progress made by 2010 | Recommended next steps |
|---|---|---|
| Building Block A: Political commitment and policy statements | The US does not have a PCD programme. It uses the national security strategy as a framework for promoting coherence in security and foreign affairs. | Develop a policy framework setting key priority areas of domestic and foreign policies where to focus efforts on coherence for development, and communicate it, accompanied by appropriate guidance, to the entire Administration |
| | The PPD commits to consider assessing the "development impact" of policy changes affecting developing countries. | |
| Building Block B: Policy co-ordination mechanisms | National Security Council and a framework of interdepartmental policy committees is in place to ensure co-ordination on key security and foreign affairs policies. | Use the IPC on global development as a focal point for policy coherence, including key priority areas in its workplan with targets and timeframes and giving it adequate capacity. |
| | PPD has set up a new Interagency Policy Committee (IPC) on global development | |
| | Whole-of-government approaches to aid delivery are being strengthened and should reinforce coherence of US interventions. | |
| Building Block C: Monitoring, analysis and reporting systems | Progress is weak as there is no systematic report to assess efforts made and their impact on development. | Build on the strengthened approach on performance and results to develop results frameworks in the identified priority areas, to monitor, report and assess the impact of efforts for policy coherence for development. |

The US Administration's new political commitment should help improve the coherence of US policies with the development agenda. According to the Commitment to Development Index measured annually by the Centre for Global Development, the US came 11th out of 22 countries in 2010 (CGD, 2010).[7] The country's institutional set up partly explains this result. The process for policy arbitration is complicated by the American system of checks and balances between the executive and legislative branches

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7.     The US ranks first for security, due to its strong contributions to internationally sanctioned peace-keeping and humanitarian interventions and to the protection of sea lanes important for trade. It comes third on trade, thanks to low tariffs on agricultural products. But it ranks 20th on environment, having the lowest gas taxes and among the highest greenhouse gas emission and fuel production rates per person.

of government, and the role played by special interest groups among the US political, corporate and civil society components. In a number of areas, trade-offs are needed to solve the tensions between the US' security and economic concerns and its values-based objectives of supporting partner countries' development efforts. There is for instance strong domestic political opposition to reducing farm subsidies and lowering tariffs generally on textiles and clothing. More broadly, the U.S. seeks to advance its economic interests by expanding U.S. exports through a global network of free-trade associations, as well as selected protections and subsidies to American domestic sectors, especially in agriculture. These tensions amongst competing interests and values contribute to incoherence, or contradictory programmes and restrictions (Chapter 5). However, thanks to its co-ordination mechanisms, the US has conducted constructive arbitration in several sectors, such as in food aid (Chapter 6). This shows that a pragmatic approach can be successful and that an incremental process, focusing on a limited number of priority areas, can be instrumental in finding trade-offs between competing interests.

### Co-ordination mechanisms: a stronger position for USAID

The National Security Council, chaired by the President, is the principal forum for considering national security and foreign policy matters and its principal arm for co-ordinating these policies among various government agencies. The Council, and its structure of interagency policy committees, provides a useful mechanism to promote coherence of US policies (Box 7).

The Secretary of State participates in the National Security Council and its Principals Committee. The 2010 policy directive indicates that the Administrator of USAID will participate in National Security Council meetings "as appropriate". This is a positive move as it will enable USAID to sustain a strong voice in the council, reflecting the elevation of development within the 3Ds. This decision, put into practice, will help ensure that the development voice is heard in the highest decision-making fora.

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**Box 7. The structure of the National Security Council**

The National Security Council (NSC) is supported by two committees: i) a Principals Committee, chaired by the National Security Advisor and attended at the Secretary of State level; and ii) a Deputies Committee. These committees prepare, review and monitor the work of the NSC interagency process, focusing on policy implementation.

Below are the NSC Interagency Policy Committees (IPC). These are the US government's primary vehicle for interagency policy co-ordination on national security issues. They aim to get US government agencies to agree on policy issues by: i) identifying issues on the horizon that require interagency work; ii) creating a forum for interagency creative thinking in their IPCs; iii) preparing decisions for consideration by Principals and Deputies as needed; and iv) fulfilling any requirements from the security council and presidential policy directives.

These committees are chaired by National Security Staff, and are usually convened by NSC Senior Directors. Each committee must establish clear guidelines on participants, decision-making processes and timeframes. Participants must consult fully on agenda items before IPC meetings so they can be clear about the likely positions of other agencies. Sub-committees are set up to focus on specific issues.

*Source*: adapted from White House, 2010a and discussions in Washington, January 2011.

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Meanwhile USAID's engagement in the interagency policy committees under the National Security Council provides an additional means to bring a development "voice" to high-level national security policy discussions. USAID has been an active participant in the Global Health committee and several regional or country-specific committees (*e.g.* Sudan, Afghanistan). USAID usually sends an Assistant Administrator or Senior Deputy Assistant Administrator to these meetings, while sub-committees are attended by staff from office or division levels.

Following the presidential policy directive, a new interagency policy committee on global development was created in October 2010. Its role is to set priorities, facilitate decision-making where agency positions diverge and co-ordinate development policy across the executive branch. Sixteen agencies participate in this committee, which meets every week. It has developed a work-plan to strengthen co-ordination and implement the policy directive. In addition to strengthening co-ordination within the US aid system, the committee could serve as a focal point on policy coherence for development, adopting a more strategic approach around clearly identified priority issues and reinforcing a decision-making process based on real evidence. Achieving this will require strong political leadership and appropriate expertise to foster evidence-based discussions within the Administration. USAID is actively involved in this committee. The NSC could consider reinforcing USAID's position in the committee to allow it to play a more pivotal role. This would be in line with the policy directive which commits the US "to rebuilding USAID as the US Government's lead development agency" (White House, 2010c).

Monitoring and reporting on the development impact of government policies need strengthening. Efforts are now made in this direction under the Government Performance and Results Modernization Act of 2010. The new interagency committee on global development could build on the strengthened focus on outcomes it entails to create monitoring frameworks with targets and timeframes to monitor effort and measure impacts in the priority areas identified in the policy framework for coherence.

## Beyond aid: engaging the private sector

The US has a comprehensive approach to development and foreign assistance, recognising that development goes beyond aid. It therefore aims to make use of all relevant policies and tools. Sound domestic policies, international trade flows, investments and skills that create opportunities for sustainable growth will all help nations to move from poverty to prosperity. The US's leading role in developing public-private partnerships and in fighting corruption illustrates this comprehensive approach.

### *A leader in developing public-private partnerships*

The US has become a leader in creating public-private partnerships. Its approach recognises the importance of private sector flows to developing countries, and ways in which official aid can be used as a lever to maximise development benefits. USAID established the Global Development Alliance in 2001 to foster public-private partnerships to improve social and economic conditions in developing countries (Box8). This approach has proved successful. In 2008, USAID estimated that "680 alliances had been formed with over 1,700 distinct partners, leveraging more than USD 9 billion in

combined public-private sector resources".[8] By early 2011, USAID had registered some 1 200 signed partnerships. These include a wide range of actors that are increasing their private financial flows to developing countries, whether private businesses, NGOs, foundations, trade associations and regional organisations. Partnerships span the geographic and sectoral reach of USAID, with an emphasis on economic growth, health and environment (USAID, 2007a). Through its Global Partnership Initiative launched in April 2009, the Department of State also involves many types of private organizations, assisting in areas ranging from social sectors and human rights to security issues.

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**Box 8. The US Global Development Alliance:
an evolving approach to partnerships**

Public-private partnerships aim to engage with the corporate sector through business partnerships around issues of common interest; they go beyond corporate philanthropy. The US global alliance model incorporates the pooled knowledge, skills and resources of USAID, the private sector and other partners, bringing shared responsibilities and resource commitments to a particular activity. USAID and its partners identify solutions that capitalise on the expertise and different perspectives that each entity brings to the table. These alliances have a multiplier effect, generating a greater impact than if each partner worked independently. A recent example is a partnership between Chevron Corporation, USAID and the Niger Delta Partnership Initiative Foundation established by Chevron to help address socio-economic challenges in the Niger Delta region of West Africa. According to the agreement signed in February 2011, USAID and the foundation will each contribute USD 25 million over four years to promote economic development, improve the capacity of government and civil society institutions, and help reduce conflict in the region.

The Office of Development Partners in USAID headquarters promotes the overall Global Development Alliance strategy. Meanwhile the majority of partnerships are implemented through country missions (73%) and several USAID country offices have developed a strategic approach to these partnerships. As an example, USAID Nigeria has developed a four-year strategy and work-plan for public-private partnership development (USAID/Nigeria, 2010). In Nigeria, foreign direct investments contributed USD 54 billion to the country's GDP in 2008, around four times the level of ODA. USAID/Nigeria plans to develop partnerships in its priority areas not only to leverage financial resources, but also to tap into skills, services and in-kind products; supply chains and markets; market-driven approaches; technology and intellectual property; and communications and marketing opportunities.

*Source*: Discussions in Washington, January 2011.

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Looking ahead, the US needs to continue to develop an inclusive approach towards other donors and the private sector, clarifying the objectives of public-private partnerships and developing a common understanding. The US played a lead role in developing a joint bilateral donors' statement on private sector partnerships to development, which was signed by 11 donors and issued at the UN Private Sector Forum in September 2010. Working with the private sector will be a key dimension at the fourth High Level Forum in Busan in 2011, and the DAC welcomes the US's proactive engagement in this process.

USAID should also develop further the monitoring and evaluation dimension of the Global Development Alliance. USAID has already recognised this need (USAID, 2007a),

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8.     Representing on average USD 2.7 of private sector dollars for every USD 1 of US taxpayers' money (quoted by Brown *et al*. 2009)

which is reinforced by the 2009 audit of USAID's reporting on global development alliances requiring the agency to improve its reporting system (OIG/USAID, 2009). USAID recognises that it now has to assess the contribution of private partnerships on development as a matter of priority. It is starting to consider ways of measuring progress and impact, taking account of the specificities of public-private partnerships. This is all the more important as the policy directive on global development sets a broad agenda, linking clearly US investments to development achievements. Its new operational model includes the need to leverage the private sector, philanthropic and non-government organisations, and diaspora communities (White House, 2010c). The quadrennial review also calls for the skills and structures needed to deliver results through public-private partnerships.

### *A strong lead on anti-corruption*

The US is also actively engaged in tackling corruption. It has performed very well in implementing the OECD Convention on Bribery (which was inspired by the US anti-bribery legislation). The US contributes to the Extractive Industries' Transparency Initiative and has been a strong supporter of the work on the OECD guidance on due diligence of companies in the mineral sector, adopted in 2010 (OECD, 2010a). Since July 2010, the Dodd-Frank Act has required oil, gas and mining companies that raise capital in the United States to disclose all payments they make to foreign governments. This puts the US ahead of other OECD members on the specific issue of country-by-country reporting by extractive industries firms. The US has also taken a strong lead in the international community on this issue. It was a driving force in the development of the 2005 UN Convention Against Corruption, which aims at getting its state parties to comply with international anti-corruption legislation. It is the first international (non-binding) convention to address corruption comprehensively (from prevention to criminalisation, asset recovery and international co-operation). The US ratified the convention in December 2009. It has urged the G20 to put corruption on its agenda with the view to make it harder for corrupt officials to steal from their own people and stifle their nation's development (White House, 2010a). US global efforts are complemented by regional initiatives (*e.g.* sponsoring the creation of the first ever network of anti-corruption officials in the Middle East), and national programmes to strengthen anti-corruption systems and cut illicit flows such as narcotics traffic. The DAC commends the US lead on anti-corruption. These efforts would be strengthened if the US developed a more collaborative and inclusive approach in partner countries, for instance promoting more joint anti-corruption assessments and using country systems wherever possible to avoid ring-fencing its programmes.

## Fragile states: a more integrated approach

The 2010 presidential policy directive gives a clear thrust for a more corporate government approach to development, based on each agency's comparative advantage (Chapter 4). Given the strong involvement of the US in fragile states, an integrated US government approach to crisis prevention, humanitarian response and fragility is critical. In the last five years, USAID and the State Department have created new offices to address and co-ordinate work on conflict and stabilisation. Meanwhile, the Department of Defense has increased its role in foreign aid. Collaboration between these three actors has increased through the following:

- The State Department set up the Office of the Coordinator for Reconstruction and Stabilisation (S/CRS) in 2004. Its mission is to lead, co-ordinate and institutionalise US government civilian capacity to prevent or prepare for post-conflict situations, and to help stabilise and reconstruct societies in transition from conflict or civil strife. S/CRS manages the Civilian Response Corps. It comprises 150 active officers and up to 2 000 stand-by experts from eight civilian federal agencies who can be deployed quickly to strengthen government capacity to rebuild conflict and post-conflict states. Its planned civilian reserve component has not been funded. The State Department plans to replace it by a more flexible and cost-effective expert corps reaching out to the wider community. Other State Department bureaus also actively engage on conflict prevention and response (e.g. regional bureaus, bureau for population, refugees and migrations).

- USAID's Democracy, Governance and Humanitarian Assistance Bureau is responsible for implementing USAID's 2005 *Fragile State Strategy*. The agency provides support to countries that are facing crisis or are in transition from crisis to stability, using the Transition Initiatives account. This account benefits from special programming flexibility, allowing USAID to respond quickly to needs and opportunities in volatile, riskier environments. The Office of Transition Initiatives will expand in coming years. In 2005 USAID created the Office of Military Affairs to serve as an operational link with the Defense Department. It has made sure development is considered in theatre campaign plans and has overseen the training of troops in conflict assessment, programming and development principles.

- Since 2005, the Defense Department has expanded its role of helping to stabilise and reconstruct fragile states. The Defense Directive 3000.05, reissued in 2009 as an Instruction, states that when directed, DoD shall be prepared to conduct stability operations intended to establish civil security and civil control, restore or provide essential services, repair critical infrastructure or provide humanitarian assistance (DoD, 2009). The 2006 Quadrennial Defense Review confirmed the Department's role in providing US foreign assistance. Separate budget lines for its foreign assistance activities cover humanitarian assistance, capacity building of foreign militaries, reconstruction and stabilisation activities, and counter-terrorism.

Co-ordination among these three key actors has been strengthened at both policy and implementation levels in recent years. Since 2006, the Department of Defense has been consulting with the State Department and USAID on key strategic issues, for instance when developing the Quadrennial Defense Review. Inter-agency policy committees ensure strong policy co-ordination, some on a sector basis (*e.g.* reconstruction and stabilisation, and some geographically-focused, such as Afghanistan). Common tools and sector guidelines have been developed, outlining key principles for joint activity in critical areas.[9] Financial transfers between the Department of Defense, the State Department and USAID have also been set up to support this more integrated approach (Chapter 3).

These efforts have led to increased convergence. USAID and the departments of State and Defense came to a shared understanding on conflict assessments, which are now done jointly. As a USAID official stated to the Subcommittee on National Security and Foreign

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9. These include the Interagency Conflict Assessment Framework, the US Government Planning Framework for Conflict Transformation, the Interagency Management Systems (IMS) and the Joint Statement on Security Sector Reform 2009.

Affairs, each agency has gained from this collaboration: "While USAID has had to adopt new approaches to deal with stabilisation activities, the Defense Department has also begun to adopt key approaches used by USAID. For example, the concept of sustainability and capacity building are becoming central themes of DoD's efforts worldwide" (Reichle, 2010).

The US Administration plans to continue to improve interagency co-operation by providing strong incentives for designing common analysis, planning and programmes. While recognising the need to work more effectively with the Department of Defense, the quadrennial diplomacy and development review outlines reforms to enable the State Department and USAID to embrace conflict and crisis prevention and response as a core civilian mission. To achieve this and strengthen civilian leadership, the US could learn from its whole-of-government approach developed in Afghanistan and Pakistan. These reforms could help build and implement coherent and meaningful partnerships between civilian and military actors while maintaining the diversity of approaches.

Despite its strong engagement in fragile states, the Administration has not developed a systematic approach to risk. It now recognises that a reinforced civilian power needs to be capable of managing programme and financial risks. It plans to establish a new global standard for risk management, integrating risk management into planning and rewarding programmes which are risk-tolerant. In doing so, it could usefully build on the organisational culture of USAID's Office of Transition Initiative, which values calculated risk taking, dynamic problem solving and innovation.

## Future considerations

- To implement the presidential policy directive on global development, the US Administration should consider setting key priority areas in which it will pursue coherence between development goals and its domestic and other foreign policies.

- The US Administration would gain from developing a monitoring framework with targets and timeframe to monitor progress and assess impact in a number of priority areas of domestic and foreign policies. The interagency policy committee on global development could serve as a focal point to promote development concerns in policy arbitrations related to these areas, based on real evidence.

- The US government should continue to strengthen its co-ordinated approach in fragile contexts and to reinforce civilian leadership.

# *Chapter 3*
# **Aid Volumes, Channels and Allocations**

## **Official development assistance in summary**

### *The largest donor: moving beyond the quantity debate*

The US remains by far the largest DAC donor. In 2010, US official development assistance (ODA) reached record levels, amounting to USD 30.1 billion (USD 28.8 billion in 2009), more than twice the amount of the next biggest donor.[10] The US alone provides nearly a quarter of global ODA.

The peer review team commends the US for having continued to increase its aid, and kept its promise made at the 2005 G8 summit at Gleneagles to double assistance to Sub-Saharan Africa. Over the last decade, US development assistance has grown at a much faster pace than DAC assistance as a whole,[11] with large increases under the Republican Administrations between 2001 and 2008. Excluding debt relief, which peaked in 2005 and 2006, aid increased consistently over the period, with increases mostly in project and programme aid. Between 2008 and 2009 alone it grew 7.4% (Annex B, Graph B.2). The US spends a large share of its aid on humanitarian assistance (15%), while debt relief has been low over recent years (1% of gross disbursements from 2006 onward). Aid consists almost exclusively of grants.

US assistance has also grown considerably in relation to the size of the US economy. A decade ago, the US spent 0.1% of its gross national income (GNI) on aid; today this ratio is 0.21%. Even so, the US still comes fifth-last among DAC donors on this measure (Annex B, Graph B.5). Unlike most other DAC donors, the US has not committed to the UN target of 0.7% of GNI as ODA.

A budget deficit of 11% of GDP[12] and the sluggish recovery of the US economy are putting pressure on the aid budget, and the State Department and USAID are considering how best to protect the aid budget. The review team finds that the US focus on improving the quality of its aid programme is positive – delivering aid more effectively, efficiently and professionally (Chapter 5), and

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10. Net disbursements. Unless indicated otherwise, all figures in this report refer to OECD/DAC 2009 data.

11. US assistance grew by 149% and DAC assistance by 62% in real terms between 1999 and 2009.

12. The budget deficit refers to the current fiscal year, FY 2011.

using ODA as a lever to raise non-aid resources. At the same time, it urges the US to remain, at least, at its current level of funding.

### *The need for more strategy-driven budgeting*

The nature of the US budgeting process, and the fragmentation of the foreign aid budget call for a more strategic approach. Allocations are guided by a combination of priorities, defined by the executive branch (40 presidential initiatives) and Congress (over 400 legislative development programs or objectives). Overall, several different allocation models co-exist alongside each other, including the following:

i)   *Presidential initiatives* lead to strategy-driven budget exercises, mostly within the Foreign Operations budget, oriented towards targets and expected outcomes.

ii)  *Congressional earmarks* allocate resources to particular sectors, organisations or countries – sometimes involving multiple (overlapping) earmarks for the same dollar.

iii) *Country-specific budgeting* is done for countries affected by conflict, such as Afghanistan and Iraq. The QDDR promotes this approach for other countries as well.

iv)  *Supplementary appropriations* by Congress, originally introduced for emergency funding, are used increasingly also to cover expenses for reconstruction, including in Afghanistan and Iraq.

The result is a fragmented budget that translates into a complex array of instruments and reporting requirements for the field, thus posing several risks for implementing agencies (Chapters 1 and 5).

While the Foreign Assistance Framework failed to guide the allocation of budgetary resources in a focused way, the presidential policy directive now offers a unique opportunity for Congress to align budgets better with policy, as it applies to the entire government. A recent paper by the Center for Global Development makes the critical observation that "sectors, rather than objectives, drive resource allocations" (CGD, 2011). The Administration is proposing steps that would improve the budget process: to i) allocate funds to broader envelopes with key categories and with a requirement to report impact ii) take country-specific approaches; iii) limit earmarking; and iv) limit supplementary appropriations.

**Figure 1.** **Distribution of US foreign assistance by agency**

2009 gross disbursements, in USD millions
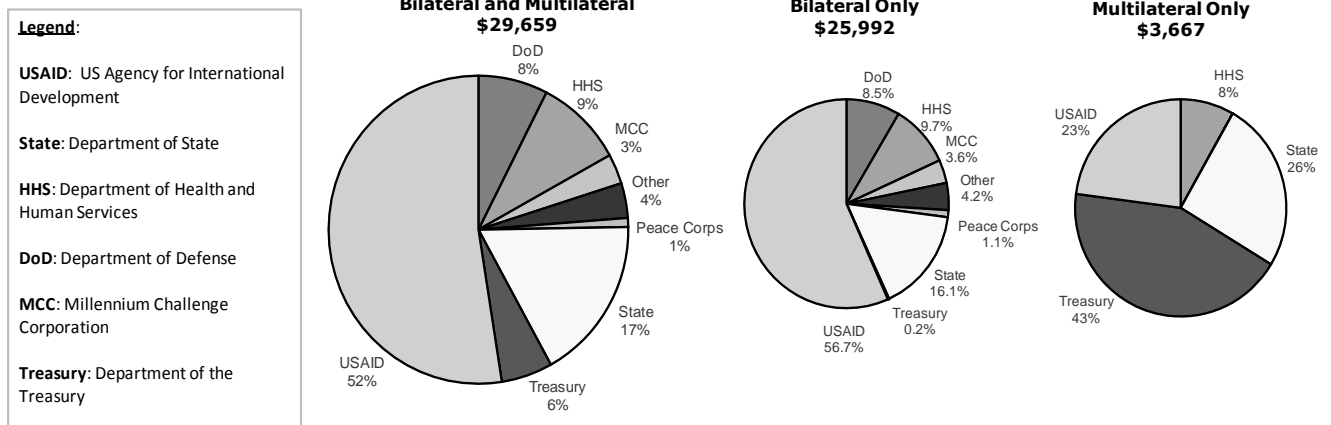


*Source*: US Foreign Assistance Database.

Strategy-driven budgeting is even more crucial given that the US's ODA draws on 12 different appropriation bills. The "State-Foreign Operations" bill provides most of the funding for USAID and the State Department; but several mainly domestic departments also contribute under the "foreign operations" sections in their bills – for instance Health and Human Services, Labor, and Agriculture. Of the 21 different US agencies who report their aid spending, the largest is USAID, which managed 52% of US assistance in 2009; followed by the State Department with 17%. The remainder is spent by other departments, including Health, Defense, Treasury, and the MCC (Figure 1). The military's share diminished sharply between 2008 and 2009, from 17% to 8%.

*Funding the 3Ds: moving from inter-agency transfers towards pooled funding*

With the QDDR calling for the civilian role to be strengthened, the US government needs to re-think some of the US's interim financing arrangements. To finance the expansion of the Defense Department's interventions into some tasks traditionally performed by civilians, such as conflict prevention, several inter-agency transfers had been set up. But such transfers create transaction costs and do not always use the comparative advantage of agencies, as they do not allow for shared authority. They included the following mechanisms:

- Section 1207 of the National Defense Authorization Act authorised the Defense Department to transfer funds to the State Department for reconstruction, stabilisation and security activities until October 2010.

- The Commander's Emergency Response Programme, also known as CERP, allows the military only in Iraq and Afghanistan to cover emergency needs of civilians in the immediate aftermath of conflict, as part of an effort to win the trust of civilians.

- Congress bolstered the Defense Department's Overseas Humanitarian, Disaster and Civic Assistance (OHDACA) account by making it a two-year

appropriation, increasing its funding and reprogramming significant foreign affairs funds into it for the Haiti response.

A key consideration for a country spending half its aid in fragile and post-conflict environments, and with a high share of humanitarian aid, is that financing arrangements must be flexible and allow for quick disbursement. To replace the complex array of instruments, the US is considering several options:

- Create a Global Security Contingency Fund shared by the Departments of State and Defense. Shared authority helps to address emerging requirements in fragile situations more holistically, and pooling funds makes it easier to oversee finances. However, two things should be considered. First, following good practice to share objectives and strategy (OECD, 2007), and agreeing on a balanced strategy will require a real effort, given the DoD's ability to programme considerably more resources into this pool. Second, the US should use the pool so that the agencies involved play to their strengths, keeping in mind that the State Department and USAID have now been buttressed both with the Complex Crises Fund and the Civilian Response Corps.

- Build on the joint budgeting processes piloted for Iraq and Afghanistan, and create a unified National Security Budget. This proposal should be assessed carefully against the risk that development co-operation would be viewed from a narrow security point of view, and the fluctuations to which agency budgets are subject, as the amounts effectively appropriated by Congress do not necessarily follow agreements between agencies.

### Other resource flows for development

Official development assistance today represents only a fraction of US financial flows to the developing world. According to a recent study by the Hudson Institute, in 2008 remittances amounted to USD 96.8 billion, US philanthropy to USD 37.3 billion[13], while private capital flows have been volatile recently, owing to the global financial crisis (CGP, 2010). Philanthropic giving has remained a steady part of US engagement with the developing world, and comes mainly from private and voluntary organisations, religious organisations, corporations, and foundations. According to USAID, the US has allocated USD 6.4 billion to NGOs[14] to complement funds raised by US NGOs (USD 22 billion).[15]) The US could explore whether this allocation indeed stimulated greater private giving.

The US uses aid as a lever within its own government. Several recent examples illustrate how the US government is increasingly working across

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13. Note however that these figures, calculated by the Hudson Institute's Index of Global Philanthropy, include not only actual funds, but also the estimated value of volunteer time, drug donations by pharmaceutical firms valued at US wholesale prices, and university scholarships. Estimates on remittances cover outward remittances by developing country nationals without deducting inward remittances by US nationals abroad.

14. 2009 Figure reported by the US to the OECD's Creditor Reporting System.

15. Figure provided by USAID in January 2011 during consultations.

agencies to leverage non-ODA government resources in specific sectors. It does so by using its policy-making capacity to design initiatives that have the potential to gain clout, and its convening power to mobilise broad support. Recent Presidential Initiatives, such as Global Health and Feed the Future, harness a range of diplomatic and development resources from across the US government and fund multilateral agencies.

The recently established "dashboard" – a database at *www.foreignassistance.gov.com*, set up to record all US foreign assistance by agency and purpose – could prepare the ground for better joint planning and stronger synergies between aid and non-aid components. The reason for this is that the US concept of "foreign assistance", which is the basis of this database, reflects a view of assistance that is generally broader than ODA. In 2009, the US delivered over USD 45 billion in foreign assistance compared to USD 28.8 billion of ODA.[16] To evolve from a reporting to a planning tool, the dashboard will need to record not only obligations but also disbursements, and include agencies other than USAID and the State Department.

## Bilateral assistance

The US spends the bulk of its aid (87%) on bilateral co-operation. Although there is no particular formula for allocating funds by prioritising certain country groups or sectors, some trends are clear.

### *A new trend towards good performers: it's time to develop a risk strategy for others*

The US still has development co-operation programmes with some 120 developing countries. It has not sharpened its geographic focus over the last five years. The policy directive calls for the US to "be more selective about where and in which sectors it works, [and to] focus its efforts in order to maximize long-term impact." The Administration is taking steps to focus development co-operation on fewer partners and sectors. In fact, the President's Budget for 2012, published in February 2011, proposes discontinuing bilateral assistance in six countries, halving aid to 22 countries, and cutting assistance to Central and Eastern Europe, the Caucasus, and Central Asia by 15%.[17]

These new orientations reflect a shift towards working in countries where governance is advanced and there is willingness to reform, as announced in the policy directive. This differs from the approach taken under the Foreign Assistance Framework in 2007, where five different country categories – depending on their stability and quality of governance – were matched with five different co-operation approaches. To date, it has mainly been MCC who worked with the better performers, explicitly requiring countries to fulfil eligibility

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16.    US foreign assistance excludes debt forgiveness and domestic refugee costs, but includes military, anti-terrorism and peacekeeping assistance to all (not just ODA-eligible) countries (*Greenbook* at: http://gbk.eads.usaidallnet.gov/, accessed April 2011).

17.    In addition, assistance is specifically prohibited in the FY 2010 Act to Cuba, Iran, North Korea, and Syria (with certain exceptions such as disaster relief).

criteria, in particular that investments have clear, measurable returns. MCC selects its partners from low-income and middle-income countries that perform well on 17 indicators including just and democratic governance, investments in people, and economic freedom. In implementing the policy directive and focusing its programme further, the US should guard against the risk of dropping aid to the poorest countries with weakest capacity to develop on their own – the countries which need aid the most.

Other US agencies are also increasingly selecting partner countries based on accountable governance and willingness to reform. One reason behind the trend is that the US Administration considers that working in countries with advanced financial and management accountability makes it easier to prove to Congress that aid produces a return on investment and is dealt with in a responsible manner. The Presidential Initiatives on health, climate change and food security all build on this rationale. Feed the Future chooses countries not only on the basis of need, but also on the basis of quality of governance and openness to partnership. Nevertheless, this new shift towards good performers is in stark contrast to US engagement in fragile and post-conflict countries, where governance is weak by definition, while the needs of the population may be great, and the potential for development opportunities significant. To conduct successful co-operation in both groups of countries, the US needs a strategy for dealing with risk (Chapters 2 and 5).

### Growing support to the poorest and the most fragile countries

The US has lived up to the commitments for bilateral spending that it has made. The distribution of aid over recent years shows a trend towards Sub-Saharan Africa and least developed countries.

- The US government has doubled its assistance to Sub-Saharan Africa since 2005, as it had pledged to do at the 2005 Gleneagles Summit. Aid to Sub-Saharan Africa rose from USD 4.3 billion in 2005 to 8.67 billion in 2010 (USAID, 2010b), and the US had already met its promise in 2009, a year early.

- The US has significantly increased its assistance to low income countries, their share rising from 26% of allocable ODA in 2005 to 55% in 2009 (Annex B, Table B3). This reflects another US pledge at the Gleneagles Summit to focus aid on low income countries. While Afghanistan saw an increase from USD 1.8 billion (2005) to 3 billion (2009), most aid growth to low income countries has been to countries in Sub-Saharan Africa. The US Treasury has also advocated an increase of funding for the poorest countries in recent reforms of multilateral development banks.

The US spends a higher share of its assistance in fragile and post-conflict contexts than most other DAC donors. In 2009, 46% went to fragile states.[18] Iraq and Afghanistan alone account for over USD 5 billion, or 20% of gross ODA. In

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18. The list of 43 fragile and conflict-affected states is taken from *Resource Flows to Fragile and Conflict-Affected States* (OECD 2010); the numbers represent disbursements.

addition, 78% of all US non-core multilateral aid allocated to specific countries is allocated to fragile states, especially Sudan and Afghanistan.

### *Sector allocations and thematic spending decisions*

The US plans to make hard choices about how to allocate resources across sectors. Already, it has focused its aid on fewer sectors since the last peer review. In particular, it has increased its focus on population and reproductive health (including HIV/AIDS), which now represents about one-fifth of its ODA – USD 5.1 billion. With USD 63 billion committed to the Global Health Initiative for 2009-2014, this is likely to grow further. Almost as much – USD 4.9 billion – was spent to strengthen government and civil society, slightly less than five years ago. Humanitarian aid has remained a significant component and is the third major purpose, with USD 4.4 billion. This makes the US the largest bilateral donor in health – in particular in population policies and reproductive health – in humanitarian aid, in efforts to strengthen government and civil society, agriculture (which reflects significant efforts to improve food security) and tourism. Priorities for allocating voluntary multilateral funding reflect a similar pattern: 69% of US non-core multilateral funding supported the health sector; 14% government and civil society, and 7% humanitarian agencies.

## Multilateral assistance: new impetus

### *Multilateral assistance is growing again*

The US is the fourth-largest donor to the multilateral system, representing 9% of DAC donors' multilateral aid.[19] It is the largest contributor of core funding to the World Bank's International Development Association, the Global Fund to Fight AIDS, Tuberculosis and Malaria, UN peacekeeping operations, UNICEF and WHO. Multilateral aid currently represents 13% of US ODA (27% if non-core funding is included). The US does not have specific targets for bilateral versus multilateral aid. In recent years, US multilateral aid has not grown at the same pace as bilateral aid, which meant that its share of total ODA continued the downward zigzag course that it began in 1993; the multilateral share fell most under the Republican Administration between 2001 and 2008, when it dipped to 10%. Under the current Administration, however, it has risen to 13%, or USD 3.6 billion, in 2009, the highest level since 1992, reflecting new trust in multilateralism.

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19.    This figure reflects gross multilateral ODA disbursements over the three-year period 2007-2009 and excludes ODA to the European Commission. This figure measures DAC members' contributions to multilateral agencies' core budgets.

**Figure 2.** **US multilateral core and non-core assistance, 2009**

Gross disbursements in 2009 USD millions
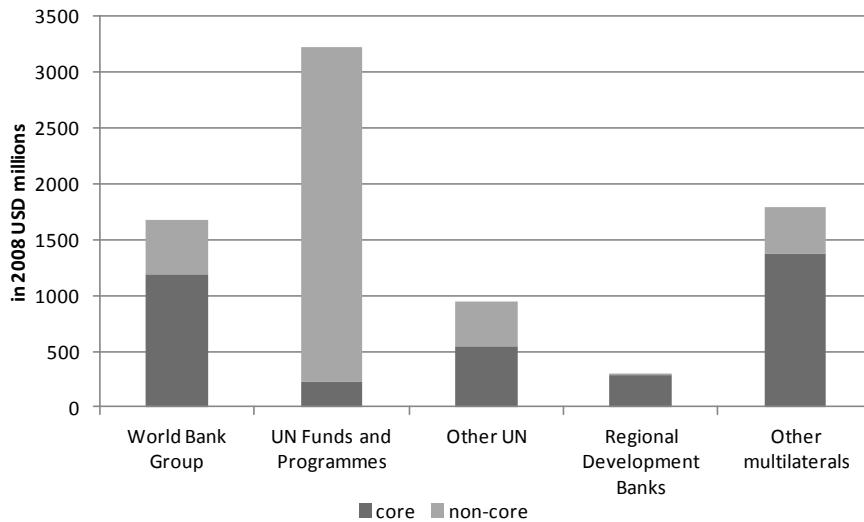


*Source*: OECD Creditor Reporting System (CRS) and DAC 2a.

The US contributes more money (USD 4.3 billion) to multilateral agencies' non-core budgets than their core funds (Figure 2). It is the largest non-core contributor to WFP, UNHCR, IOM and UNRWA. It is one of only four donors[20] to give more non-core than core aid.[21] The heavy reliance on non-core development funding is partly a result of congressional earmarks to keep tight control of how US money gets spent. Since 2001, UN funds and programmes have been kept on a particularly short leash, with a small share of core funding (USD 227 million) in comparison to non-core (USD 2.99 billion). The high percentage of non-core spending also reflects the fact that the US has come to rely more on trust funds over time. It considers them as "pilots" for more results-based approaches.

*A new commitment to multilateralism*

The Obama Administration has fully embraced multilateralism (Chapter 1). It argues that it would be "destructive" to global and national security for the US to walk away from an international architecture that it had once helped to construct (White House, 2010b). The Presidential Policy Directive therefore made "strengthening key multilateral capabilities" a cornerstone of its new operational model (Box 9). Across the US government, staff understand this to mean three things: renewing American leadership and political investment in multilateral institutions (in particular in multilateral development banks); using multilateral channels more and as a complement to other instruments; and working with others to make them more effective.

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20.     With Australia, Canada and Norway.

21.     None-core aid to multilateral agencies counts as bilateral funding in the CRS system, channelled through multilateral agencies

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**Box 9. Multilateral aid in the presidential policy directive and the QDDR:**
**a summary**

**PPD**: Strengthening key multilateral capabilities. The United States will:

- Redouble our efforts to support, reform, and modernize multilateral development organizations most critical to our interests.

- Renew our partnership in the multilateral development banks, ensuring that we take advantage of their expertise and coordinate our respective efforts.

- Create new multilateral capabilities as and where needed, as we have done by making the G20 the premier forum for our international economic cooperation.

**QDDR**: Improving multilateral cooperation by updating our approach to multilateral diplomacy.

- Strengthen the capacity of the Bureau of International Organization Affairs.

- Support and strengthen the United States Mission to the United Nations.

- Elevate multilateral affairs in regional bureaus and better link multilateral diplomacy with our regional and functional priorities.

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### *Making more of the comparative advantage of multilateral agencies*

The new emphasis on inter-agency co-ordination will help to inform decisions on multilateral US funding, but the US agencies providing both bilateral and multilateral funding must also establish stronger links with their field offices for that purpose. A whole-of-government approach is needed to determine how the US can make financial allocations in a way that allows different multilateral agencies to complement each other better. Crucial in such inter-agency co-operation are the Treasury (providing 45% of multilateral aid), which oversees cooperation with multilateral development banks; the State Department, engaging mainly with the UN system; USAID; and the Department of Health and Human Services (Figure 1). In addition to regular interaction at the staff level, they co-ordinate their work through several bodies, including the National Advisory Committee on International Monetary and Financial Policies reviews and the National Security Council. In addition to inter-agency links, however, the US also needs to establish better links with field offices to ensure that multilateral and bilateral programmes complement each other. The lack of such a link was evident in Ghana, where multilateral agencies are often used  to implement publicly-tendered grants, with insufficient consideration for their own mission and expertise. Also, headquarters rarely solicits feedback from field offices when deciding on policies or replenishments. In Ghana, this meant that USAID found it difficult to achieve programmatic coherence between its bilateral health programmes and those implemented by the Global Fund, to which the US is the largest contributor.

With its presence on the boards of almost all multilateral agencies, and its aim to re-establish itself as an active participant and leader in the multilateral system, the US has a strong potential to influence multilateral reform in ways that accelerate development and alleviate poverty. Over the last two years, the Treasury has striven for complementarity in the reform of multilateral development banks, ensuring that they focus on issues that bilateral aid does not typically address (such as regional issues or large infrastructure), while steering

clear of sectors well covered by bilateral aid (non-systemic support in health, education). Treasury has also helped steer multilateral development banks towards serving the poorest populations by giving grants rather than loans, and towards adopting lending policies that focus on results and reward performance. The US also uses its influence to enhance humanitarian agencies, though it is wary of dominating the debate.

As part of its efforts to ensure that every aid dollar is well-spent, the US is keen to make the multilateral system more effective. While it is not part of the Multilateral Organization Performance Assessment Network (MOPAN), its bilateral efforts have been welcomed by multilateral agencies. First, it is aiming to reduce multilateral agencies' reporting burden by relying more on their own evaluation capacities: USAID and the State Department have explicitly agreed on this. Treasury has pushed development banks to take a more results-based approach and strengthen their evaluation functions. And second, the US Administration consults with other stakeholders to discuss how multilateral agencies can become more effective. USAID co-hosts the monthly "Tuesday Group" with the Bank Information Center, an NGO organisation, and uses the meeting to get information from, and learn the views of, organisations interested in multilateral development bank policies and projects.

Despite these significant improvements, UN agencies, funds and programmes consulted for this review find that the way in which the US works with them continues to create high transaction costs and a heavy administrative burden for them. At the moment, the US continues to undertake GAO assessments of multilateral agencies, as the Office of Management and Budget still perceives those as the most credible assessments. UN agencies are required to keep separate accounts, prepare special reports on aid delivered to certain countries barred from receiving US funds, and comply with other restrictions (such as the US list of terrorist designated organisations); some of which even apply to core funding. The Administration should continue to engage with Congress to ensure that it respects the special nature of multilateral agencies, and their broader goal to deliver efficient and effective aid.

## Future considerations

- To support its desire to be a global leader on development, the US should maintain the 2010 ODA level, the highest the US has achieved, and as the US economy improves, increase ODA.

- The US should ensure that budgets of all agencies involved benefit from the strategic direction provided by the policy directive, and are attributed in line with agencies' comparative advantage to ensure the best value for money. This would require limiting earmarks and supplemental appropriations.

- The US should continue to guard against the risk of dropping aid to the poorest countries with weakest capacities as a result of the new focus on well performing states.

- The US should ensure that it supports multilateral agencies in a way that acknowledges their special nature and comparative advantage.

## *Chapter 4*
## **Organisation and management**

## **Organisation**

### *A fragmented aid system*

The US development co-operation programme involves 27 public entities. This institutional fragmentation is linked to the "globalisation" of the US government, which especially from the 1990s saw an increasing number of domestic departments setting up their own technical co-operation programmes. Entities such as the Departments of Labor (whose Bureau of International Labor Affairs is operational since 1947), Justice, Transportation and the Environmental Protection Agency no longer see themselves as only "domestic" agencies. Recognising the importance of transnational issues, they are increasingly engaged in international partnerships. As a result, they provide assistance in their areas of expertise, either as implementers of USAID or State Department programmes or as direct partners, building capacity of counterparts in developing countries. The international role of these domestic agencies is expected to increase in the coming years, with the policy directive promoting whole-of-government approaches in order to draw effectively on the contributions of agencies across the administration. Institutional fragmentation also results from legal authorisations for domestic agencies (or new actors, such as MCC in 2004) to implement specific programmes. Further, the complex budget structure has implications for programming processes and policy co-ordination.

### *Key US aid actors*

USAID and the State Department are the two key drivers of the aid system. USAID, the primary US development agency, provides technical assistance, research, policy advice and infrastructure assistance in both development and humanitarian areas. The policy directive reinforces its mission and USAID is going through a reform to strengthen its capacity (see below).

The Secretary of State is the President's principal foreign policy advisor and the State Department is the lead representative of the US government overseas. USAID's Administrator reports directly to the Secretary of State. The State Department also manages several large programmes, in particular the Economic Support Fund; the Human Rights and Democracy Fund; the Middle East Partnership Initiative; the Migration and Refugee Assistance Account and the Emergency Refugee and Migration Assistance. Several offices have been created to respond to specific issues, such as the Office of the US Global AIDS Coordinator, which leads the 2003 President's Emergency Plan for AIDS Relief (PEPFAR); and the Office of the Coordinator for Reconstruction and Stabilisation (Annex D, Figure D.2).

Four other entities are of specific importance:

- The Department of Health and Human Services and its constituent agencies (notably the Centers for Disease Control) are major partners in meeting the US objectives for health. Their role is becoming more important as funding for health programmes has hugely increased since 2003.

- The Department of Defense has expanded beyond its traditional involvement in humanitarian assistance into assistance activities with development impacts – albeit mainly for massive reconstruction following US interventions in Afghanistan and Iraq.

- The Department of Treasury manages US participation in international financial institutions and debt restructuring through its Office of International Affairs. It also provides technical assistance and training on a demand-driven basis though peer-to-peer ministry co-operation.

- The Millennium Challenge Corporation (MCC) aims to reduce poverty through economic growth. It was set up by Congress in 2004 to pioneer a new way of delivering aid outside the Foreign Assistance Act. MCC allocates aid based on a country's policy performance in governance, investing in people, and economic freedom. It employs objective, independent indicators to determine a country's eligibility for funding. Threshold programmes managed by USAID can be set up to help countries meet eligibility criteria. MCC's approach differs in many ways from other US entities, illustrating how consensus between Congress and the Administration on aid objectives can create favorable conditions for delivering the aid programme. MCC nonetheless faces challenges, but it has demonstrated its ability to learn from experience and thus its model continues to evolve (Box 10). Meanwhile good practice by MCC has been incorporated in other US programmes like PEPFAR and Feed the Future, as recommended in the last peer review.

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**Box 10. The Millennium Challenge Corporation: an innovative approach**

Ownership, predictability, untying and a strong emphasis on results are key characteristics of MCC's approach. The MCC benefits from independent legislation which relieves it of many of the constraints imposed on other government institutions. This brings it more in line with key aid effectiveness principles (Chapter 5)

The MCC is still expanding and it is not yet spending to its full potential. MCC is recognised as a learning organisation and is continuously improving its approach. Lessons from the first generation of compacts include the need for better planning and preparation before the compact is signed, the need for more flexibility to re-scope the programme as the context evolves, and a focus on fewer sectors per compact. MCC should also consider carefully the following challenges:

  i.  MCC needs to strike a balance between the MCC's Inspector General requirement for oversight and MCC's own commitment to domestic accountability, and country ownership.

  ii. Its rigorous approach to results and transparency needs to be accompanied by adequate communication on successes and failures to avoid any downside effect on political support and hence its funding levels.

  iii. The need to demonstrate results in the short-term may hamper the long-term perspective needed to build sustainable systems. Equally, the focus on accountability leads to restrictive criteria for country eligibility, which risks leaving some countries behind (Goldsmith, 2011). This means that this has to be compensated for by other parts of the US aid system.

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### *USAID: from the primary US development agency to the world's premier agency*

USAID was created in 1961 as a sub-cabinet level agency within the Department of State. Although it is an independent government agency, it receives overall foreign policy guidance and detailed budget allocations from the Secretary of State. While this arrangement has remained stable over time, the internal balance between the State Department and USAID has shifted several times, reflecting the complex relationship between the separate, yet related, objectives of US diplomacy and development co-operation. There have been two reforms in the last five years, the first aiming to reinforce the convergence between the State Department and USAID (2006), and the second aiming to strengthen USAID's mandate and capacities (2010).

#### *2006: Strengthening convergence within the State Department*

In 2006, the US Administration launched a set of reforms known as the "F" process. The aim was to align development aid more closely with foreign policy goals, improve the delivery of aid and increase accountability. As part of this reform, an Office of Foreign Assistance (the "F" bureau) was set up within the State Department to develop a government development co-operation strategy and promote multi-year country assistance strategies and annual country operational plans. The "F" process succeeded in promoting a stronger collaboration between the State Department and USAID and allowed a greater degree of rationality in strategic programming, budgeting and reporting for the two entities. However, it was not meant to bring in other US government agencies, as was recommended in the last peer review. Meanwhile USAID lost its policy, strategic planning and budget management capabilities. On the programming side, the foreign assistance framework developed by the "F" bureau was mainly used as a process for aligning budget requests for foreign aid, thereby implying a top-down approach – country missions were asked to provide proposals once the framework established. The framework was also an output-oriented process favouring short-term results over long-term impact, an approach which is now evolving.

#### *2010: Rebuilding USAID's capacities*

Restoring USAID's capabilities and promoting more country-driven, outcome-oriented systems are key priorities for the current US Administration. In 2010, USAID embarked on an ambitious reform, USAID Forward. This reform is critical to achieving the US President's vision to restore the US as the global leader in international development, to make USAID the "world's premier agency", and to re-establish its leadership on development issues within the Administration.

The reform aims to modernise and strengthen USAID in seven key areas: procurement, human resources, policy capacity, monitoring and evaluation, budget management, science and technology, and innovation. The quadrennial review (Box5, Chapter 1) takes the reform further. It outlines a new business model of an agency that is more strategic and has stronger linkages between programming and budget functions; better aligned to partner countries' priorities; implementing rather than only contracting out programmes; results-oriented and aimed at building capacity for sustainable systems. The organisational changes needed are now clear and should be implemented without delay. Promising steps have already been taken in that direction. A new Bureau for Policy, Planning and Learning was established in June 2010, in charge of policy,

evaluations and strategic planning. An Office of Budget and Resource Management was also set up to advise on programme budgets and resource allocations (Annex D, Figure D.1). The quadrennial review asks this office to prepare a comprehensive USAID budget proposal by 2013, to be reviewed and approved by the Secretary of State and incorporated into the overall assistance budget. The greater role given to USAID in formulating its budget is positive. For this to have an impact and help ensure the development pillar is elevated besides diplomacy and defense, it is important to ensure that USAID's voice is heard in the final budget arbitrations under the State Department.

## Management

### *Looking forward: strategic planning and budgeting for results*

Despite efforts undertaken under the "F" process, organisation and budget fragmentation still hampers a more strategic and consolidated approach for US development co-operation. Co-ordination is vital to ensure that the US uses resources and skills in a complementary and consistent manner. Since 2009 the Administration has taken steps to improve joint planning and activities with a strong drive from leadership. Incentives for staff to work across agencies have been developed, rewarding inter-agency collaboration. These efforts have led to good results, both in the context of fragile states (Chapter 2) and in more standard development activities. For instance, specific guidance was developed on MCC and State/USAID joint planning. In several countries, MCC builds on an existing USAID programme (*e.g.* Jordan) or complements its activities (*e.g.* Senegal). The US President's Emergency Plan for AIDS Relief (PEPFAR), which involves seven US agencies, also provides a good example of an evolving cross-government and decentralised approach. When designing its new five-year strategy, PEPFAR assessed its past approaches, looking at challenges and opportunities. It recognised that there has been some degree of inter-agency conflict at both country and headquarters level, sometimes limited integration of field inputs, and that its extensive reporting requirements were not always harmonised with other US programmes or other international indicators. Learning from these findings, PEPFAR now aims to integrate further the field perspective into its policy, strengthen multilateral collaboration and reduce the reporting requirements. Its new strategy also shifts the programme from emergency response to a sustainable, country-owned effort, with greater consideration for the broader health systems impact (PEPFAR, 2009).

In partner countries, the fact that many US entities share office premises allows for dialogue among different interventions, as in Ghana and Jordan (Annex C). However, inter-agency co-operation could still be improved. In Ghana, for example, there is no whole-of-government strategy, despite efforts to co-ordinate among different stakeholders (*e.g.* Department of Defense and USAID).

Strategic co-ordination among agencies should be pursued and widened to create synergies among the different approaches of US entities, ensure consistency, avoid overlaps and in all support the US development vision. As noted in Chapter 2, the policy directive should help to establish across government mechanisms for ensuring consistency in US development policy and the new interagency policy committee provides a vehicle for such co-ordination. The quadrennial review prioritises planning and budgeting for results and gives the State Department and USAID responsibility for developing a joint State-USAID Strategic Plan. It requires Chiefs of Mission to produce a

multi-year integrated country strategy combining country-level planning into a single strategy, with USAID leading on writing the development component of these strategies. These country development co-operation strategies will serve as the basis for budget requests. Twenty USAID bilateral missions and one regional platform will develop country strategies by June 2011, while the remaining missions will do so by the end of 2013. Capturing the various parallel programming processes in this strategy, including those developed by other departments with their own budgets, will be challenging. This requires the State Department and USAID, but also other US aid entities, to strengthen and rationalise planning and budgeting processes. This is challenging with programming approaches and decentralisation varying from one entity to another.

To make full use of the country strategies' potential, country offices will require a stronger voice in determining resource allocations across sectors and areas in relation to priorities set in Washington. The quadrennial review recognises that resource allocation is a complex and multilevel process, and that country strategies alone will not determine funding priorities. However, the country strategies are a critical opportunity to ensure close linkages between the field realities and the decisions taken in Washington.

As the Chief Executive of all government engagement in a country, the US ambassador has a key role in overseeing the aid programme. Ensuring he/she has a clear understanding of the development challenges and their implications for US agencies is, therefore, important. The Administration should keep this in mind when implementing the quadrennial review measures to enhance the State Department and USAID's ability to work together. In particular, it should make the best use of the common training and increased rotational assignments between agencies that are planned.

The reform process should remain a top priority in the coming years. While some measures are already being put into practice, others require longer time to take effect. The quadrennial review must be implemented at all levels in ways that ensure sustained progress. A significant level of risk is attached to the reform process. Along with ensuring sufficient financial resources, implementing the reforms requires headquarters to provide US missions with adequate guidance. US missions must internalise this guidance, and will need appropriate incentives to overcome bureaucratic inertia. In this transition period, it is necessary to bring staff up to date with the changes in a way that provides support. The new business model should be explained clearly at all levels: internally in the ministry and to the 80 bilateral country missions and five regional missions; as well as to external stakeholders. Meanwhile managing whole-of-government approaches involving 27 agencies is labour intensive and the US government should continue to look at ways to streamline the aid system, as required by the quadrennial review.

### *Rebuilding USAID's human resources: a key challenge*

The US has no consolidated approach to staff working on development and humanitarian aid across the Administration. In addition to staff directly hired and working within public entities, the US also relies extensively on contractors, either public service contractors, or business or non-profit entities. This section focuses on the human resource challenge faced by USAID, being the primary aid agency and the most important in staffing numbers. USAID counts some 8 000 staff, including 1 200 civil service employees and 500 foreign service officers in Washington, and 800 foreign service officers overseas.

Staffing and workload have been major challenges to USAID's ability to manage the aid programme since the 1990s, with decreasing numbers of directly-hired staff (because of flat or diminishing operating expense funding) combined with massive increases in the volume of aid.[22] This has led USAID to rely extensively on external contractors to deliver the aid programme. Many stakeholders have pointed to the risks inherent in this model, which resulted in a loss of internal technical expertise, thereby weakening USAID's ability to support ownership, engage in partnerships and take risks (Box 11). The number of staff eligible to retire is another concern, especially as this applies to most senior staff. Since 2005, between 3 and 6% of foreign service officers have retired each year, and the proportion of staff eligible to retire will jump substantially by 2012. Specifically, more than 90% of senior staff have retired recently or will be eligible to do so by 2012. In a number of missions, USAID already faces some workforce gaps. This results in administrative delays and diminished ability to oversee the implementation of the programme (GAO, 2010a) and to engage in co-ordination mechanisms, as seen in Ghana and Jordan.

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**Box 11. Impact of diminishing staff levels on USAID programme delivery**

USAID's workforce declined 2.7% between 2004 and 2009 while programme funding levels almost doubled, from USD 9.3 billion to USD 17.9 billion (GAO, 2010a). This trend started in the 1980s: USAID US direct-hire staff numbers have declined from 4 058 in 1980 to 2 200 in 2008, despite increased aid volumes.

The decrease in USAID core staff numbers has had a major impact on the way it delivers its aid programme. The GAO notes that, over the past two decades, USAID has moved away from conducting its own activities to managing contracts and grants implemented by contractors and NGOs. This has eroded the internal technical capabilities of the agency. Observers note that staff cuts and the related loss of expertise have "transformed USAID from a creative, proactive and technically skilled organization focused on implementation to a contracting and grant making organization. This, in turn, has translated into less policy coherence, reduced flexibility, diminished leverage with other donors and an increasingly risk-averse bureaucracy" (Atwood *et al.*, 2008).

As noted by the Government Accountability Office, the decrease in USAID core staff numbers has also led to a shortage of contracting officers and acquisitions and assistance (A&A) specialists to process the substantial increase in A&A obligations. These obligations increased from approximately USD 5 billion in 2002 to an estimated USD 10 billion in 2007 (GAO, 2008). This has led the US Administration to use contractors for administrative functions, including helping to administer contracts and grants. As highlighted by GAO in its assessment of the use of contractors in Iraq and Afghanistan (GAO, 2010b), the State Department and USAID should avoid using contractors to perform administration functions for other contracts and grants, given the potential conflict of interest and oversight risks. The QDDR addresses this concern.

*Source*: GAO reports and Atwood *et al.*, 2008

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22.    Supplementary appropriations do not automatically include overhead costs and the Operating Expense Account (OE), established in 1976 as a separate account to cover overhead costs in foreign assistance, has not kept pace with the growing aid volume and the increased number of programmes.

USAID is committed to getting the right people in the right place at the right time. It is aware of the need to maintain its staff expertise, experience and know-how to ensure quality aid. It also recognises that whole-of-government approaches and the new procurement reform (see below) will require greater human resource capacity. Since 2006 it has taken a strategic approach to rebuilding its human resources, implementing a Development Leadership Initiative to double the number of foreign service workforce between 2008 and 2012, developing a workforce planning model and using talent management, as described in turn below. The 2010 quadrennial review reinforces these initiatives.

*Increasing core staff numbers*

The Development Leadership Initiative was launched in 2007 as a three-year programme to increase USAID's technical expertise in the field. The US Congress approved this initiative, recognizing that it will "significantly improve the Agency's ability to effectively meet foreign assistance goals and improve programme performance" (DoS, 2009). Since 2008, 720 people have been hired, including 342 foreign service officers. Even though specific hiring targets have not entirely been met, this large recruitment has increased USAID's core staff. Continuous attention and appropriate funding are needed to continue to rebuild staff capacity and meet USAID's objective to recruit and assign 1 200 foreign service officers between 2008 and 2012. In this context, it is positive to note that USAID has set up a mid-level hiring programme for specific technical specialties. This will supplement the junior officer programme and will help fill gaps at the middle management level.

*Strengthening workforce planning*

In 2008, USAID issued a five-year "Human Capital Strategic Plan 2009-2013" initiating a new workforce planning model (USAID, 2009a). This model was adapted at the end of 2010 to the new business model whereby USAID manages the aid programme rather than contracting out, and works more through national systems. To make its model more effective, USAID should continue to deepen its analysis of workforce and competency gaps as well as of the staffing levels required to meet its objectives, as recommended by GAO (GAO, 2010a). USAID should also continue to pay particular attention to its staff working in fragile contexts. A total of 800 staff are working in USAID programmes in Afghanistan, Pakistan and Iraq alone. More than 400 US foreign service officers are working in fragile states. This has implications for USAID human resource policy; for example, specific training on working in unstable environments is provided. Despite financial and career-related incentives, it remains difficult to fill these one-year postings (extended to two years upon staff agreement), and USAID needs to hire some 300 people each year on short-term contracts.

USAID needs to work closely with the State Department to implement its human resource strategy. The State Department sets a maximum number of US staff working in each embassy. In some countries where USAID is co-located with the US embassy, space constrains USAID's ability to hire the additional staff needed.

*Improving training and managing competency*

USAID is moving from a decentralised approach to training to a new agency-wide approach. In 2009, it launched its first ever corporate training strategy, which identifies training priorities and standardises the course approval process. USAID now focuses its training priorities on leadership, evaluation and programme design. This positive move is consistent with the QDDR's calls for strengthening the training culture. USAID has also started to develop a "competency management initiative" in 2009, to ensure that all USAID personnel have the skills needed to achieve the agency's mission. This uses a standard methodology to define technical, cross-cutting and leadership skills for all categories of personnel. It is important that USAID finalise and start implementing the framework quickly, as it should develop strong linkages between recruitment, training, performance management, career development and strategic organisational planning.

*Making better use of the expertise of locally-recruited staff*

USAID relies heavily on its locally-recruited personnel (foreign service national staff). It employed some 2 500 locally-recruited staff in 2009, the average ratio for technical staff being 3 to 4 foreign service nationals to 1 foreign service officer. It is able to recruit talented staff and makes good use of their expertise. In addition to training, USAID has developed two initiatives to enhance their skills and leverage their expertise: the FSN Fellowship Program, which allows temporary rotational assignments; and the Foreign Service National Senior Advisory Corps, a group of experienced staff that support overseas offices and headquarters through short or long term missions. With numbers of local staff set to increase, USAID should continue to look at ways to retain this staff at higher grades and to use their expertise better. Its plan to create expert level positions is positive in this respect. USAID could also review its measures for promotion and rotational assignments to provide stronger career prospects for its local staff.

**Strengthening monitoring and evaluation**

While the White House's Office of Management and Budget (OMB) co-ordinates the Administration's performance review process, each department sets its own monitoring and evaluation strategy. This means that practices vary. However, OMB is now placing more emphasis on programme evaluations, requesting all agencies to demonstrate their capacity to conduct rigorous evaluations and to link evaluation plans to the next budget cycle. The US Administration is also committed to promoting learning, an approach which is particularly important when policy orientations and systems are evolving. In addition to a formal co-ordination group on evaluation across the Administration, USAID has started to establish "evidence summits". These are opportunities to get a wider range of actors together (including academic, NGOs) and to share evaluations between agencies and practitioners. The monitoring and evaluation practice of USAID, the State Department and MCC is presented below. Meanwhile it is worth noting that the Department of Defense is also making efforts to improve monitoring and evaluation of its overseas humanitarian disaster and civic assistance, ensuring consistency with the State Department and USAID's standards and co-ordinating programmes in the field.

*USAID/State Department: Streamlining monitoring and revitalising evaluation*

USAID and the State Department apply a rigorous output-based monitoring framework for accountability and reporting. The "F" Bureau manages the monitoring process, compiling harmonised annual reports from each country mission and reporting to Congress. The system has become complex as new initiatives came with specific reporting requirement; as an example, the Feed the Future Initiative involves a global reporting database with specific indicators. As a result, the data collected (up to 1 200 indicators) cannot be treated and used properly. Meanwhile collecting these data in the field is time consuming, and human resources are limited. While it is important to maintain a worldwide, standard system, the US needs to streamline the framework, considering how to balance benefits with related costs and reviewing the set of indicators. The US is now moving to a simplified system applied to all agencies and focused on fewer, outcome-based indicators. Changes should be introduced in February 2011 to both reduce the burden of collecting and reporting data and improve their quality. This is a positive move. It should also enable the Administration to use the system as a performance management tool.

Between 2006 and 2009, the lack of a central evaluation function weakened USAID's strong evaluation record. In contrast to its high reporting standards, the degree of compliance with USAID's evaluation policy and the quality of evaluations became uneven, and depended on specific country offices and sectors. Since 2009, USAID has been rebuilding its evaluation function, aiming to re-establish an evaluation and learning culture across the agency. In 2010, it re-established a central evaluation office in the Bureau for Policy Planning and Learning with seven staff. In January 2011, it issued its new evaluation policy (USAID, 2011a). This policy distinguishes between impact evaluation and performance evaluations, requiring at least one performance evaluation for each major programme; calls for evaluation to be integrated into programmes from the design phase; and insists on the need to generate quality evidence, using quantitative and qualitative methods. The new policy also focuses on working collaboratively with partners to strengthen their evaluation capacity. This is positive as USAID has rarely performed evaluations jointly with partner countries. Finally, also in line with the DAC evaluation standards, the policy protects the independence of the evaluation function and prevents any conflict of interest by placing a clear barrier between contractors and evaluators. The policy also emphasises that findings should be made public, enhancing transparency of the aid programme. Reports are made available on the web, via electronic distribution, print media, and on a dedicated Development Experience Clearinghouse. The next step will be to make sure that the management response system allows the evaluations to be used systematically for accountability, learning and management.

So far, evaluation practices and related institutional set up varies across the State Department. There is no standardised system in place. Recognising the need for a co-ordinated evaluation plan for a stronger, more systematic approach to evaluation, in 2010 the Department of State issued an evaluation policy. The policy requires each bureau managing grant and contract-funded programmes to develop annual evaluation plans and ensure systematic evaluation of every important programme. The "F" Bureau is now tasked with monitoring and evaluation and will make sure that bureaus implement the evaluation policy. This is a positive step. Key objectives should be to go beyond anecdotal evidence of programme outputs towards tangible outcome measures, and to use findings to inform programme decisions.

*MCC: Making good use of a robust monitoring and evaluation framework*

MCC places great emphasis on measuring results, planning to track not only outputs, but also outcomes and impacts across its programmes. A 2009 policy integrates monitoring and evaluation into the entire life cycle of a programme (compact), from concept through implementation and beyond (MCC, 2009a). Experience shows that the monitoring plans are strictly applied – not least because substantial compliance is a condition for approving each quarterly disbursement request. Every project in a compact must undergo a comprehensive, independent evaluation after it ends. In addition, evaluations of programmes' impact on economic growth and poverty are planned for half of the MCC portfolio. The horizon for evaluations ends one year after the compact is completed. MCC should consider extending this timeframe when conducting impact evaluations as one year appears too early to assess the long-term effects of a programme.

MCC is a leader in the US Administration on results and transparency. As stated in its evaluation policy, MCC is committed to transparency and to making information available to the public. This is commendable. Eleven compacts were signed in 2005 and 2006, which should be completed in the coming months. Final evaluations will then be done and their results published. MCC is aware that its rigorous and transparent approach to evaluation may be risky – the public might focus its attention on failures rather than on success stories. Adequate communication should therefore accompany the publication of results to avoid undermining public and political support for such a rigorous model. This calls more broadly for strengthening development education so that the public is better equipped to interpret the results.

### Improving engagement with non-government stakeholders

*Making the best of the US's heavy reliance on contractors*

The US relies extensively on contractors (both NGOs and private sector companies) to deliver foreign assistance. USAID's acquisitions and assistance obligations amounted to about USD 11 billion in 2008, nearly half of the bilateral programme. The US states that delivering aid through contractors is a way to ensure projects are carried out in a professional and timely manner. As the team noted in the two countries it visited, country offices could make more use of the feedback which is collected systematically from contractors throughout the programme cycle, focusing more on outcomes. They could also use further their expertise and knowledge of local contexts to improve the programme. Country offices would gain from a more strategic approach when working with NGOs and private sector companies. This would be in line with the new policy orientations which emphasise the need to engage more strategically with non-state actors (State/USAID, 2010). USAID needs to develop appropriate guidance for this.

*Reforming procurement*

Extensive reliance on external contractors raises issues of accountability and diminishes USAID's ability to engage in meaningful, long-term partnerships. In order to overcome these limits, the quadrennial review pushes ahead the contracting and procurement reform outlined in USAID Forward. USAID procurement reform could fundamentally change the way the US operates, creating opportunities for smaller companies, focusing more on results and outcomes and building the capacity of local civil society and private sector entities (Box 12, Chapter 5). For the reform to reach its full

potential, NGOs would welcome clearer criteria from USAID for selecting implementing partners, depending on the nature of the work. USAID will also need to ensure it has the necessary staff and systems since working through local partners and with smaller contracts will no doubt take more time.

### Building stronger partnerships with the NGO community

The US Administration relies mainly on NGOs as implementing partners. NGO partnerships are treated as any other contract arrangement, with no clear differentiation between profit and non-profit entities. The quadrennial review now encourages the State Department and USAID to increase the number of NGO partners, and to reach out to smaller organisations. The two organisations should take this as an opportunity to develop a policy framework and a strategic plan to engage further with the NGO community as a whole. In doing so, it should recognise the NGOs' specific added value, including their long-term and broad in-country presence; relationships with local actors at grassroots levels; technical expertise; capacity to innovate; and private resource mobilisation. USAID could use the procurement reform as an opportunity to improve its partnerships with international and local NGOs, recognising their specific strengths and defining clearly the most appropriate development settings for NGOs *versus* other private sector organisations.

## Future considerations

- The policy directive and quadrennial review – and the process leading to them – are significant achievements. The State Department and USAID should now ensure that the reform they entail is implemented quickly and in ways that ensure sustained progress. In addition to sufficient financial resources, this requires headquarters to provide adequate guidance to US missions and US missions to internalise and implement this guidance. This should be accompanied by appropriate communication and training.

- The US Administration should make every effort to overcome the difficulties linked to the institutional and budget fragmentation of the aid programme. This requires: i) strengthening USAID's role in the budgeting process and reviewing other US aid entities' programming approaches to rationalise planning and budgeting processes; ii) complete the roll-out of the whole-of-government country strategy model to all field missions, to ensure stronger oversight and consistency of all development activities implemented in the field; and iii) harmonising and simplifying reporting requirements.

- USAID should continue to rebuild its human resources capacity. It should back up its workforce plan with a reliable data system; set timeframes to adjust the staff skills mix to the new US aid model and working contexts; and look at ways to provide stronger career prospects for local staff.

- The US Administration should continue to strengthen monitoring and evaluation systems and use them as a forward looking management tool with a stronger focus on outcomes and impact.

- The US Administration should engage more strategically with non-state actors, including NGOs, recognising better their specificity and expertise.

*Chapter 5*
# Aid Effectiveness and Results

## The US embraces the aid effectiveness agenda

Improving development co-operation is not only a matter of spending more, but of spending wisely – this is borne out in many US documents. More effective foreign aid is the overarching goal of current reforms, driven from the highest level, and the presidential policy directive lays out the operational model for this: being more selective about where and in which sectors to work, ensuring countries own the development process and are held responsible, forging a new division of labour among key donors, and strengthening multilateral capabilities.

These reform efforts are timely, and address some of the very weaknesses that past surveys have found. Studies measuring the effectiveness of US development co-operation concluded that the US lagged behind in implementing internationally-agreed standards. They noted, however, that it was difficult to generalise with 27 agencies active in co-operation – some agencies performed well in making aid effective, while others struggled. This section will focus mainly on USAID, the State Department, MCC, and the Treasury. The *Monitoring Surveys of the Paris Declaration,* in which the US participated in 2006 and 2008, suggested that US performance had been mixed at best, with four indicators that had improved and six that had worsened between the two surveys (OECD, 2007b/2008b; see Annex D, Table D.1). According to these surveys, the US struggled with using its partner countries' public financial management and procurement systems. Similarly, a report on the *Quality of ODA* by two US think tanks suggests that the US is doing poorly when it comes to strengthening its partners' institutions. Among the 31 donors examined against four quality marks derived from the Paris Declaration, the US ranks in the bottom third on all four dimensions (Birdsall and Kharas, 2010). Although new results are expected from the OECD monitoring survey in June 2011, it will take more time to see the impact of most recent reforms reflected.

## Bringing all US agencies on board

The US endorsed the Paris Declaration on Aid Effectiveness in 2005, and its recent policies frequently refer to it. The QDDR cites the Paris Declaration and the Accra Agenda for Action as the source of reference. But to ensure that all official development assistance – not only State Department and USAID – is programmed and implemented in a way that is consistent with Paris Declaration, all agencies need to recognise this agenda. Some multi-agency programmes – Feed the Future and the Global Health Initiative – now emphasise the principles for effective aid, in particular country-led programming. The fact that seven US agencies participated in the "Evaluation of the Implementation of the Paris Declaration on Aid Effectiveness" is encouraging; the synthesis report of the

evaluation provides valuable insight into how these principles are applied (Blue *et al*., 2011). As a next step, the US should raise awareness among all agencies of the principles of effective aid, and each agency should translate policies into operational guidance. Establishing consistent working practice for all agencies will require a great deal of effort, as understanding and knowledge of the aid effectiveness principles has been assessed as being limited beyond the Treasury, MCC and USAID (Blue *et al.*, 2011). Even in the State Department some staff question whether these principles apply to their programmes, especially when development programmes are primarily driven more by foreign policy or security aims. In the field, the review team saw that aid effectiveness is discussed between USAID country offices and the focal point for aid effectiveness in Washington, but does not yet cut across all activities and agencies, and is not yet universally accepted.

The structures set up over the last years are useful for raising agencies' awareness about the principles for effective aid and for providing guidance. In January 2007, the interagency policy committee on development and humanitarian assistance has established a sub-interagency policy committee on aid effectiveness for US government agencies managing foreign assistance and international trade agencies. In October 2007 it had already mapped an inter-agency aid effectiveness action plan to revise policies and procedures to make them consistent with the Paris Declaration principles. These efforts are now beginning to bear fruit.

## Working around institutional challenges

Much ink has been spilt in recent years analysing the constraints the US faces in applying the aid effectiveness principles in non-fragile situations. The extensive use of earmarks by Congress, its short reporting horizon and the requirement to attribute specific outputs to each dollar present great challenges for effective co-operation focused on long-term outcomes. Its requirement to tie part of US aid to the delivery of US goods and services makes aid inefficient when applied. Similarly, several legal prohibitions and restrictions can hamper the effectiveness of the aid programme. An example is the US prohibition to support developing countries in producing agricultural commodities for export when those commodities would compete with similar US exports (2010 "Bumpers Amendment"). The Administration's effort to establish a new relationship with Congress and to tackle some of these obstacles is therefore positive. It needs to prove to Congress that delivering aid effectively brings better value for money and better development results. MCC demonstrates some powerful lessons. In being allowed more discretionary, predictable, unearmarked and untied funding, it has proved that these principles lead to effective results.

Yet, even USAID's more restrictive system, designed in the 1960s, offers opportunities to deliver aid more effectively. USAID has started with the low-hanging fruit, adapting its procurement, management and evaluation practices in 2009 (Chapter 4). It has also made training on aid effectiveness mandatory for new staff. This "major overhaul in USAID's business model" (USAID, 2010b) to align operational norms with the principles to make aid more effective is positive and worth pursuing.

# US performance against aid effectiveness indicators

## *Ownership*

### *Government ownership for reform-minded partners*

The US Administration supports the principle that partner countries should be more involved in designing and implementing their own development strategy. The presidential policy directive indicates that this principle – already recognised by the MCC, Treasury, the revised PEPFAR, and Feed the Future – is to become a hallmark of all US co-operation in the new country development co-operation strategies. But it only advocates for leadership "where our partners set in place systems that reflect high standards of transparency, good governance, and accountability." MCC, which has specific, well-reflected guidance on ownership (MCC, 2009b), lets partners shape and implement their compact provided they meet the MCC eligibility criteria on democratic governance, investing in people, and encouraging economic freedom. Similarly, Treasury only works with countries that demonstrate a "strong commitment to reform".[23]

In non-fragile contexts, US field offices find it difficult to let partner governments lead in practice mostly because of requirements from Washington. Missions spend significant resources and staff time matching strictly defined US priorities with the partner country's development strategy and needs. Country offices have to comply with a complex and overlapping system of instructions from headquarters, including congressional earmarks, directives, and global targets for presidential initiatives, which makes it tricky for them to tailor development programmes to partner countries' needs. In Ghana, this resulted in the USAID office to have only USD 6 million discretionary funding out of an annual budget of USD 136 million. This can constrain missions' ability to respond to emerging needs, pilot innovative approaches, or join new initiatives. The peer review team supports the related recommendation by a recent study by the Center of American Progress (Norris and Veillette, 2011), which finds that Congress could contribute to making US assistance more effective if it decided to convert more 'hard' earmarks into 'soft' earmarks: "That is, instead of a directive that an executive branch agency 'shall,' the language becomes 'should'".

### *A whole-of-society approach for fragile and conflict-affected states*

In fragile contexts, where almost half of US co-operation is directed, the articulation of strategies and priorities, and capacity to plan and implement are weak (Chapter 2). This is where the US's whole-of-society approach to ownership is well-suited. The US believes that co-operation should go beyond a government-to-government partnership, and strengthen civil society and the private sector, seen as the real drivers of development. This dovetails with the commitment donors made in Accra to "increase the capacity of all development actors […] to take an active role". USAID also acknowledges that strong state-society relations, together with a political process, are prerequisites for statebuilding (USAID, 2011b). The US's experience in this area should feed into a conscious approach to whole-of-society approaches in countries with weak governance. Its recent engagement in designing OECD guidance on statebuilding (OECD, 2011a), and its reflections on what it means for USAID, will be helpful in this process.

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23.     Treasury/OTA website, *http://treasuryota.us/* accessed 20 February 2011

### *Aligning with and using country strategies and systems*

In the Paris Declaration, donors committed to base their overall support on partner countries' national development strategies, institutions and procedures. While most US agencies align their programmes with national priorities, the process of matching US priorities with local strategies can be very time consuming and complex (see above section on ownership). MCC has been leading the way: its compacts are jointly developed and signed with the partner government, and projects are recorded on the partner country's budget. Feed the Future and the Global Health Initiative, too, require programmes to be aligned with country-owned plans. USAID's new guidance for developing country co-operation strategies instructs missions to explain "how the development objective […] responds to […] the host government's own development plans and priorities" (USAID, 2010e).

#### *Working through, rather than around, partner institutions and systems*

Donors also committed to using, wherever possible, a country's own institutions and systems. Not all US agencies align their work equally well with partners' country systems. Recognising this weakness, the US is seeking ways to improve its practice, and engages actively in the DAC Working Party on Aid effectiveness, where it co-chairs the Global Partnership on Country Systems ("Cluster B").

Recent reports note that USAID and the State Department have in recent years largely bypassed its partners' public financial management structures. Although figures vary, USAID may have obligated less than 10% of its programme funds for "direct support for partner country capacity" in recent years (USAID, 2010a); as little as 3% of bilateral funding was channeled through host governments.[24] In contrast, a high share of its aid is implemented by US-based NGOs or firms (Chapter 4). The US recognises that "this approach has often created redundant systems […] parallel to – and sometimes competitive with – that of the host government. As a result, sustainable local systems have either been neglected or withered." (ibid.)

The peer review therefore welcomes the changes that USAID and the State Department have made to use country systems more. Following the Third High-Level Forum on Aid Effectiveness, USAID developed a reference guide for staff on how and when to use country systems. The Administration now encourages agencies to work "through national institutions rather than around them" (White House, 2010c). USAID has set itself targets: by 2015 it plans to pass at least 20% of its programme funds through partner country systems in 25 countries, and 6% for direct grants to local non-profit organisations (USAID, 2010a). The procurement reform will facilitate this. The US should monitor if these measures increase the use of partner country systems over time, and expand these efforts to other co-operation agencies that may not yet use country systems in line with the aid effectiveness principles.

MCC uses country systems to some extent. Like USAID, MCC has guidelines on how to assess and use country systems (MCC, 2010a). Its demands on such systems are high, as its compacts are large (USD 300 million on average), their procurement complex, and the time frame strictly limited. To minimise the risk of corruption, MCC and the partner country usually create a temporary entity to manage the compact, as is the case in Ghana and Jordan (Annex C), and use existing government capacity for other functions. In Jordan, the local Water Authority became the fiscal agent; the General Tendering

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24.      Source: USAID (2009), *Implementing Mechanisms*, Powerpoint Presentation, October 2009.

Department the procurement agent. The limited reliance on local structures raises the question of whether MCC could not invest its efforts in strengthening existing structures instead. It should critically examine whether it has exhausted all options to rely more on existing capacity to manage the compact process.

To date, few US agencies record their programmes on the host country's budget. Evidence from Ghana and Jordan confirmed this (Annex C), and shows that the ability to put aid on budget depends on how predictable an agency's funds are. MCC and the Global Health Initiative, built on multi-year commitments, have no difficulty putting their aid on budget. But even USAID, with its one-year appropriations, should examine whether it could bring more of its current-year funding into its partners' public financial management systems to give them full oversight of development efforts. In Jordan, for instance, USAID has yet to make this step.

*Expanding budget support beyond key strategic partners*

The US provides budget support to several strategic partners, proving that it can use country systems fully. Indeed, budget support is no novelty for the US, which has provided balance of payments assistance since the Marshall Fund in the 1950s. In 2009, the US provided general budget support to four strategic partners (the largest amounts went to Jordan and Egypt); five more received some budget support in the past five years. However, Congress currently only authorises the use of budget support for strategic partners of strong foreign policy interest, and does so even if their public management systems are weak. The US Administration should use its lessons from budget support in its dialogue with Congress with the aim of expanding its ability to support partner countries with reliable systems in a similar way. Also, negotiating the conditions for budget support in close consultation with other stakeholders – both the host country and other donors – is good practice that the US does not yet follow in Jordan.

## Building capacity that lasts

The US is concerned about weak governance in partner countries, most of all in fragile states. USAID had already, in 2005, made capacity building a key pillar of its approach to fragile states, where it aims to "develop capacity of institutions that are fundamental to lasting recovery and transformational development" (USAID, 2005). In 2010 capacity development became a cornerstone of US reform, through the QDDR and USAID Forward. USAID's paper on *Human and Institutional Capacity Development* (USAID, 2009b) made it mandatory for USAID staff to consider capacity development when planning, designing, and carrying out programmes. In continuing to use methods for individual capacity building such as training – USAID takes pride in having trained 2.2 million people in 2010 – technical assistance, scholarships, mentoring, and professional exchange extensively, the US should ensure that such efforts fit into its larger strategy to foster institutional capacity.

MCC's partial use of country systems (see above) presents an opportunity to build capacity over several years, though this is not an explicit objective. MCC may need to adjust its way of working to ensure that it builds sustainable capacity. The cases of Ghana and Jordan suggest that MCC should monitor more closely whether the capacity it leaves behind serves the country over the longer term, and whether the obstacles to creating such capacity in the first place have been removed.

As governance is one of its main concerns, the US has long-standing experience in strengthening partner countries' systems in the financial sectors, public financial

management, and audit. The Treasury, GAO, and USAID have used technical assistance and training to strengthen finance ministries, central banks, and audit offices over the last decades. Strengthening the audit function in countries with low transparency ratings is a good way to build up country systems with a view towards using them more in the future. The US is encouraged to continue this engagement.

With about USD 757 million (3% of US ODA, Table B.2) identified as technical co-operation, the US needs a more explicit approach to technical assistance to avoid undermining local capacity. As much as 86.3% of its free-standing technical assistance is tied to US contracts; the highest share of all DAC donors.[25] The US relies heavily on large US and international contractors, who sub-contract the work to third parties. Local counterparts in Ghana and Jordan observed, however, that experts contracted by the US were not always suitable for the context. While the US plans to turn to the expertise of experts across the US government before engaging private contractors (DoS/USAID, 2010), it should involve local expertise whenever it is available. The US could share experiences with other donors, such as AusAID or the EC, who have made substantial efforts to make better use of local resources.

### *Making aid more predictable and transparent*

Being able to predict aid amounts is important for partner countries to manage public finances and undertake realistic planning for development. MCC and PEPFAR have the legal authority to make multi-year commitments. Other programmes, however (including USAID), have limited medium-term predictability. They must rely on annual budget appropriations, and subsequent grants are "subject to availability of funds". Hence, they are not in a position to make solid multi-annual commitments ahead of annual budget approvals, but can provide multi-annual funding indications. USAID generally communicates these indications to partners – in Ghana, it provided information for three years – and should do so consistently. Its intention to investigate greater flexibility for forward commitments, as part of its transparency agenda, is positive. A next step for the US would be to share any available forward data – including *indications* – with the DAC for its forward spending survey.

One of the MCC's important innovations is its "incentive effect" – countries may be encouraged to undertake difficult reforms to qualify for the programme and be eligible to receive funds through a compact. An important pillar of this incentive effect is the annual appropriations cycle where Congress determines how much will be allocated to the programme in any given year. The current environment in Washington has resulted in significant uncertainty around whether Congress will authorise funding for MCC, and how much. If Congress fails to authorise funding or authorises significantly less than in previous years, MCC's credibility and its whole incentive-based model will be undermined.

### *Untying aid: good progress, but more needed*

The US has made considerable progress in implementing the 2001 DAC Recommendation on untying aid. In this recommendation, the DAC agreed to untie all aid except technical co-operation and food aid to least developed (LDCs) and – starting

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25.  This figure represents free-standing technical co-operation. The following seven DAC members do not report on its tying status: Belgium, Denmark, Ireland, Norway, Portugal, Switzerland and the UK.

with 2009 flows – non-LDC heavily-indebted poor countries (HIPCs). In 2005, as much as 47% of US aid that should have been untied under this recommendation was still tied;[26] by 2009, this share had fallen to 15%. This marks a significant achievement, and the US is encouraged to stay the course and fully untie all its aid covered by the recommendation. This will allow the US and its partner countries to get better value for money in aid-funded procurement, and promote partner countries' ownership of development programmes. In its progress towards untying aid, the US is slowly moving from piecemeal measures to making untying policy – a tendency that the peer review team welcomes. Until a few years ago, with the exception of assistance to sub-Saharan Africa, the US untied aid mostly by issuing case-by-case waivers that exempted certain contracts from the congressional requirement to tie all aid. MCC's founding act grants it fully untied resources, and other programmes have started moving in a similar direction.

Overall – when all forms of aid and all developing countries are considered – the US in 2009 tied 32% of its aid to the purchase of goods and services produced in the US, against 68% in 2005.[27] These data mark clear progress in untying US aid over time, but the US still performs below the DAC average (17% tied, 80% untied and 3% not reported). Under the Accra Agenda for Action, DAC members agreed to "elaborate individual plans to further untie their aid to the maximum extent". Unlike all other DAC members except Japan, the US considers that the Accra commitment only addresses aid covered by the Untying Recommendation (OECD, 2011b). Having found ways to open up contracts to international competition, the US too should make further progress beyond the untying recommendation.

One other provision of the untying recommendation is to notify companies before tenders come up. The peer review commends the US for respecting these transparency provisions better than many other donors. It is one of only a small number of DAC members that regularly notify upcoming untied aid offers on the DAC Bulletin Board. Nevertheless, in 2009 the US only published advance notification covering 32% of the aid that should be untied under the recommendation. The US should make further progress in notifying contracts *ex ante*. This would help to increase transparency, stimulate competition among suppliers, and build confidence that *de jure* untied aid is also untied *de facto*. Looking at the patterns of contract awards for untied aid in 2009, 89% of US untied aid contracts for LDCs and HIPCs[28] were won by US suppliers. This raises the concern that US untied aid is in fact more tied than US reporting to the OECD/CRS would suggest. The US should make efforts to ensure that bidding processes are open to local companies and that they benefit from the US procurement reform (see below).

The costs of tying aid, both for the partner country and the taxpayer, are well documented, including in a GAO report highlighting the negative impact of tied food aid (GAO, 2009b). This report has helped the US to make progress untying food aid (Chapter 6). The US Administration should pursue such efforts to convince Congress about the detrimental consequences of tied aid. It should also raise awareness among broader public about this.

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26.     Source: DCD/DAC(2007)11/REV2, Table 2

27.     Sources: DCD/DAC(2011)4/FINAL and DCD/DAC(2007)11/REV2

28.     To be specific: 89% in value terms; 59% in terms of number of contracts. The respective DAC averages are 51% and 46%.

*USAID procurement reform: an important opportunity to untie more aid and build local capacity*

USAID procurement reform has the potential to increase local contracting and purchases, thereby strengthening the economic growth of host countries and bringing better value for money. With its over-reliance on a small group of major US companies and NGOs, USAID was missing a crucial opportunity to strengthen the capacity of local partners. The new rules in USAID Forward and the QDDR (Box 12), which bear the hallmark of the National Security Council's US Task Team on untying, may be able to change this. However, this will require two conditions: first, USAID would need to follow through on its plan to increase the number of staff managing contracts, because contracts with local companies are typically smaller leading to a higher workload. Secondly, if smaller, local companies are to gain from this reform, the US should offer them similar support to the services it offers to US-based small and disadvantaged businesses so that they can gain from this procurement reform. Not doing so will continue to bias procurement in favour of US suppliers.

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**Box 12.  USAID/State Department procurement reform: using more local capacity**

Procurement reform, as laid out in the QDDR, aims to:

i) Rebuild and balance the workforce: by in-sourcing positions more appropriately performed by direct-hire personnel, and enhancing the role and performance of contracting officers and oversight personnel.

ii) Increase competition for contracts by broadening the partner base: by making USAID awards smaller and more focused, and dividing large State Department contracts into discrete units.

iii) Build local development leadership: by increasing State/USAID's use of reliable partner country systems, strengthening local governments, civil society and private sector capacity and co-operation with other donors on procurement practices.

iv) Draw on the personnel of other US agencies before turning to contractors.

*Source*: adapted from DoS/USAID (2010); and USAID (2010d).

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### Need to pursue efforts to harmonise work with other donors

Washington's recent policies underscore the need to harmonise its work with bilateral and multilateral donors. The decision at the EU-US summit in November 2010 to divide labour better marks a first concrete step. Yet, to date, US performance in harmonising its co-operation with others has been poor. The share of US missions co-ordinated with other donors declined from 20% to 9% between the two Monitoring Surveys. Although there is some guidance available on the issue, many among the staff members at USAID and the State Department interviewed for this review were unsure how to engage in division of labour at field level, and are looking to the Fourth High Level Forum on Aid Effectiveness in Busan in 2011 for guidance. Three key challenges complicate further harmonisation: i) the first priority for the US is to harmonise the actions of its own 27 agencies delivering aid – a time-consuming task. This leaves harmonising with other donors as second priority; ii) the frequent dominance of USAID programmes in relation to other donors, and its limited flexibility for changing programmes (which stem from its earmarks, rules and regulations) mean that USAID has little incentive to engage

proactively with others; and iii) the US has found that co-ordination creates a significant burden for field staff (USAID, 2007b), while some agencies – such as MCC – do not have the staff resources to engage in donor meetings.

The partner country visits for this peer review have nevertheless illustrated that the US is making efforts to harmonise its interventions with other donors in the specific sectors in which it works (Annex C). Still, its level of engagement among donors is not commensurate with its financial contribution; most other donors saw it as mere information sharing. The US should co-ordinate more with other donors, for instance by harmonising reporting requirements, conditions, analytical work, and programming with them.

The US has vast experience in delegated bilateral co-operation as a recipient of other donors' funding. It is now also engaging in delegated bilateral co-operation as a silent (i.e. delegating) partner. In Ghana, it has signed an agreement in April 2011 to delegate authority to Denmark for a pooled fund that improves conditions for Ghana's private sector. The peer review commends the US for this step, and encourages it to build further on this example.

### *Managing for results: accountable to whom?*

Transparency towards US citizens is a key commitment of the Obama Administration, highlighted in its "Open Government Directive" and of the 2010 Government Performance and Results Act. Accordingly, most reporting is set up to demonstrate transparently to Congress and the executive branch how US taxpayers' money has been spent. To allow US resources to be tracked, programmes are required to measure rigorously what outputs are attributable to US funding. This means that US field offices have heavy reporting requirements; USAID Ghana alone submits over 15 reports every year to Washington, not counting *ad hoc* information. Yet, the nature of US reporting requirements entails several risks:

- *It leads to a focus on outputs rather than results or value for money*. Most reporting tools measure outputs, such as the number of teachers trained or kilos of food distributed. The US evaluation of the Paris Declaration (Blue et al., 2011) found that US reporting is used more to ensure compliance with US laws, policies and regulations than to check the impact achieved.

- *Political pressure to use short-term indicators provides a perverse incentive for quick fixe*s rather than long-term impact. The risk is that long-term objectives, such as capacity building, may be neglected.

- *It risks hampering mutual accountability*. By requiring some programmes to single out the impact attributable to US funding, the US may be missing a crucial opportunity to build systems that hold partners accountable to each other, and to build the host country's reporting systems in the process. To diminish this risk, it should build on its experience in the health and education sectors in this regard.

- *It leads to risk-averse behaviour*, which makes it difficult for the US to pool funds with others, or otherwise relinquish fiduciary or managerial responsibility to others.

USAID is adapting its systems to return to work towards impact rather than outputs, and other agencies should follow suit. Further, the US should i) allow for longer horizons

in measuring results; and ii) ensure that field staff are aware of existing guidance on assessing and mitigating risk.

The US provides significant support for statistical development in partner countries, being best known for the Demographic and Health Surveys (DHS) that USAID funds. Though undertaken at country request, these surveys are often conducted outside of partner countries' agreed statistical strategies. This can drain the limited resources available at local level and divert attention away from nationally agreed data priorities. The US could help reduce partner countries' administrative burden and develop their local capacity if it more fully embraced the NSDS (National Strategy for the Development of Statistics) approach developed by PARIS 21, which the international community has recognised as the benchmark for developing statistical capacity as it draws heavily on the principles of the Paris Declaration.

## Future considerations

- Providing operational guidance to staff in all agencies delivering aid on how to apply the new US policy directive would help the US deliver its aid more effectively, in line with international principles.

- Working with partner countries to remove obstacles on both sides to putting more US assistance on partner countries' budgets would allow for better alignment. Continuing capacity building efforts in finance and audit will help the US be more confident about using country systems more in the future.

- The US should preserve the principles of untying and non-earmarking behind MCC and PEPFAR. The Administration should continue to carry the message to Congress that US co-operation would be more efficient, effective and better value for money if some congressional requirements, such as tying aid and extensive earmarking, were limited or adapted.

- The peer review team encourages the US to untie its aid fully to LDCs and non-LDC HIPCs, consistent with the 2001 DAC recommendation on untying aid as amended on 25 July 2008. The US should announce more contracts in advance, and ensure contracts are open to all potential suppliers on an equal footing, fully implement and monitor its procurement reforms, and assess whether they could also be applied to other US agencies delivering co-operation.

- The US could co-ordinate more fully with other donors, for instance by harmonising reporting requirements, missions, conditions, and programming.

## *Chapter 6*
# **Humanitarian assistance**

The US remains a responsive, flexible, rapid and generous humanitarian donor, with an extensive, experienced and engaged field presence and strong partnerships with the humanitarian community. Its wide range of instruments delivered nearly USD 4.4 billion of humanitarian aid in 2009, up from USD 3.2 billion in 2006,[29] confirming the US's place as the world's largest humanitarian donor. In 2009, USD 2.1 billion was allocated to UN consolidated and flash appeals – just under one-third of the total amount provided by all donors.[30] In 2009, 44% of the US's humanitarian assistance was provided as emergency food aid.[31]

The US has made some progress on implementing the recommendations of the previous peer review (Annex A) by including a section on humanitarian assistance in the 2007-2012 Department of State/USAID Joint Strategic Plan (DoS/USAID, 2007). It is also taking promising steps to reform emergency food assistance, and to deliver more joined-up approaches to basic service provision in fragile states. However, it has taken few other visible steps towards improving the quality of its aid in line with requirements of the Principles and Good Practice of Humanitarian Donorship (GHD Principles), to which it is a signatory. New developments indicate moves towards a more sustainable and evidence-based approach to humanitarian assistance, and outline proposed steps that could strengthen cross-government co-ordination. However, further work to support more holistic and joined up humanitarian responses is required. There has been progress towards implementing a coherent and meaningful partnership between US civilian and military actors, guided by humanitarian principles, best practices and value for money, but, as explained below, this area will require ongoing attention.

## **Complex humanitarian aid architecture**

The US delivers its humanitarian assistance through a number of different federal departments and agencies. These derive their respective mandates from a long list of authorising legislation,[32] and use a variety of funding approaches and practices. Most of

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29. OECD DAC data based on 2008 constant prices.

30. Data from the Financial Tracking Service of the United Nations Office for the Co-ordination of Humanitarian Affairs (UN OCHA).

31. *Idem*.

32. Humanitarian assistance authorizing legislation includes: International Disaster and Famine Assistance (OFDA and FFP); International Disaster and Famine Assistance, Chapter 9 Section 491 (USAID); Public Law-480 Title II Emergency Food Aid (FFP); Section 416-(b) Agriculture Act of 1949 (FFP); Migration and Refugee Assistance Act of 1962 (PRM). Additional sources include: FAA Section 123 (b)-(d); (Ocean Freight Reimbursement) and 10 USC section 2561 Overseas Humanitarian, Disaster and Civic Aid 'OHDACA' (DOD).

the US's humanitarian assistance is delivered through USAID (64% of 2009 humanitarian ODA), the Department of State (34%), and the Department of Defense (3%), although other government actors, including the Department of Homeland Security, the Centres for Disease Control and Prevention under the Department of Health and Human Services and the Department of Agriculture, are also involved.

USAID, under its Office for US Foreign Disaster Assistance (OFDA) located in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), provides mostly earmarked funding for humanitarian programmes following natural and man-made disasters. Outside of food aid, around 65% of these funds passes through the NGO channel. It does not support country-level pooled funding, but does provide small contributions to the UN's Central Emergency Response Fund (USD 10 million in 2010). Under Food for Peace Title II, the US also provides tied commodity food aid, mainly through the WFP. This has, since 2010, been supplemented by more flexible food security approaches under USAID's Emergency Food Security Programme. The work of the Office of Transitional Initiatives complements these efforts by targeting key political transition and stabilisation needs. USAID also houses the Office of Military Affairs and the Military Liaison Unit within OFDA which deal with civil-military cooperation issues (Annex D, Figure D.1).

The Department of State's Bureau for Population, Refugees and Migration (PRM) provides both earmarked and unearmarked funding as aid for refugees, victims of conflict and stateless people, favouring delivery through multilateral channels (Annex D, Figure D.2). The Bureau for International Organisation Affairs provides further core funding to some multilateral humanitarian actors, and its Office of the Coordinator for Reconstruction and Stabilisation enhances the US's institutional capacity to respond to failing, failed and post-conflict states and complex emergencies..

The Department of Defense, under the Overseas Humanitarian, Disaster and Civic Aid (OHDACA) appropriation, includes support for various humanitarian projects planned, overseen and conducted by US geographic Combatant Commands. This work has traditionally been managed by the Defense Security Cooperation Agency, with input from the Office of the Secretary of Defense for Policy. The Commanders' Emergency Response Program (CERP), active only in Iraq and Afghanistan, also funds projects, some of which are humanitarian in character, to assist the indigenous population and support stabilisation objectives.

## Policy and principles

### *Strengthening humanitarian policy would promote more joined-up, holistic responses*

The US's complicated humanitarian aid architecture makes it difficult for it to respond in a coherent and consistent way. There is no cross-government humanitarian policy; although the State Department and USAID did include a section on humanitarian assistance in their joint strategic plan (DoS/USA, 2007a), and from 2009 humanitarian issues could be discussed at National Security Council Interagency Policy Committee level (Chapters 2 and 4). The lack of formal cross-government guidance has led to inconsistencies in programming that are sometimes contrary to the Good Humanitarian Donorship principles of humanity and impartiality. One often-cited example is different assistance package provided to refugees and internally displaced persons despite their

broadly similar needs. As partners point out, refugee related programming through the State Department spans the full cycle of a crisis, from emergency response to finding durable solutions, seeking to meet standards such as those set by Sphere.[33] Funding through USAID's Office for Foreign Disaster Assistance for the internally displaced and other conflict affected populations is far less comprehensive (InterAction, 2009). Lack of consistent policy guidance has also meant insufficient attention in US humanitarian programming to important GHD principles such as those supporting disaster risk reduction and beneficiary participation.

A number of policy documents issued in 2010 have provided clearer high-level guidance for humanitarian programming across the US government, although they give few details on how, why and when the different federal bodies will work together. These documents could however support better delivery mechanisms. The National Security Strategy promotes working in partnership with the international community, and of the need to place a greater focus on long-term recovery (White House, 2010b). The Presidential Policy Directive helpfully outlines the need to balance civilian and military power to deliver humanitarian assistance, and to increase the focus on sustainability (White House, 2010c). The Quadrennial Diplomacy and Development Review highlights humanitarian assistance as a focus area for the State Department and USAID, and sets out plans to improve the effectiveness of humanitarian aid delivery, including focusing on evidence-based decisions, learning and innovation, and greater clarity in co-ordination and leadership on US government policy, advocacy and financing (DoS/USAID, 2010). In addition, the quadrennial review outlines a division of labour between the State Department and USAID, with State taking the lead in political and security crises and conflicts. State and USAID will work with other agencies under a new International Operational Response Framework for crisis response, "with clear leadership, a unified US government plan and an integrated operational response". The two organisations have also now set up a Humanitarian Policy Working Group to strengthen the international humanitarian architecture for more effective responses to disaster and complex crises.

### *A renewed focus on recovery, and some opportunities for improved humanitarian-development linkages*

Holistic cross-government programming to support recovery is a challenge for many donors, and the US is no exception, although this key area is receiving welcome renewed focus. Short US humanitarian funding cycles of 6 to 12 months, even in protracted crises, limit long-term strategic planning and promote expensive relief oriented operations over often more appropriate capacity building and system strengthening. The quadrennial review promotes a stronger emphasis on recovery, and outlines plans to expand USAID's capacity for the transition from relief to development, although there is no mention of extending OFDA's current short-term funding cycles. Plans instead include increasing USAID's technical capacities in recovery, boosting numbers of recovery-skilled staff and making systems and management more flexible. USAID's Office for Transition Initiatives – which supports stability, democracy and economic development programmes and is able to assume a higher level of risk than other programmes – is likely to lead this

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33.    The Sphere Project is an initiative to define and uphold the standards with which the global community responds to the plight of people affected by disasters, principally through a set of guidelines that are set out in the Humanitarian Charter and Minimum Standards in Disaster Response. See *www.sphereproject.org*.

effort. The State Department's PRM has encouragingly now also indicated its intention to provide multi-annual funding to NGOs, and released a new strategy that will focus on strengthening diplomatic, assistance and resettlement efforts in six protracted refugee situations.

The US approach to recovery and funding transition, however, remains skewed towards using separate instruments for recovery projects, rather than mainstreaming recovery principles through all humanitarian programming and strengthening linkages between US humanitarian and development tools. The exclusion of humanitarian programming from overall US mission strategies, as noted in Jordan (Annex C), also hampers stronger linkages and cross-programme synergies with stabilisation and development instruments. The US's new country development co-operation strategy tool, soon to be used for mission-level planning, may be useful if it incorporates humanitarian programming – but not necessarily humanitarian budgets – into overall US mission plans. The peer review team encourages systematic joint planning at field level, to promote closer programmatic linkages and synergies for better aid delivery.

### *Progress on untying food aid and providing more appropriate food commodities*

The US has made encouraging progress in implementing the last peer review's recommendation to untie food aid further, and is adapting food aid more to the needs of emergencies. The US is the largest provider of food aid worldwide, at a cost of almost USD 620 million. US legislation requires that most US food aid be bought in the US and shipped on US-registered carriers, inflating the cost of food delivery by up to 65% (GAO, 2009b). The constructive arbitrations between the Departments of Agriculture (which provides commodity food aid) and State/USAID (who finances local food purchases), and the resulting Emergency Food Security Programme are encouraging steps towards untying more food aid. This programme, launched in April 2010, supports local and regional procurement, cash transfers and food vouchers. Financed by International Disaster and Famine Assistance funds, it is additional to the tied commodity food aid. The range of tied aid products is also expanding beyond US sourced food stuffs to include, for example, more appropriate ready-to-use foods for nutritional programmes, and pre-positioning food aid in a number of new sites around the world to adapt US food aid better to emergency settings.

## Partnership and funding approaches

### *A strong and supportive humanitarian partner in the field, with an increasing global voice*

The US is a strong and supportive humanitarian donor, backing up its significant funding commitments with advocacy and diplomatic support on key issues, especially at the local level. Between 2006 and 2010 it provided between 55% and 61% of its total humanitarian aid through multilateral channels, the majority of that amount being emergency food aid. Both NGO and multilateral agencies consider the US to be a constructive partner, with good communication, a frank exchange of perspectives, and a collaborative approach to programme strategy. It is an active participant in the governing bodies of multilateral organisations, and on donor support groups. OFDA, which passes the majority of its funding (average of 65%) through NGOs, holds regular consultation days with US-based NGOs in Washington. Guidelines for funding applications are

available on the USAID and State Department websites, and USAID in particular says that it promotes transparent partnerships and open competition. However, partners complain that its long proposal formats are not suited to emergency responses. Partnerships are strong in the field too. The peer review team heard in Jordan (Annex C) that high-level advocacy by the US mission for its partners' refugee programmes is showing encouraging results. NGOs particularly appreciate the US's openness to funding areas that other donors often shy away from, such as NGO co-ordination, security mechanisms and indirect costs.

Global humanitarian advocacy efforts by the US are being strengthened. Following the recommendation of the quadrennial review, the State Department and USAID have now set up a Humanitarian Policy Working Group to co-ordinate efforts to strengthen humanitarian architecture, including aspects of humanitarian reform and the ongoing relationship with the UN Emergency Relief Coordinator. It would also be useful for this group to reflect on the elimination of funding inconsistencies for partners. Many multilateral agencies and NGOs receive a mix of earmarked and unearmarked funding from a number of US humanitarian bodies, with varying conditions, timeframes and reporting requirements. A closer alignment of the various good practices in partner funding across the federal bodies would be useful.

### A generous but not always predictable donor, taking some steps to widen the humanitarian donor base

Volume dominance is a significant issue for the world's largest donor, and the US is taking steps to temper this risk. Countries like Jordan, where the US provides the majority of the humanitarian funding, highlight how having one dominant donor can be a risk for operational agencies, especially if funding is subject to political uncertainty (Annex C). The US is taking innovative steps to encourage both increased contributions from new donors and continued direct funding to humanitarian organisations by US citizens. The UN Relief and Works Agency's challenge fund, launched in late 2010, was an effort by the US to draw in additional donors for that organisation, by pledging to match new contributions to the Agency's core budget dollar for dollar up to USD 10 million. The US government also plays a useful role in supporting the public fundraising drives of US NGOs. For example, it has launched a "cash is best" campaign to educate the US public on disaster donations in the wake of the Haiti earthquake.[34] The DAC encourages such efforts, and their scope should be widened.

Although the US has a good track record in responding to a wide range of emergencies, overall predictability of humanitarian funding is complicated by reliance on Congressional supplementary appropriations, used to top up budgets and provide funding for new crises. In 2008, for example, 42% of total humanitarian funding was provided through these supplementals (InterAction, 2008). Within the Administration, USAID's emergency response capacity is particularly affected, as its disaster assistance office does not have a contingency drawdown fund for new emergencies. Supplementals can also have a major impact on that office's internal capacity, as they make no provision for overhead costs. For both OFDA and PRM, supplementals create political uncertainty, negatively affect strategic planning and budgeting, and can lead to delays in providing funds to partners. Supplementals, by their very nature, provide earmarked funding.

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34. For example, see the fifth annual Center for International Disaster Information (CIDI) competition, held in June 2010 www.usaid.gov/press/frontlines/fl_jun10/p05_students100610.html.

NGOs, often hurt most by the lack of predictability, are ironically also part of the problem, as much of the earmarking is a direct result of their own lobbying activities. The Obama Administration is actively seeking to limit supplementary appropriations and incorporate humanitarian funding back into base budgets. The DAC encourages these moves away from reliance on supplemental appropriations.

### *Does national interest drive funding allocations?*

Members of the humanitarian community interviewed for this peer review note a general perception that political considerations play a major role in the US's humanitarian decision making. This perception is mainly due to the lack of transparency in US funding allocation criteria. The various US federal bodies insist that funding allocations are made on a neutral basis, regardless of the US's political association with a particular country in crisis. It is true that the US funds many of the world's forgotten crises, and multilateral partners in particular also report US openness to shifting funding earmarks towards underfunded emergencies. Internally, USAID's foreign disaster office has an annual programme statement that determines how it will operate in each region, including an indication of likely funding levels for ongoing emergencies. State's refugee and migration bureau bases its planning and budgeting decisions on a two year analysis, based on inputs from its major partners, with all final decisions made in Washington. Making less sensitive parts of these planning documents available to the public could help dispel the widely held perception that for the US, national security objectives out-trump the humanitarian imperative.

## Rapid response and the civil-military interface

### *Rapid, hands-on, effective emergency response*

The US takes a hands-on approach to emergency rapid response; partners report that its sudden onset mechanisms and field teams are effective and impressive. OFDA-led Disaster Assistance Response Teams (DARTs) can be on the ground within hours or days of a new disaster, providing first hand input and analysis to back up funding decisions, and helping to co-ordinate the overall US response. Warranted contracting officers are often part of the team, speeding up the response team's ability to issue grants. Partners are highly appreciative of the US's responsiveness, which allows them to obtain appropriate funding early in the disaster response cycle.

### *The challenges of partnering with the military*

The US military also plays a role in humanitarian responses, a role that has at times been controversial, although there have recently been positive experiences, for example in post-earthquake Haiti. The GHD principles require that donors affirm the primary position of civilian organisations in implementing humanitarian action and support the implementation of related international instruments.[35] These instruments stipulate that military involvement in emergency response should be a last resort, and only where the

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35. The 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.

military bring unique capabilities that are lacking amongst the civilian actors. The current Department of Defense Instruction 3000.05 (DoD, 2009), governing stability operations, is an improvement on its predecessor and now complies with these requirements. The instruction mandates Defense to conduct, support and lead stabilization operations, including the provision of humanitarian assistance, while stating clearly that lead responsibility should transition to other US or international governmental agencies when feasible, and instructing staff to collaborate with civilian parties, including US and foreign governments and non-governmental agencies, and through international civil-military structures. On the civilian side, USAID's Civilian-Military Cooperation Policy outlines USAID's intentions to work towards a whole-of-government approach in humanitarian response, but falls short of calling for consistent civilian leadership (USAID, 2008). These policy instructions provide the US military with a mandate, in certain exceptional circumstances, for the direct delivery of humanitarian aid, in addition to its traditional remit of heavy logistics support. This mandate has been used most visibly in Iraq and Afghanistan, including the use of CERP funds (USD 1.7 billion in 2008), but also in Georgia and parts of Africa.

This perceived "militarisation" of aid is of increasing concern to the wider humanitarian community, including other DAC donors, some of whom are also struggling with the concept. The humanitarian imperative calls for the delivery of life-saving aid in the most effective manner, and this may at times justify involving military assets. In the initial stages of a major disaster, for example, the military's comparative advantage in heavy lift capacity or specialist engineering may be the fastest, most effective way of supporting the civilian delivery of life-saving aid. In other circumstances, however, the delivery of humanitarian assistance by the military is probably less effective, especially in terms of value for money.

The return on investment of US military involvement in humanitarian programmes merits further study. The winding down of the US' military involvement in Iraq and Afghanistan, and the recent experiences in Haiti, could provide a useful opportunity to analyse the effectiveness of the various US military's humanitarian operations, including the CERP in Iraq and Afghanistan and other foreign disaster relief operations, using clear value for money criteria. This exercise could also test the humanitarian community's assertion that upholding humanitarian principles of neutrality and impartiality maximises humanitarian space, allowing each dollar to go further for beneficiaries. Lessons from these studies could be translated into new cross-government guidance on how humanitarian assistance should, in future, be best delivered by, or supported by, the US military.

Attitudes towards the involvement of US military in humanitarian operations may already be changing. Secretary of Defense Gates has called for an increased focus on civilian response to humanitarian needs, and the peer review team was repeatedly told that Defense recognises the need for the US military involvement to focus on enabling and supporting civilian humanitarian efforts. These efforts to implement a coherent and meaningful partnership between civilian and military actors, guided by humanitarian principles, best practices and value for money, will require continued attention.

### Compliance with counterterrorism measures

The humanitarian community remains concerned about compliance with the 2001 Patriot Act, which prohibits material support to terrorists. In June 2010 the US Supreme Court upheld a provision of this act, confirming that it continues to be a federal crime to

knowingly provide material support to a designated foreign terrorist organisation.[36] The far-reaching terms and extraterritorial applicability of this law continue to have a chilling effect on the humanitarian community, as humanitarian staff could potentially face up to 15 years in prison for any violation, which may include, partners believe, providing training in the Geneva Conventions to a foreign terrorist organisation, or providing assistance to a refugee who has paid a ransom to terrorists. The State Department and USAID have continued to refine related due diligence procedures, including, in areas where agencies judge that there is a substantial risk of humanitarian aid being diverted to terrorists, imposing the requirement to disclose personal information about each grantee's employees, trustees and partners to ensure that there are no links to terrorist organisations. USAID tools include the Partner Vetting System, which, in pilot testing, has had a significant impact on the administrative burden of some partners, especially those with high employee levels and working in sensitive areas, including Gaza. In Afghanistan and Iraq, the cross-government Synchronised Pre-Deployment and Operational Tracker database is used to coordinate contracting and assistance activities. Humanitarian organisations believe that this tracker database may jeopordise their local employees' safety and therefore the overall impact of their programmes. It is clear that the measures contained in the law, if ever enforced to the extent envisaged by the Supreme Court, have the potential to affect the access, security and scope of humanitarian operations, by reducing the pool of humanitarian actors willing to partner with the US. The US is encouraged to engage in outreach with the humanitarian community on these sensitive issues to find workable solutions and compromises that are consistent with the shared humanitarian imperative.

## Learning and accountability

### *Making learning more systematic*

The US's strengthened focus on evidence, learning and innovation is timely, given the current political environment. The quadrennial review has outlined plans to establish a knowledge and learning centre and to improve training, guidance manuals and operational tools. This work will build on existing initiatives such as the best practice studies of OFDA's Technical Assistance Group, ongoing work with research institutions, and the documentation of partner innovations (Box 13).

Improved tools for measuring how effective government and partner responses are, and for demonstrating accountability to the taxpayer, are also planned – an important step if the Administration is to convince Congress of the continued utility of its humanitarian funding. Formal programme evaluations, both thematic and crisis-specific, are regularly undertaken, and USAID's disaster assistance office now tracks progress on any recommendations made. Partners generally agree that their reporting burden is appropriate given the volume of funding received from the US, although it is unclear how the US is learning from the mass of partner reporting or aggregating the results reported by partners to understand overall programme impact. Partners also uniformly note that OFDA could learn from the State Department's accountability and reporting system, widely considered more appropriate and less cumbersome.

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36.     *Holder vs. Humanitarian Law Project* based on statute 18 USC 2339 (the "Material Support Statute").

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**Box 13. Innovative approaches in an urban refugee context –
lessons from Jordan**

PRM's flexible funding and strong strategic relationships with its partners in Jordan have allowed for the development of a number of innovative approaches to this diffuse and urban refugee context. These lessons are particularly pertinent given the greater likelihood of humanitarian crises in an increasingly urbanised world.

UNHCR has documented its innovations, including the following approaches:

- Maintaining accurate data on active refugees through stronger systems; producing precise statistics on assistance through a new Refugee Assistance Information System (RAIS); and planning, projecting and boosting efficiency through sophisticated data analysis.

- Meeting basic needs through ATM cash assistance, expanding the access of refugees to UNHCR through a call centre, and communicating instantaneously with refugees using SMS communications.

- Providing solutions and shoring up protection space; reaching a scattered population through systematic outreach and home visits; targeting older people, the disabled and survivors of trauma and torture; and treating people with cancer and other potent diseases.

- Providing a durable status for refugee women married to Jordanians; combating gender violence through strong partnerships with national authorities; forging a national protection culture through extensive training; and fostering sympathy and respect among host populations through cultural events

International Medical Corps (IMC) has also documented a number of lessons learnt in this context:

- Outreach efforts must complement organised activities. Information dissemination among urban refugees is much more difficult than among camp-based refugees.

- Programming must strike a careful balance between host and refugee populations in order to avoid creating or exacerbating tensions that may exist between the two groups.

- A common language for defining and addressing comprehensive needs of urban refugees should be developed.

- Given the challenges facing the refugee community in finding, accessing, and manoeuvring between service providers in urban areas, it is important that services are as integrated as possible, and that effective referral mechanisms, with proper tracking procedures, are in place when integration is not possible.

- Promoting social networks is important for addressing isolation and loneliness, which IMC has come to recognise as a major concern among urban refugees.

*Sources*: adapted from UNHCR (2011); and Skopec *et al.*, 2010.

## Managing aid delivery

*A humanitarian system highly dependent on the quality of its people*

The overall impact of the US humanitarian system relies heavily on the quality of its staff. USAID and State Department staff, in both Washington and the field, are widely praised for being well trained, effective and fully engaged in supporting humanitarian

partners and programming. Many of them are personal service contractors, which encourages mobility and flexibility in the workforce, although there will likely be some conversion of contractors to regular contracts as OFDA's planned staff up-scaling begins. PRM supports its staff through innovative training methods, such as embedding partner agency personnel in its training programmes, and training locally-engaged staff in Washington, where they can meet their regular work contacts face-to-face. Other donors could learn valuable lessons from PRM's good practices in training, and the US is encouraged to share this information with them. Staff could be further empowered and even more effective if key delivery challenges – as outlined in this chapter – could be ironed out.

## Future considerations

The US Administration should:

- Seize the opportunity provided by the presidential directive and quadrennial review to develop a more holistic approach to US humanitarian programming. This will mean:

  − Implementing a systematic approach to supporting recovery and disaster risk reduction throughout the programming cycle.

  − Adopting special approaches for protracted crises (*e.g.* limiting earmarking and extending grant cycles).

  − Supporting more effective cross-government co-ordination, especially by including humanitarian programming objectives and activities in the new country development co-operation strategy process.

- Reinforce the potential position of the US as a leader in knowledge about humanitarian assistance by ensuring that the evidence and lessons from partner reporting are used to direct future programming.

- Engage in stronger outreach with the humanitarian community on civil-military partnerships and counterterrorism measures. Aim to find the most effective means of humanitarian aid delivery for each context – practical and principled solutions that deliver maximum value for money.

*Annex A*
# Progress since the 2006 DAC Peer Review recommendations

| Key issues | Recommendations 2006 | Progress since 2006 |
|---|---|---|
| **Strategic orientations** | DAC commends the US for raising development to a high priority within the 3D foreign policy approach. Development needs to be accorded the same status as diplomacy and defence and the key importance of poverty reduction within this mandate should be more explicitly recognised. | Partially implemented.<br><br>The Presidential Policy Directive on Global Development commits the US to elevating development as a core pillar of American power and the quadrennial review charts a course for development, diplomacy and defence to mutually reinforce one another. |
| | The FAF has the potential to become an instrument for furthering coherence. To realise this, its scope should be broadened over time to include all government development co-operation actors. The framework also has the potential to be an effective tool for sharing with Congress and other stakeholders the US approach in achieving results in different country contexts and to build in good practice on international aid effectiveness. | Partially implemented.<br><br>The "F" process and related Foreign Assistance Framework succeeded in promoting a stronger collaboration between the State Department and USAID and allowed a greater degree of rationality in strategic programming. However, it did not succeed in bringing in other US government agencies and in engaging further with Congress. On the programming side, the FAF implied a top-down, output-oriented approach, limiting the scope for the US to align with country strategies and to promote longer-term development. |
| | The United States needs to improve public awareness of its development co-operation. It should develop a strategy for better targeted and accurate information to the public, while seeking alliances with other public, private and civil society organisations. | Partially implemented.<br><br>The US is strengthening its efforts to raise public awareness and communicate better on its action. However, it does not have a comprehensive communication strategy with targeted approaches adapted to each audience. |
| **Development beyond aid** | The government is encouraged to develop a more explicit policy on the role of policy coherence for development. It also needs to put in place the resources needed to carry out analysis and effectively manage the policy coherence agenda, drawing, for example, on the resources of think tanks, academia and civil society. | Partially implemented.<br><br>The US does not have a strategy for ensuring that its policies support or at least do not undermine development efforts of partner countries. However the presidential policy directive does call for assessing the "development impact" of policy changes affecting developing countries. |
| **Aid volume, channels and allocations** | The DAC applauds the major increase in American ODA volume and its efforts with the international community to reduce the debt burden of poor countries. The US should work towards a longer term ODA plan that can permit greater aid predictability and a more strategic allocation of funds across instruments and countries. | Partially implemented.<br><br>The US has further increased its official development assistance. Funds still are not allocated in a predictable and strategic manner. However, the new policies – in particular the presidential policy directive – and plans to improve the relationship between Administration and Congress, are now an opportunity to make allocations more strategic. |

| Key issues | Recommendations 2006 | Progress since 2006 |
|---|---|---|
| | The escalating distribution of aid to crisis countries and to address emergencies reflects current US policy priorities. The government needs to find a balance between the use of aid in these countries and those where long term and significantly increased development efforts are required. | Partially implemented. <br><br> Fragile and conflict-affected states have remained a priority for the US, and it spends about half of its assistance there. The new emphasis on civilian leadership in these contexts, including the shift of some funding previously attributed to the Defence budget over to the Foreign Operations budget, is a positive step towards ensuring continuity between short-term, humanitarian aid and longer-term development co-operation. |
| | US Government funding of the multilateral system has fluctuated and the multilateral share of ODA has declined in recent years. The DAC encourages the government to play a stronger financing role in the multilateral system. This could usefully be supported by a more consistent performance framework to inform multilateral allocations. | Implemented. <br><br> In a significant shift, the Obama Administration has embraced multilateralism. This is a very positive move, as the US has a wealth of expertise and resources to share with multilateral institutions and plays an important role on their governing boards. Its role in reforming the multilateral system has been constructive. In particular, the US decision to strengthen the audit and evaluation functions of multilateral agencies, and rely more on them rather than creating its own performance framework, is positive. |
| **Organisation and management** | As its structures and operating procedures evolve, it is desirable that the Office of the Director of Foreign Assistance become the strategic reference for the entire development co-operation system over time. | Partially implemented. <br><br> The Office of the Director of Foreign Assistance has helped to align strategic programming, budgeting and reporting for USAID and the State Department. However, its role did not extend beyond these two entities. Its role is now being revised in the context of the quadrennial review. |
| | As the government seeks to accord a greater role in development and humanitarian work to the Department of Defense, it should persist in clarifying the respective lines of operational responsibility between military and development institutions to ensure that aid efforts are optimally co-ordinated and primarily focused on development outcomes. | Partially implemented. <br><br> Interagency policy committees ensure policy co-ordination between State Department, Defense and USAID. Common tools and sector guidelines have been developed and have improved policy making and co-ordination in the field. While the US Administration plans to strengthen whole-of-government approaches, it is undertaking reforms to strengthen civilian capacity to achieve sustainable development and stability. |
| | Consideration should be given to widely applying the lessons learned from the experience of the Millennium Challenge Corporation. | Implemented. <br><br> Good practice by MCC has been incorporated into other US programmes like PEPFAR and Feed the Future. |
| **Aid effectiveness and results** | The current US objective of improved aid effectiveness should be supported by further government attention to the Paris Declaration agenda, including actions on ownership, untying and collaborative strengthening of local systems and tracking of results. The new Office of the Director of Foreign Assistance should brief Congress on the Principles of the Paris Declaration on Aid Effectiveness and their implications for US foreign assistance. | Implemented. <br><br> The current Administration has embraced the international aid effectiveness agenda; many key documents now explicitly refer to it. The US has also modified some of its operational procedures in line with the Paris Declaration, with the intention to letting partner countries have more influence over co-operation programmes, using their country channels more, and opening up procurement to firms based in partner countries. The Administration has continued its regular briefings to Congress. |
| | Building on the Paris Declaration for Aid Effectiveness, US agencies are encouraged to increase dialogue with other donors to achieve shared results and joint learning. | Partially implemented. <br><br> Although the US shares information with other donors, harmonising its development co-operation with other donors remains a challenge. US agencies contribute to coordination in specific sectors in partner countries and could extend these efforts to fully carry out this recommendation. |

| Key issues | Recommendations 2006 | Progress since 2006 |
|---|---|---|
| | Bringing the Department of State and USAID into one results based management approach will be a useful first step toward consolidating and streamlining the current system in ways which both reduce transaction costs and enhance coherence within the US Government. Clear identification of priority development objectives and specific assignment of roles among institutions will also facilitate this action. | Partially implemented. Reporting systems introduced under the F Process focus mostly on outputs and are yet to measure the impact of US development co-operation. USAID and the State Department are now setting up monitoring systems that provide more information about the actual changes that their programmes bring about. Some initiatives, including the re-authorised PEPFAR, now set greater store on results. |
| **Humanitarian assistance (Good Humanitarian Donorship)** | The Department of State and USAID should jointly develop and disseminate an overarching strategic plan (2007 2012) to guide US humanitarian work. This would provide a framework for increasing the coherence of different US agency approaches as well as informing US efforts internationally to improve the effectiveness of humanitarian action. | Partially implemented. A section on humanitarian assistance was included as part of the 2007-2012 Department of State/USAID Joint Strategic Plan, although this has not yet led to coherent approaches by the two agencies. This is especially evident in continuing inconsistencies in US responses to refugee *versus* internally-displaced populations, despite their broadly similar needs. |
| | Continued reform of the emergency food aid regime should remain a priority. | Implemented. USAID's Office of Food for Peace has undertaken a series of initiatives to improve the timeliness and appropriateness of emergency food assistance. These initiatives include the Food Assistance Outlook Briefing – which provides warning of food assistance needs six months in the future; increasing the number of sites in which U.S. food aid is prepositioned abroad; the Emergency Food Security Program,which supports local and regional procurement, cash transfers, and food vouchers; emergency bars that can be quickly distributed to displaced populations, and ready-to-use foods developed for supplementary and therapeutic feeding programs. Also, USAID is working with the Tufts University School of Nutrition and other experts to develop the next generation of food aid commodities. |
| | Links between the government humanitarian and development dimensions should be strengthened in accordance with humanitarian principles. Increased support for basic services in fragile states through non humanitarian aid instruments should be encouraged, as should investment in longer term safety nets to address acute poverty. | Partially implemented. The quadrennial review outlines plans to expand USAID's capacity for the transition from relief to development, although there is no mention of extending the current short-term funding cycles at OFDA. Plans instead include increasing USAID's technical capacities in recovery, boosting numbers of recovery-skilled staff and making systems and management more flexible. PRM has indicated its intention to provide multi-annual funding to NGOs, which will support longer-term approaches and enable the mainstreaming of recovery concepts. The exclusion of humanitarian programming from overall US mission strategies continues to hamper stronger linkages and cross-programme synergies with stabilisation and development instruments. |

*Annex B*
# OECD/DAC standard suite of tables

### Table B.1.  Total financial flows

USD million at current prices and exchange rates

| United States | | | | | | | *Net disbursements* |
|---|---|---|---|---|---|---|---|
| | 1995-99 | 2000-2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **Total official flows** | 9 969 | 14 526 | 26 887 | 19 515 | 20 155 | 25 742 | 29 820 |
| Official development assistance | 8 311 | 14 140 | 27 935 | 23 532 | 21 787 | 26 842 | 28 831 |
| Bilateral | 6 061 | 11 433 | 25 582 | 21 162 | 18 901 | 23 859 | 25 174 |
| Multilateral | 2 249 | 2 706 | 2 353 | 2 370 | 2 886 | 2 982 | 3 658 |
| Other official flows | 1 658 | 387 | -1 048 | -4 017 | -1 632 | -1 100 | 988 |
| Bilateral | 1 658 | 387 | -1 048 | -4 017 | -1 632 | -1 100 | 988 |
| Multilateral | - | - | - | - | - | - | - |
| **Net Private Grants** | 2 883 | 5 495 | 8 629 | 9 037 | 12 161 | 17 122 | 16 288 |
| **Private flows at market terms** | 42 401 | 11 663 | 78 010 | 62 345 | 97 545 | -28 781 | 69 168 |
| Bilateral: *of which* | 43 685 | 12 435 | 76 444 | 59 189 | 105 282 | -20 561 | 56 008 |
| Direct investment | 24 407 | 18 055 | 19 770 | 36 624 | 45 591 | 54 172 | 28 275 |
| Export credits | 1 287 | 979 | - 100 | -1 097 | - 105 | 1 068 | 510 |
| Multilateral | -1 284 | - 772 | 1 566 | 3 156 | -7 737 | -8 220 | 13 160 |
| **Total flows** | 55 253 | 31 685 | 113 526 | 90 897 | 129 862 | 14 084 | 115 276 |
| *for reference:* | | | | | | | |
| *ODA (at constant 2008 USD million)* | *10 690* | *16 483* | *30 304* | *24 723* | *22 252* | *26 842* | *28 469* |
| *ODA (as a % of GNI)* | *0.10* | *0.13* | *0.23* | *0.18* | *0.16* | *0.19* | *0.21* |
| *Total flows (as a % of GNI) (a)* | *0.67* | *0.30* | *0.92* | *0.69* | *0.93* | *0.10* | *0.82* |
| *ODA to and channelled through NGOs* | | | | | | | |
| *- In USD million* | - | - | - | - | - | - | - |
| *- In percentage of total net ODA* | - | - | - | - | - | - | - |
| *- DAC countries' average % of total net ODA* | *4* | *9* | *9* | *7* | *7* | *7* | *8* |

a. To countries eligible for ODA.



**ODA net disbursements**
At constant 2008 prices and exchange rates and as a share of GNI
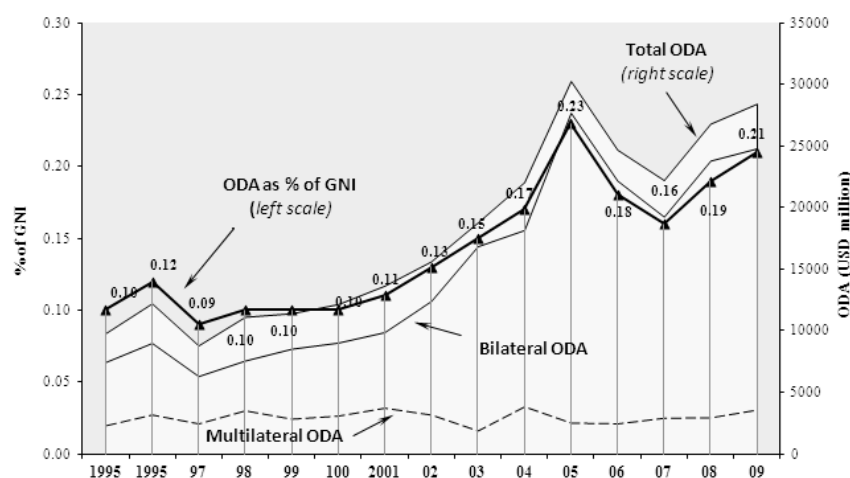
## Table B.2. ODA by main categories

*Disbursements*

| United States | Constant 2008 USD million | | | | | Per cent share of gross disbursements | | | | | Total DAC 2009% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Gross Bilateral ODA | 28 626 | 23 272 | 20 218 | 24 827 | 25 665 | 92 | 90 | 87 | 89 | 88 | 73 |
| *Grants* | *28 579* | *23 118* | *20 150* | *24 825* | *25 665* | *92* | *90* | *87* | *89* | *88* | 61 |
| Project and programme aid | 8 263 | 5 899 | 13 965 | 16 890 | 17 594 | 26 | 23 | 60 | 61 | 60.08 | 25 |
| Technical co-operation | 9 550 | 9 747 | 748 | 722 | 757 | 31 | 38 | 3 | 3 | 3 | 13 |
| Developmental food aid | 718 | 781 | 593 | 552 | 611 | 2 | 3 | 3 | 2 | 2 | 1 |
| Humanitarian aid | 3 680 | 3 175 | 3 058 | 4 381 | 4 321 | 12 | 12 | 13 | 16 | 15 | 6 |
| Action relating to debt | 4 552 | 1 791 | 119 | 395 | 253 | 15 | 7 | 1 | 1 | 1 | 2 |
| Administrative costs | 1 176 | 1 139 | 1 148 | 1 276 | 1 337 | 4 | 4 | 5 | 5 | 5 | 4 |
| Other grants | 640 | 587 | 519 | 609 | 792 | 2 | 2 | 2 | 2 | 3 | 9 |
| *Non-grant bilateral ODA* | *47* | *154* | *68* | *3* | *-* | *0* | *1* | *0* | *0* | *-* | 12 |
| New development lending | - | - | - | - | - | - | - | - | - | - | 9 |
| Debt rescheduling | 25 | 107 | 64 | 3 | - | 0 | 0 | 0 | 0 | - | 2 |
| Acquisition of equity and other | 22 | 47 | 4 | - | - | 0 | 0 | 0 | - | - | 1 |
| Gross Multilateral ODA | 2 563 | 2 501 | 2 957 | 2 992 | 3 621 | 8 | 10 | 13 | 11 | 12 | 27 |
| UN agencies | 779 | 669 | 679 | 692 | 833 | 2 | 3 | 3 | 2 | 3 | 5 |
| EU institutions | - | - | - | - | - | - | - | - | - | - | 10 |
| World Bank group | 915 | 869 | 1 121 | 848 | 1 194 | 3 | 3 | 5 | 3 | 4 | 5 |
| Regional development banks (a) | 238 | 253 | 242 | 241 | 279 | 1 | 1 | 1 | 1 | 1 | 2 |
| Other multilateral | 631 | 709 | 916 | 1 210 | 1 314 | 2 | 3 | 4 | 4 | 4 | 4 |
| Total gross ODA | 31 189 | 25 773 | 23 175 | 27 819 | 29 286 | 100 | 100 | 100 | 100 | 100 | 100 |
| Repayments and debt cancellation | - 885 | -1 050 | - 923 | - 977 | - 817 | | | | | | |
| Total net ODA | 30 304 | 24 723 | 22 252 | 26 842 | 28 469 | | | | | | |
| *For reference:* | | | | | | | | | | | |
| *Associated financing (b)* | *-* | *-* | *-* | *-* | *-* | | | | | | |
| *Net debt relief* | *4 449* | *1 772* | *106* | *218* | *175* | | | | | | |
| *Imputed student cost* | *-* | *-* | *-* | *-* | *-* | | | | | | |
| *Refugees in donor countries* | *570* | *513* | *461* | *555* | *731* | | | | | | |

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.



ODA flows to multilateral agencies, 2009
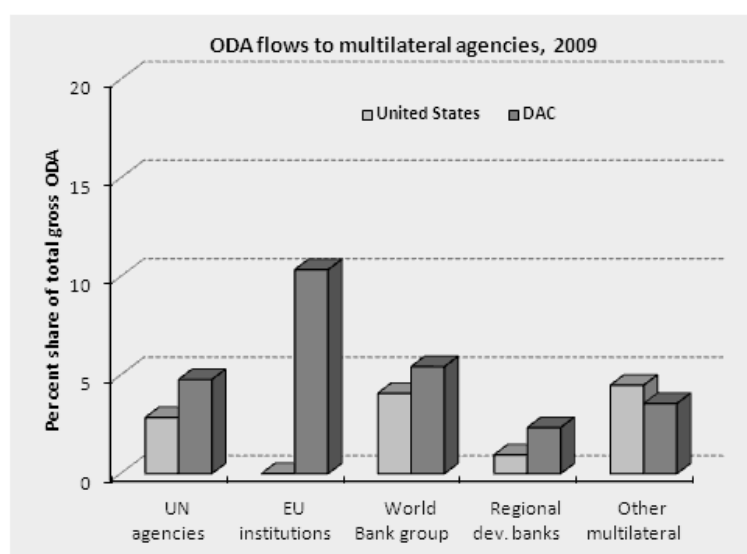


Contributions to UN Agencies (2008-09 Average)

WHO-assessed 11%
UNICEF 18%
Other UN 43%
FAO 7%
UNO 8%
UNDP 13%
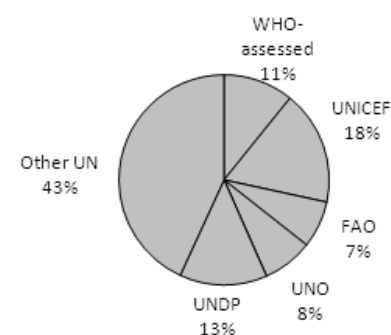


Contributions to Regional Development Banks (2008-09 Average)

Other Banks 5%
AfDB Group 55%
AsDB Group 40%
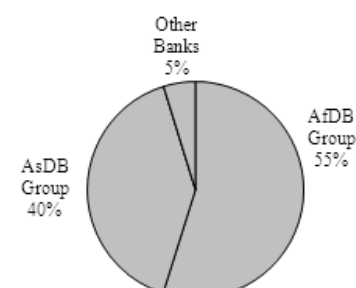
## Table B.3.  Bilateral ODA allocable by region and income group

*Gross disbursements*

| United States | Constant 2008 USD million | | | | | Per cent share | | | | | Total DAC |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2005 | 2006 | 2007 | 2008 | 2009 | 2009% |
| Africa | 5 171 | 6 502 | 5 402 | 7 638 | 7 897 | 21 | 34 | 34 | 39 | 39 | 42 |
| Sub-Saharan Africa | 4 498 | 6 022 | 4 671 | 6 875 | 7 418 | 18 | 31 | 29 | 35 | 36 | 36 |
| North Africa | 673 | 480 | 732 | 763 | 479 | 3 | 2 | 5 | 4 | 2 | 4 |
| Asia | 3 615 | 3 745 | 3 827 | 5 040 | 5 716 | 15 | 19 | 24 | 26 | 28 | 33 |
| South and Central Asia | 2 837 | 3 049 | 3 095 | 4 126 | 4 891 | 12 | 16 | 19 | 21 | 24 | 18 |
| Far East | 759 | 688 | 728 | 848 | 756 | 3 | 4 | 5 | 4 | 4 | 14 |
| America | 1 982 | 2 302 | 1 677 | 2 003 | 2 131 | 8 | 12 | 10 | 10 | 10 | 10 |
| North and Central America | 844 | 860 | 793 | 882 | 1 024 | 3 | 4 | 5 | 5 | 5 | 4 |
| South America | 1 034 | 1 359 | 802 | 1 033 | 1 026 | 4 | 7 | 5 | 5 | 5 | 5 |
| Middle East | 12 960 | 5 836 | 4 593 | 4 198 | 3 810 | 53 | 30 | 29 | 22 | 19 | 8 |
| Oceania | 173 | 196 | 175 | 188 | 213 | 1 | 1 | 1 | 1 | 1 | 2 |
| Europe | 726 | 780 | 432 | 430 | 581 | 3 | 4 | 3 | 2 | 3 | 5 |
| Total bilateral allocable by region | 24 627 | 19 361 | 16 107 | 19 497 | 20 348 | 100 | 100 | 100 | 100 | 100 | 100 |
| Least developed | 5 167 | 5 746 | 4 941 | 7 249 | 7 993 | 22 | 32 | 33 | 40 | 42 | 36 |
| Other low-income | 964 | 1 986 | 1 458 | 1 915 | 2 404 | 4 | 11 | 10 | 11 | 13 | 16 |
| Lower middle-income | 16 140 | 9 356 | 7 617 | 7 502 | 7 320 | 70 | 52 | 51 | 42 | 38 | 39 |
| Upper middle-income | 796 | 908 | 886 | 1 381 | 1 335 | 3 | 5 | 6 | 8 | 7 | 9 |
| More advanced developing countries | 0 | 1 | 0 | - | - | 0 | 0 | 0 | - | - | - |
| Total bilateral allocable by income | 23 066 | 17 997 | 14 902 | 18 048 | 19 053 | 100 | 100 | 100 | 100 | 100 | 100 |
| *For reference:* | | | | | | | | | | | |
| *Total bilateral* | *28 626* | *23 272* | *20 218* | *24 828* | *25 665* | *100* | *100* | *100* | *100* | *100* | *100* |
| *of which:  Unallocated by region* | *3 999* | *3 911* | *4 111* | *5 331* | *5 317* | *14* | *17* | *20* | *21* | *21* | *22* |
| *of which:  Unallocated by income* | *5 559* | *5 275* | *5 316* | *6 780* | *6 612* | *19* | *23* | *26* | *27* | *26* | *29* |



Allocable gross bilateral ODA flows by region

Legend: Other, Europe, America, Asia, Africa



Allocable gross bilateral ODA flows by income group

Legend: Other, Lower middle-income, Other low-income, Least developed
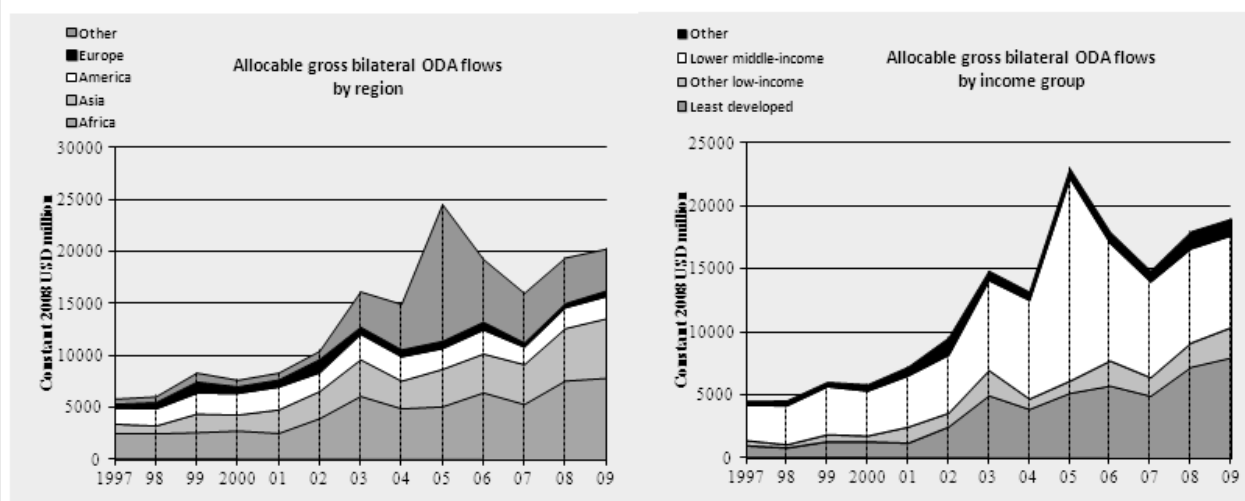
1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

## Table B.4. Main recipients of bilateral ODA

*Gross disbursements*

| United States | 1998-2002 average | | | Memo: DAC countries' average % | | 2003-07 average | | | Memo: DAC countries' average % | | 2008-09 average | | | Memo: DAC countries' average % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current USD million | Constant 2008 USD mln | Per cent share | | | Current USD million | Constant 2008 USD mln | Per cent share | | | Current USD million | Constant 2008 USD mln | Per cent share | |
| Egypt | 868 | 1 060 | 10 | | Iraq | 4 866 | 5 241 | 24 | | Afghanistan | 2 549 | 2 530 | 10 | |
| Pakistan | 233 | 280 | 3 | | Afghanistan | 1 100 | 1 177 | 5 | | Iraq | 2 544 | 2 529 | 10 | |
| Colombia | 211 | 255 | 2 | | Egypt | 643 | 701 | 3 | | Sudan | 901 | 895 | 4 | |
| Jordan | 190 | 231 | 2 | | Sudan | 552 | 590 | 3 | | Ethiopia | 769 | 764 | 3 | |
| Serbia | 171 | 204 | 2 | | Congo, Dem. Rep. | 545 | 604 | 3 | | Palestinian Adm. Areas | 667 | 662 | 3 | |
| **Top 5 recipients** | **1 673** | **2 029** | **19** | **25** | **Top 5 recipients** | **7 706** | **8 314** | **38** | **32** | **Top 5 recipients** | **7 431** | **7 381** | **29** | **28** |
| Indonesia | 164 | 199 | 2 | | Colombia | 530 | 577 | 3 | | Colombia | 645 | 641 | 3 | |
| Peru | 158 | 193 | 2 | | Pakistan | 488 | 536 | 2 | | Egypt | 552 | 549 | 2 | |
| Bosnia-Herzegovina | 146 | 181 | 2 | | Ethiopia | 473 | 518 | 2 | | Kenya | 516 | 512 | 2 | |
| India | 138 | 169 | 2 | | Jordan | 457 | 506 | 2 | | Pakistan | 484 | 480 | 2 | |
| Bolivia | 110 | 135 | 1 | | Nigeria | 269 | 286 | 1 | | South Africa | 451 | 448 | 2 | |
| **Top 10 recipients** | **2 389** | **2 905** | **28** | **40** | **Top 10 recipients** | **9 925** | **10 738** | **49** | **46** | **Top 10 recipients** | **10 078** | **10 011** | **40** | **39** |
| Honduras | 109 | 132 | 1 | | Uganda | 232 | 250 | 1 | | Jordan | 395 | 392 | 2 | |
| Ethiopia | 102 | 124 | 1 | | Palestinian Adm. Areas | 213 | 232 | 1 | | Uganda | 360 | 358 | 1 | |
| Mozambique | 102 | 123 | 1 | | Indonesia | 212 | 228 | 1 | | Nigeria | 359 | 357 | 1 | |
| Micronesia, Fed. States | 94 | 114 | 1 | | Kenya | 203 | 217 | 1 | | Georgia | 342 | 340 | 1 | |
| South Africa | 90 | 110 | 1 | | Peru | 189 | 207 | 1 | | Haiti | 290 | 288 | 1 | |
| **Top 15 recipients** | **2 885** | **3 508** | **33** | **50** | **Top 15 recipients** | **10 973** | **11 871** | **54** | **53** | **Top 15 recipients** | **11 824** | **11 746** | **47** | **48** |
| Philippines | 90 | 109 | 1 | | Bolivia | 175 | 191 | 1 | | Liberia | 268 | 267 | 1 | |
| Bangladesh | 89 | 108 | 1 | | Zambia | 172 | 183 | 1 | | Tanzania | 265 | 264 | 1 | |
| Palestinian Adm. Areas | 89 | 108 | 1 | | India | 171 | 186 | 1 | | Indonesia | 256 | 255 | 1 | |
| Haiti | 84 | 102 | 1 | | Serbia | 166 | 182 | 1 | | Mozambique | 241 | 240 | 1 | |
| Afghanistan | 82 | 97 | 1 | | Haiti | 144 | 155 | 1 | | Zimbabwe | 236 | 235 | 1 | |
| **Top 20 recipients** | **3 317** | **4 033** | **38** | **58** | **Top 20 recipients** | **11 801** | **12 767** | **58** | **59** | **Top 20 recipients** | **13 091** | **13 006** | **52** | **55** |
| **Total (141 recipients)** | **5 468** | **6 642** | **63** | | **Total (145 recipients)** | **15 542** | **16 819** | **76** | | **Total (143 recipients)** | **18 672** | **18 550** | **73** | |
| Unallocated | 3 212 | 3 927 | 37 | 22 | Unallocated | 4 870 | 5 271 | 24 | 24 | Unallocated | 6 738 | 6 696 | 27 | 29 |
| **Total bilateral gross** | **8 680** | **10 569** | **100** | **100** | **Total bilateral gross** | **20 412** | **22 090** | **100** | **100** | **Total bilateral gross** | **25 410** | **25 246** | **100** | **100** |

## Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

| United States | 1998-2002 average | | 2003-07 average | | 2008-09 average | | 2008-09 |
|---|---|---|---|---|---|---|---|
| | 2008 USD million | Per cent | 2008 USD million | Per cent | 2008 USD million | Per cent | Total DAC per cent |
| Social infrastructure & services | 4 653 | 39 | 11 381 | 43 | 16 063 | 53 | 41 |
| Education | 318 | 3 | 601 | 2 | 1 128 | 4 | 9 |
| of which: basic education | 186 | 2 | 427 | 2 | 706 | 2 | 2 |
| Health | 531 | 4 | 1 148 | 4 | 1 161 | 4 | 4 |
| of which: basic health | 451 | 4 | 1 055 | 4 | 1 095 | 4 | 3 |
| Population & reproductive health | 963 | 8 | 2 706 | 10 | 5 863 | 19 | 7 |
| Water supply & sanitation | 261 | 2 | 721 | 3 | 651 | 2 | 6 |
| Government & civil society | 1071 | 9 | 4 314 | 16 | 5 173 | 17 | 12 |
| of which: Conflict, peace & security | - | - | 734 | 3 | 897 | 3 | 3 |
| Other social infrastructure & services | 1509 | 13 | 1 891 | 7 | 2 087 | 7 | 4 |
| Economic infrastructure & services | 1026 | 9 | 3 009 | 11 | 3 564 | 12 | 16 |
| Transport & storage | 14 | 0 | 819 | 3 | 1 551 | 5 | 8 |
| Communications | 20 | 0 | 117 | 0 | 21 | 0 | 0 |
| Energy | 169 | 1 | 1 397 | 5 | 1 158 | 4 | 4 |
| Banking & financial services | 39 | 0 | 141 | 1 | 362 | 1 | 3 |
| Business & other services | 783 | 7 | 536 | 2 | 471 | 2 | 1 |
| Production sectors | 609 | 5 | 1 587 | 6 | 1 868 | 6 | 7 |
| Agriculture, forestry & fishing | 410 | 3 | 701 | 3 | 1 538 | 5 | 5 |
| Industry, mining & construction | 54 | 0 | 684 | 3 | 127 | 0 | 1 |
| Trade & tourism | 145 | 1 | 202 | 1 | 203 | 1 | 1 |
| Multisector | 980 | 8 | 1 840 | 7 | 1 117 | 4 | 7 |
| Commodity and programme aid | 1 713 | 14 | 1 636 | 6 | 980 | 3 | 5 |
| Action relating to debt | 227 | 2 | 1 903 | 7 | 196 | 1 | 6 |
| Humanitarian aid | 1 413 | 12 | 3 296 | 13 | 4 545 | 15 | 8 |
| Administrative costs of donors | 887 | 7 | 1 186 | 5 | 1 576 | 5 | 5 |
| Aid to NGOs (core support) | - | - | - | - | 0 | 0 | 1 |
| Refugees in donor countries | 381 | 3 | 436 | 2 | 611 | 2 | 3 |
| Total bilateral allocable | 11 889 | 100 | 26 275 | 100 | 30 520 | 100 | 100 |
| *For reference:* | | | | | | | |
| *Total bilateral* | *11 933* | *78* | *26 277* | *91* | *30 527* | *90* | *75* |
| *of which: Unallocated* | *45* | *0* | *2* | *0* | *7* | *0* | *1* |
| *Total multilateral* | *3 361* | *22* | *2 752* | *9* | *3 321* | *10* | *25* |
| *Total ODA* | *15 295* | *100* | *29 028* | *100* | *33 848* | *100* | *100* |

*Commitments - Two-year averages*



Allocable bilateral ODA by major purposes, 2008-09
%
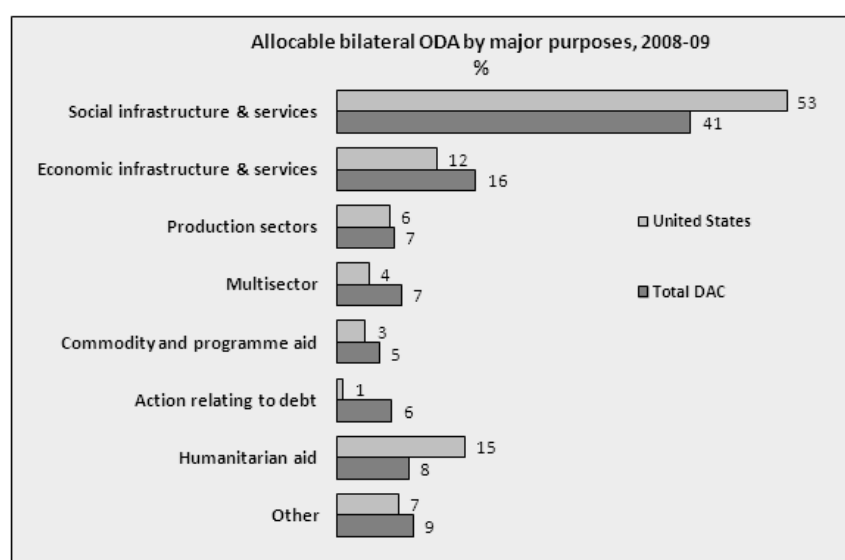
**Table B.6. Comparative aid performance**

*Net disbursements*

| | Official development assistance 2009 | | 2003-04 to 08-09 Average annual % change in real terms | Grant element of ODA (commitments) 2009 | Share of multilateral aid 2009 | | | | ODA to LDCs Bilateral and through multilateral agencies 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | % of ODA | | % of GNI | | | |
| | USD million | % of GNI | | % (a) | (b) | (c) | (b) | (c) | % of ODA | % of GNI |
| Australia | 2 762 | 0.29 | 8.4 | 99.0 | 16.3 | | 0.05 | | 26.4 | 0.08 |
| Austria | 1 142 | 0.30 | 13.1 | 100.0 | 55.6 | 10.9 | 0.17 | 0.05 | 30.4 | 0.09 |
| Belgium | 2 610 | 0.55 | 2.4 | 99.8 | 39.3 | 19.3 | 0.22 | 0.09 | 36.7 | 0.20 |
| Canada | 4 000 | 0.30 | 6.5 | 100.0 | 21.5 | | 0.07 | | 37.0 | 0.11 |
| Denmark | 2 810 | 0.88 | 2.1 | 100.0 | 32.2 | 25.1 | 0.28 | 0.21 | 39.1 | 0.34 |
| Finland | 1 290 | 0.54 | 9.0 | 99.9 | 38.7 | 22.4 | 0.21 | 0.10 | 34.9 | 0.19 |
| France | 12 600 | 0.47 | 2.4 | 88.8 | 44.3 | 17.6 | 0.21 | 0.07 | 26.0 | 0.12 |
| Germany | 12 079 | 0.35 | 7.6 | 93.3 | 41.2 | 15.1 | 0.15 | 0.06 | 28.1 | 0.10 |
| Greece | 607 | 0.19 | 6.6 | 100.0 | 51.1 | 21.6 | 0.10 | 0.05 | 19.2 | 0.04 |
| Ireland | 1 006 | 0.54 | 10.8 | 100.0 | 31.1 | 18.3 | 0.17 | 0.11 | 50.9 | 0.28 |
| Italy | 3 297 | 0.16 | 4.4 | 98.6 | 73.5 | 26.9 | 0.12 | 0.06 | 34.5 | 0.05 |
| Japan | 9 469 | 0.18 | -0.3 | 86.5 | 36.6 | | 0.07 | | 32.2 | 0.06 |
| Korea | 816 | 0.10 | 14.1 | 93.3 | 28.8 | | 0.03 | | 30.8 | 0.03 |
| Luxembourg | 415 | 1.04 | 6.0 | 100.0 | 35.9 | 24.3 | 0.37 | 0.24 | 36.9 | 0.39 |
| Netherlands | 6 426 | 0.82 | 4.7 | 100.0 | 25.3 | 16.6 | 0.21 | 0.13 | 25.3 | 0.21 |
| New Zealand | 309 | 0.28 | 7.3 | 100.0 | 26.9 | | 0.07 | | 33.5 | 0.09 |
| Norway | 4 086 | 1.06 | 4.5 | 100.0 | 22.5 | | 0.24 | | 30.8 | 0.33 |
| Portugal | 513 | 0.23 | -8.5 | 94.3 | 46.1 | 13.8 | 0.11 | 0.04 | 41.2 | 0.10 |
| Spain | 6 584 | 0.46 | 16.9 | 96.4 | 32.1 | 15.0 | 0.15 | 0.07 | 25.9 | 0.12 |
| Sweden | 4 548 | 1.12 | 8.8 | 99.9 | 33.8 | 25.8 | 0.38 | 0.25 | 30.7 | 0.34 |
| Switzerland | 2 310 | 0.45 | 3.7 | 100.0 | 24.2 | | 0.11 | | 30.2 | 0.14 |
| United Kingdom | 11 491 | 0.52 | 8.3 | 100.0 | 33.4 | 18.6 | 0.17 | 0.08 | 34.1 | 0.18 |
| United States | 28 831 | 0.21 | 6.2 | 100.0 | 12.69 | | 0.03 | | 32.6 | 0.07 |
| **Total DAC** | **120 000** | **0.31** | **5.8** | **96.3** | **30.3** | | **0.09** | | **31.1** | **0.10** |
| Memo: Average country effort | | 0.48 | | | | | | | | |

*Notes:*
a. Excluding debt reorganisation.
b. Including EU institutions.

**Figure B.1. Net ODA from DAC countries in 2009**

## Per cent of GNI

| Country | Value |
|---|---|
| Sweden | 1.12 |
| Norway | 1.06 |
| Luxembourg | 1.04 |
| Denmark | 0.88 |
| Netherlands | 0.82 |
| Belgium | 0.55 |
| Ireland | 0.54 |
| Finland | 0.54 |
| United Kingdom | 0.52 |
| France | 0.47 |
| Spain | 0.46 |
| Switzerland | 0.45 |
| Germany | 0.35 |
| Canada | 0.30 |
| Austria | 0.30 |
| Australia | 0.29 |
| New Zealand | 0.28 |
| Portugal | 0.23 |
| United States | 0.21 |
| Greece | 0.19 |
| Japan | 0.18 |
| Italy | 0.16 |
| Korea | 0.10 |
| Total DAC | 0.31 |

Average country effort 0.48%

UN target 0.70%

## USD billion

| Country | Value |
|---|---|
| United States | 28.83 |
| France | 12.60 |
| Germany | 12.08 |
| United Kingdom | 11.49 |
| Japan | 9.47 |
| Spain | 6.58 |
| Netherlands | 6.43 |
| Sweden | 4.55 |
| Norway | 4.09 |
| Canada | 4.00 |
| Italy | 3.30 |
| Denmark | 2.81 |
| Australia | 2.76 |
| Belgium | 2.61 |
| Switzerland | 2.31 |
| Finland | 1.29 |
| Austria | 1.14 |
| Ireland | 1.01 |
| Korea | 0.82 |
| Greece | 0.61 |
| Portugal | 0.51 |
| Luxembourg | 0.41 |
| New Zealand | 0.31 |
| Total DAC | 120.0 |

## *Annex C*
## Partner country visits to Ghana and Jordan

The peer review team, made up of four examiners from Denmark and the European Union (EU) and members of the DAC Secretariat visited Ghana in November 2010 and Jordan in January 2011. The team met US development co-operation staff, officials from partner country governments – including ministries of finance, line ministries and local councils – other bilateral donors and multilaterals, as well as representatives from both US and partner country civil society organisations.

### Country context

Ghana and Jordan are both stable, democratic countries in volatile regions. Both have strong governance indicators and low levels of corruption.[37] Beyond this, however, their development contexts are fundamentally different. Ghana is characterised by "low human development" and a low-income economy, but is striving to reach middle income status by 2015. It is the first African country to achieve the Millennium Development Goal (MDG) on poverty.[38] Jordan, on the other hand, is characterised by "high human development" and is already a lower-middle-income country.[39] Jordan is largely on course for achieving its MDGs; its main challenges lie in the areas of gender equality and the environment. However, it hosts a significant number of Palestinian and Iraqi refugees and its population growth is among the fastest in the world – a worry given its limited natural resources.

Development assistance is a diminishing component of the economy in both countries. In Ghana, foreign direct investment and domestic taxation are playing an increasing role in its journey to becoming a middle-income country. The share of aid in gross national income (GNI) fell from 12% in 2000 to 10% (USD 1.6 billion) in 2009. Nonetheless, Ghana continues to be widely viewed as a donor darling, with over 23 bilateral[40] and 24 multilateral donors active in the country. In Jordan, too, the level of aid is decreasing, and the nature of co-operation changing. Net ODA fell from making up 6% of its economy in 2000 to 3% in 2009 (USD 0.76 billion). There are nevertheless approximately 14 bilateral and 9 multilateral donors still present in the country.[41]

Both the Ghanaian and Jordanian governments have firmly taken the lead in designing their development policies, and have clear structures in place to co-ordinate aid (Boxes C.1 and C.2). The *Ghana Aid Policy and Strategy (2011-2015)* sets out the mechanisms and institutional arrangements through which government expects donors to

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37. On the World Bank's World Governance Indicators they fall within the 50th-75th percentile, above most developing countries. Transparency International's 2010 Corruption Perception Index ranks Ghana 62nd and Jordan 50th.

38. Ghana halved extreme poverty between 1991/2 and 2005/6 from over 36% to 18%.

39. Ghana ranks 130th and Jordan 82nd on the Human Development Index.

40. This does not include the many other active donors who do not report to the DAC.

41. According to the website of the Aid Information Management System (AIMS) run by Jordan's Ministry of Planning and International Co-operation, *www.mopic-jaims.gov.jo/,* accessed 14/02/2011 (see Box C.1).

support the Ghana Shared Growth and Development Agenda (a growth and poverty reduction plan) in line with the principles of the Paris Declaration and Accra Agenda for Action. The National Development Planning Commission oversees development planning processes, while the responsibility for managing, co-ordinating and mobilising aid rests with the Ministry of Finance and Economic Planning. Jordan also offers a clear framework to partners with its *Executive Development Program (2011-2013)*. This fully-costed workplan aims to increase economic growth and welfare by reducing poverty and creating jobs. Aid co-ordination is in the hands of the Ministry of Planning and International Cooperation.

**Key features of US development co-operation in Ghana and Jordan**

The US has provided significant, generous and long-term assistance to both Jordan and Ghana. It has been active in Jordan since 1952 and in Ghana since 1957. It is the largest bilateral donor in Jordan, and Jordan is a key US ally in the Middle East, with its 1994 peace agreement with Israel and its support for the "war on terror". It is a free trade partner and receives military assistance (USD 300 million in 2009). Accordingly, its aid package grew in 2003, the first year of the Iraq war, and has remained high ever since. In Ghana, the US is the second-largest bilateral donor (after the United Kingdom) with a programme of USD 168 million. Here, too, economic and military co-operation complement this relationship, helped by the fact that Ghana benefits from political stability and an educated, English-speaking workforce.

Both country programmes are representative of US efforts in lower-middle-income developing countries. US development assistance helps Ghana to strengthen local governance and civic participation and to improve basic health care, education and food security. In Jordan, the largest share of US development co-operation is devoted to budget support tied to certain conditions. These concern Jordan's national reform efforts and some elements outside the national agenda (Box C.1).

**Figure C.1. US ODA to Ghana and Jordan**

Net disbursements USD, 2005-2009
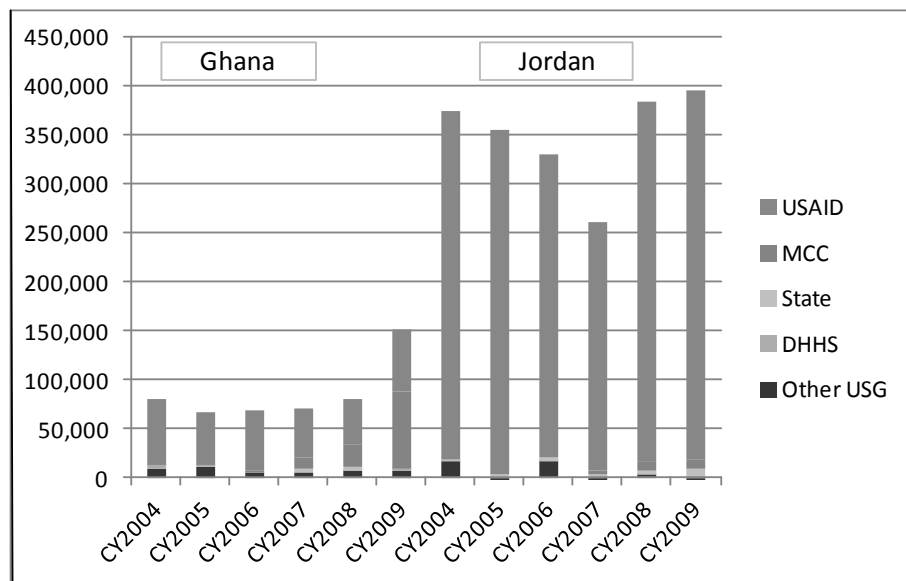


*Source*: US Annual Submission to the OECD/DAC via USAID Foreign Assistance Database (FADB).

*Official development assistance to Ghana and Jordan*

In 2009, Jordan received USD 395 million from the US, making it the 7th largest recipient of US aid. Ghana ranked 31st of all US missions in size of ODA, where the US programme was USD 168 million in total. USAID has provided steady support to both partners, but aid from other agencies has fluctuated, and varies greatly between the two countries (Figure C.1). In Ghana, USAID funds are outmatched by funding from the MCC; in Jordan, MCC is expected to gain in weight over the coming years, following a compact signed in 2010 (see Box 6, Chapter 4). USAID spending in Jordan by far exceeds budgeted amounts, because Congress has – since the Iraq war – topped up funding with a supplemental attribution every year. This supplemental has varied between USD 700 million (2003) and 50 million (2006) and has been absorbed by existing USAID programmes in Jordan. A large proportion of the supplement (currently 30%) and 45% of budgeted USAID funding are transferred directly to Jordan's budget in the form of conditional "cash transfers" – in other words, as budget support.

**Organisation and management**

Many different US agencies are involved in delivering aid in these two countries: 11 in Jordan and 12 in Ghana. Although there is a mission-strategic resource plan (MRSP) for every mission, its vision only reflects programmes funded through the international affairs budget (including USAID, State, and MCC). There is no single strategy that drives all US activities in a mission; instead, several strategy documents exist alongside each other, without being part of an overarching framework. In Ghana, USAID is following an extension to the Strategy Statement 2006 to 2010, extended to 2013. In Jordan, USAID has a five-year country strategy (2010 to 2014), but the programme for Palestinian and Iraqi refugees, financed by the State Department, is not part of it. MCC implements its compact in parallel through separate yearly plans, and the Presidential Initiatives finance activities derived from their Washington-driven strategies. The fact that most US staff are based in the same premises helps to improve dialogue and co-ordination among them. Nonetheless, the lack of a common strategy limits the potential for synergies, and hampers links between humanitarian and development programmes. It also creates a complex array of requirements for reporting to headquarters, which could potentially be simplified to allow the mission more time to focus on carrying out its programme. US co-operation activities in both missions would benefit from a single country strategy, as proposed by the Presidential Policy Directive (Chapter 1), which would take account of all government agencies' activities, their complementarities and synergies.

Both countries have qualified for an MCC compact on the basis of their governance performance. In contexts where grants are increasingly giving way to investment, and where aid to social infrastructure and health sectors is gradually replaced by support to physical infrastructure, the MCC, with its emphasis on infrastructure, is seen as well positioned. The Ghana compact, worth USD 547 million between 2007 and 2012, was one of the earliest MCC compacts and is just coming to an end. The Jordan compact on the other hand, worth USD 275 million between 2010 and 2014, is only starting up. These two cases illustrate the lessons MCC has learned over the last four years. The Jordan compact is more focused than the Ghana compact, tackling the single issue of water management, rather than three issues as in Ghana. Water is a key issue for Jordan, with severe water shortages critically constraining economic growth. Also, compared to Ghana, in Jordan MCC finalised more of the preparation work before signing off on the compact. It has learned that the start-up process can take time away from the fixed implementation timeline within which the money needs to be disbursed.

Ghana and Jordan demonstrate that the different approaches taken by USAID and MCC can complement each other well. In Jordan, MCC is extending a water programme started by USAID into a water-scarce highly populated region that has not yet benefited from US assistance. In Ghana, the MCC complements the USAID programme (focused on building capacity) with infrastructure elements. MCC's work is also seen as a way for the US to position itself as a partner (and lender) in the infrastructure sector, as infrastructure development will in the near future require concessional loans.

The Department of State's Bureau for Population, Refugees and Migration (PRM) has developed strong partnerships with humanitarian organisations working with refugees in Jordan, and is widely appreciated for its staff's support and engagement. However, too many humanitarian partners rely too much on the US for the majority of their funding. The US is aware of this risk and has devised some innovative approaches to attract new donors, such as by matching new donor funding through a US-sponsored Challenge Fund initiative run by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

*Human resources*

Personnel decision-making is highly decentralised in USAID. Its Ghana and Jordan offices manage their own human resources within the constraints of the budget and the National Security Division, which limits the number of staff that can be based in the mission compound. USAID/Ghana currently employs about 40 staff, two-thirds of whom are locally recruited. Apart from the Peace Corps and its 160 volunteers – who are based outside the embassy compound – other US representations have only a few staff (*e.g.* one director and support staff for the Center for Disease Control, and two US staff in MCC). USAID/Jordan has about 80 staff, with locally-recruited staff outnumbering US staff four to one. Recent policy changes will have a profound impact on personnel planning in USAID field missions. One of the objectives of the Presidential Policy Directive is for USAID offices to use fewer service contractors, and employ more Foreign Service nationals and Foreign Service officers instead. In both countries, USAID will need to ensure it has adequate staff to implement new procurement rules, which will shift some of the workload from headquarters to the field as the number of direct host-country contracts grows.

**Finding pragmatic ways to make US co-operation more effective**

The US missions in Ghana and Jordan differ greatly in their approach to aid effectiveness. In Ghana, the US tries to bring its support in line with the aid effectiveness principles, not least because the Ghana Aid Policy and Strategy requires donors to work according to the Paris Declaration and AAA. In Jordan, aid effectiveness is not an explicit priority of US co-operation, but mission staff do take deliberate steps to align with the host country's priorities. Both US missions find it difficult to live up to the aid effectiveness principles, but nevertheless have made some significant achievements.

*Ownership and aligning with partner countries' priorities*

US co-operation in Ghana illustrates how USAID is finding ways to align with government priorities despite the limitations of the US system's rules and regulations. As each US co-operation instrument has different sets of instructions from headquarters, they are difficult to reconcile into one cohesive development programme, let alone to adapt to the local development agenda. USAID is simultaneously instructed to implement four Presidential Initiatives, help meet earmarks set by Congress, and implement Washington-

based programmes paid for by other departments. This leaves USAID with little flexibility to take account of the host government's priorities, or to ensure that ownership and decision power is in the hands of the host country. In Ghana, USAID makes the best of supply-driven instruments by co-ordinating its approach with government during the implementation phase, and "picking and choosing" elements in line ministries' plans that coincide with US strategic goals. Furthermore, it aims to take a more consultative approach when developing its next strategy. In Jordan, USAID programmes its funds in consultation with the host government, and makes efforts to program the supplemental funds for FY 2010 against line items in Jordan's government budget.

*Using country systems*

The US approach to using country systems – such as audit, finance and procurement structures – differs fundamentally between Ghana and Jordan. In Jordan, almost USD 200 million are transferred directly into the government budget every year, and during FY2010 an additional USD 100 million is channelled through the Jordanian Government's procurement mechanism (Box C.1). In Ghana in contrast, the US does not provide any budget support, despite Ghana's progress in making its public financial management systems more reliable (OECD, 2008b). This is because USAID considers that US standards and regulations prevent it from providing budget support. Neither does it pool any funds – instead it follows an entirely project-based approach.[42] However, the fact that the US pays for select projects of the Ghana Education Service, and channels 70% of its education funding through that institution, demonstrates good progress. The US is also generally showing greater intent to rely more on Ghana's own systems. Since one obstacle is that Ghana's audit institutions are not deemed reliable enough, the US is now funding a programme to improve them. It hopes that Ghana will soon be able to manage audits itself and participate in joint US-Ghanaian assessments. In Accra, the US participates as an observer in meetings of the Multi-Donor Budget Support Group (Box C.2), and in Paris it engages in a specific task team of the DAC Working Party on Aid effectiveness to find ways to rely more on partner countries' systems. This shows that the US is constructively trying to find ways to use country systems more often. The case of Jordan shows, however, that more transparent systems are only one factor that will allow the US to increase its use country systems. Political will is also required.

MCC faces a different challenge in its use of country systems. In both Ghana and Jordan, its programme is carried out by a corporation – owned by the partner government – created especially for that purpose. In Ghana, the accountable agent for implementing the compact is the Millennium Development Authority (MiDA), with about 60 staff. In Jordan, it is known as the Millennium Challenge Account Unit, and will be composed of about 30 staff. Setting up such separate implementation units was considered necessary as US funding was contingent on being delivered by an "independent party". While MCC in Ghana does not use the Ghana Procurement Act and is not bound by local procurement legislation, the Jordanian MCA Unit plans to use government agencies as its procurement and fiscal agents. This represents great progress towards using country systems. It remains unclear to what extent the capacity created in the process of the MCC compact will be sustainable. While MCC attaches great value to creating sustainable infrastructure, it should consider from the outset how it can also create sustainable institutional capacity that will benefit the administration after the compact ends.

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42.     See *Untying aid: is it working? – Evaluation of the Paris Declaration; Annex D: Ghana case study*, p.76

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**Box C.1. Conditions attached to US cash transfers help drive reforms in Jordan**

US budget support to Jordan demonstrates how conditionality can create incentives for reform. In its largest budget support programme, the US has provided a total of USD 3 billion in cash transfers to Jordan since 1997. Transfers are partly funded through USAID's multi-year country strategy (in which 45% are set aside for cash transfers) and partly through congressional supplements. In FY2010, this added up to nearly USD 200 million.

The cash support helps Jordan to pay off its debt to the US, and some debt to the IMF and the World Bank. Budget support is subject to a set of conditions, commonly referred to as "conditions precedent", mostly taken from Jordan's reform agenda. Examples of conditions in 2009 and 2010 are:

- *Judicial reform:* allow for the formation of a Judges' Association and for transparent appointing of judges.
- *Trade and investment*: eliminate minimum capital requirements for Limited Liability Companies.
- *Tourism:* increase allocations for the Ministry of Tourism and Antiquities by 10% annually.
- *Fiscal reform:* publish draft budget law, increase appropriation to cover tax refunds, expand e-filing regime.
- *Anti-money laundering:* develop financial intelligence unit implementation plan, implement electronic suspicious activity report filing system and training.
- *Reproductive health:* commit to procuring contraceptives from 2010 health budget; create budget line item.
- *Labour Standards:* Make the "Better Work Jordan Program" mandatory for all garment factories.
- *Refugees:* conduct / commission a needs assessment of Iraqis seeking refuge in Jordan, and the needs of the vulnerable Iraqi population, as currently-available estimates vary widely, thus hampering donor support.

In 2010, over a quarter of all draft laws submitted to parliament (12 out of 46) were motivated by US conditions. Once the US finds that its conditions have been fulfilled, it authorises the release of funds. One lesson it has applied in recent years has been to split the cash transfer into tranches and makes disbursements only once the conditions tied to each tranche have been satisfied.

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*Harmonisation*

In both Ghana and Jordan, the US works with other donors, and is appreciated among its peers. However, its efforts to harmonise its programmes vary. In Ghana, USAID participates in sector working groups with other donors (Box C.2). It co-ordinates its actions most notably in the education sector, leads the working group on audit and has begun discussions on delegated co-operation (Chapter 5). Yet, with only two staff in the country, MCC's participation in the working groups is limited, and its accountability structure makes it difficult to pool money with others. Donors in Ghana consider that the US could engage more fully in co-ordination by moving beyond the sharing of information and bringing MCC to the table.

**Box C.2. Donor co-ordination in Ghana: change of the guard**

Aid co-ordination in Ghana greatly benefited from the momentum created by the 2008 Accra High-Level Forum on Aid Effectiveness. Donors and the government all point to progress over recent years, and want to work towards a co-ordination mechanism in which the government fully takes the lead. The Ghana Aid Policy and Strategy (2011-2015) stresses that further improvements are needed, and lays out how the government expects donors to support its strategies in line with the principles of the Paris Declaration and AAA. At the same time, many donors consider that their field offices have done everything possible to implement the aid effectiveness agenda, and have been more than thoroughly evaluated. Their sense is that the marginal benefit of any additional effort is slim at this advanced stage, and that any remaining obstacles need to be sorted out in headquarters. Instead, new questions should now take the fore: (1) how to establish a mechanism that holds government accountable (for development progress) towards its citizens, rather than to donors; and (2) how the Ghana-based international community can link up better, bringing both donors and new providers of development co-operation to the table. A first step towards this was a communiqué, issued jointly by DAC donors and the BRICK countries (Brazil, Russia, India, China and Korea) in which they commit to harmonising their activities.

Donors in Ghana co-ordinate their efforts through two different groups: the Consultative Group and the Multi-Donor Budgetary Support Group.

- The Consultative Group (CG) is the forum for donors who support the national strategy. It is complemented by several Sector Working Groups. Its annual partnership meeting is one of the main drivers of progress on aid effectiveness in Ghana. It works on the basis of a resource envelope, a results matrix and a harmonisation action plan, which provides information on the allocation of government and donor resources to the government's priorities. BRICK countries are occasionally invited to the CG meetings.

- The Multi-Donor Budgetary Support (MDBS) group oversees direct budget support for implementing the *Ghana Shared Growth and Development Agenda*. It conducts an annual review in which it assesses its own performance, and the performance of the Ghanaian government in implementing mutually-agreed benchmarks.

To reflect their strong political will to engage in a harmonised and efficient dialogue with the Ghanaian government, 16 donors – representing 95% of ODA to Ghana – signed the Ghana Joint Assistance Strategy in 2007, led by the Ministry of Finance and Economic Planning. The strategy contained 25 specific commitments to be achieved by 2010. Its two key aims were to (1) ensure donors aligned their activities to Ghana's second poverty reduction strategy; and (2) provide a framework to implement the aid effectiveness principles. In 2009 donors jointly reviewed their performance (based on self-assessments), and rated progress against previously established benchmarks.

As a follow-up to the Ghana Joint Assistance Strategy, donors in the MDBS decided to develop a Performance Assessment Framework for Development Partners, to be launched in early 2011. This assessment framework will also work on the basis of indicators and targets, but intends to go beyond the Ghana Joint Assistance Strategy in two ways: (1) it intends to become the first mechanism for mutual accountability, examining whether the aid relationship is effective and efficient; and (2) it will not only apply to development partners, but also to non-traditional donors and vertical funds such as the Global Fund.

In Jordan, the US is a member of three (out of four) sector working groups (Box C.3). It has successfully harmonised its activities with other donors on issues where it does not align its support with the government. It has, for instance, consulted with UNHCR and other humanitarian partners to inform its advocacy on refugee issues, which is now showing encouraging results in relation to refugee rights. Overall though, the sheer size of the US aid programme and its resulting leverage means that USAID has little incentive to engage proactively with other donors and contribute to pooled mechanisms. The US does not, for instance, harmonise its conditions for budget support with the EU; and this creates additional reporting requirements for some of Jordan's agencies. Harmonising conditions and reporting requirements with other donors would make it easier for the partner government to implement its own reform agenda.

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**Box C.3. Donor co-ordination in Jordan**

In Jordan, the Ministry of Planning and International Cooperation (MOPIC) is mandated with co-ordinating aid.

Donors themselves co-ordinate their activities through a structure called the Donor-Lender Group, established in 2004. Until 2008, it consisted of a Strategic Group co-chaired by the UN Resident Co-ordinator and the EU, and was complemented by 11 technical working groups. In 2008, MOPIC expressed its desire to take a more active role in co-ordinating donors. As a consequence, the Donor-Lender Group dissolved its Strategic Group, and is now awaiting strategic leadership from MOPIC. The ministry is yet to play this role fully. As it has recently undergone substantial changes in key personnel, donors hope that the "new MOPIC" will indeed seize this role and provide strategic leadership, call and chair meetings and co-ordinate within the government. In the meantime, the Strategic Group remains inactive, and most of the donor co-ordination takes place at a technical level. It tends to be driven by donors versus the sector ministries or MOPIC, with the exception of education. The following four technical working groups continue to meet: (1) environment; (2) water; (3) governance; and (4) social development. In the remaining sectors, co ordination between donors and the government is mainly done bilaterally.

UNDP and the EU supported MOPIC in developing the Jordan Aid Information Management System (JAIMS). The system, in place since 2009, is supposed to provide an overview of ongoing projects and programmes in Jordan that are funded through development co-operation. Its aim was to make information accessible to the broader public, in compliance with the Paris Declaration and the Accra Agenda for Action. However, donors were last requested in 2009 to enter data into the system, and because it is not up to date, it is of limited use.

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*Mutual accountability*

In Ghana and Jordan, the US sets itself high standards for performance, and tracks the results of US funding. The missions understand "accountability" primarily as the need to show transparently to headquarters in Washington and Congress how the money is being spent. Missions have to report to so many different Washington-based entities that they have little time left to explore how they can be accountable towards the partner governments, and how they can help their host governments to have full oversight of development efforts underway in their country. USAID in Ghana could work more with the National Planning Commission to learn what outcomes Ghana aims to measure, and to strengthen the Ghanaian systems for this. The shifts towards measuring impact and outcomes, rather than outputs, as laid out in the President's Policy Directive, could help the US to find a new approach to measuring the success of its programme.

## *Annex D*
## Organisation charts and tables

**Figure D.1. USAID Organisation Chart**

Office of the Inspector General

OIG Field Office & Overseas

Executive Secretariat

Office of the General Counsel

Administrator

**Deputy Administrator**

Chief of Staff/COO

Counsellors

Chief Information Officer

Chief Financial Officer

Office of Human Resources

Office of Budget and Resource Management

Office of Security

Office of small and disadvantaged business utilization

Office of Civil Rights and Diversity

Office of Development Partners

Bureau for Food Security

(Being established)

Bureau for Economic Growth, Agriculture and Trade

Bureau for Democracy, Conflict and Humanitarian Assistance

Bureau for Global Health

Bureau for Policy, Planning and Learning

Bureau for Foreign Assistance

Bureau for Legislative and Public Affairs

Bureau for Management

Bureau of Africa

Bureau for Europe and Eurasia

Bureau for Asia

Office of Afghanistan and Pakistan Affairs

Bureau for Middle East

Bureau for Latin America And the Caribbean

Field Offices Overseas

**Figure D.2. Department of State Organisation chart**



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                                    Secretary of State
                                          (S)

United States Agency for      United States Permanent                    Counselor and Chair of Staff
International Development      Representative to the                              (S/COS)
      (USAID)                 United Nations (USUN)
    Administrator

                    Deputy Secretary of State        Deputy Secretary of State
                             D(L)                             D(S)

                                    Executive Secretariat
                                          (S/ES)
                                    Executive Secretary
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| Under Secretary for Political Affairs (P) | Under Secretary for Economic Energy and Agricultural Affairs (E) | Under Secretary for Arms Control and International Security Affairs (T) | Under Secretary for Public Diplomacy and Public Affairs (R) | Under Secretary for Management (M) | Under Secretary for Democracy and Global Affairs (G) |
|---|---|---|---|---|---|
| African Affairs (AF) Assistant Secretary | Economic, Energy & Business Affairs (EEB) Assistant Secretary | International Security and Non-proliferation (ISN) Assistant Secretary | Education and Cultural (ECA) Assistant Secretary | Administration (A) Assistant Secretary — Information Resource Management (RM) Chief Information Officer | Democracy, Human Rights and Labor (DRL) Assistant Secretary |
| South and Central Asian Affairs (SCA) Assistant Secretary | | Political-Military Affairs (PM) Assistant Secretary | International Information Programs (IIP) Coordinator | Counselor Affairs (CA) Assistant Secretary — Medical Services (M/MED) Director | Oceans and Int'l Environmental and Scientific Affairs (OES) Assistant Secretary |
| European and Eurasian Affairs (EUR) Assistant Secretary | | Verification, Compliance and Implementation (VCI) Assistant Secretary | Public Affairs (PA) Assistant Secretary | Diplomatic Security and Foreign Missions Assistant Secretary — Overseas Buildings Operations (OBO) Director | Population, Refugees and Migration (PRM) Assistant Secretary |
| Western Hemisphere Affairs (WHA) Assistant Secretary | | | | Foreign Service Institute (FSI) Director — Resource Management (RM) Chief Financial Officer | Office to Monitor and Combat Trafficking in Persons (G.TIP) Ambassador at Large |
| East Asian and Pacific Affairs (EAP) Assistant Secretary | | | | Human Resources (HR) Director General of the Foreign Service and Director of Human Resources | |
| International Narcotics and Law Enforcement (INL) Assistant Secretary | | | | | |
| Near Eastern Affairs (NEA) Assistant Secretary | | | | | |
| International Organizations (O) Assistant Secretary | | | | | |

| Intelligence and Research (INR) Assistant Secretary | Legislative Affairs (H) Assistant Secretary | Office of the Chief of Protocol (S/CPR) Ambassador | Office of Civil Rights (S/OCR) Director | Office for Counter-terrorism (S/CT) Coordinator and Ambassador at Large | Office of US Foreign Assistance (F) Director | Office of Global AIDS Coordinator (S/GAC) Ambassador at Large | Office of Global Women's Issues (S/GWI) Ambassador at Large | Office of Inspector General (OIG) Inspector General | Office of International Energy Coordinator (S/IEC) Coordinator | Office of Legal Adviser (L) Legal Advisor | Office of Policy Planning (S/P) Director | Office of Reconstruction and Stabilization (S/CRS) Coordinator | Office of War Crimes issues (S/WCIC) Ambassador at Large |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

**Table D.1. US performance against Paris Declaration Indicators**

| Indicator | 2005<br><br>33 countries | 2007<br><br>33 countries | 2007<br><br>all countries | 2010 Target for the U.S. | Peer Review comment on U.S. performance |
|---|---|---|---|---|---|
| 3. Aid flows are aligned on national priorities and on budget | 30% | 25% | 28% | No targets | Off track |
| 4. Strengthen capacity by co-ordinated support | 41% | 53% | 58% | No targets | Some progress |
| 5a. Use of country public financial management systems | 10% | 3% | 5% | No targets | Off track |
| 5b. Use of country procurement systems | 12% | 5% | 5% | No targets | Off track |
| 6. Avoid parallel implementation structures | 203 | 208 | 342 | No targets | Off track |
| 7. Aid is more predictable | 27% | 32% | 32% | No targets | Some progress |
| 8. Aid is untied | 7% | 74% | 77% | No targets | Some progress |
| 9. Use of common arrangements or procedures | 29% | 37% | 39% | No targets | Little progress |
| 10a. Joint missions | 20% | 9% | 12% | No targets | Off track |
| 10b. Joint country analytic work | 39% | 35% | 38% | No targets | No progress |

*Source*s:  OECD (2007b), *2006 Survey on Monitoring the Paris Declaration: Overview of the results*, OECD, Paris; OECD (2008b), *2008 Survey on Monitoring the Paris Declaration – Making Aid More Effective by 2010*, OECD, Paris

# Description of key terms

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.*[43]

**ASSOCIATED FINANCING**: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

**AVERAGE COUNTRY EFFORT**: The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE)**: The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

**DAC LIST OF ODA RECIPIENTS**: For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

**LDCs**: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs**: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

**LMICs**: Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs**: Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

**DEBT REORGANISATION (also RESTRUCTURING)**: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

**DIRECT INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

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43.     For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

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