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The Development Assistance Committee: Enabling effective development

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OECD Development Co-operation Peer Reviews: United States 2016

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Conducting the peer review

The OECD Development Assistance Committee (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 five years. Five members are examined annually. The OECD Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

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 non-governmental organisations 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. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

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 Committee 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 the European Union and Korea for the peer review of the United States on 12 October 2016.

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Abbreviations and acronyms

AGOA	Africa Growth Opportunity Act
CDCS	Country Development Co-operation Strategy
CERF	Central Emergency Response Fund
CLA	Collaborating, learning, and adapting framework
CPA	Country programmable aid
CSO	Civil society organisation
DAC	Development Assistance Committee
DCA	Development Credit Authority
ERR	Economic rates of return
FEWS NET	Famine Early Warning System
FFP	Office of U.S. Foreign Disaster Assistance and Food for Peace
FSN	Foreign service nationals
FY	Financial year
GAO	Government Accountability Office
GDP	Gross domestic product
GNI	Gross national income
HR	Human resources
ICS	Integrated Country Strategy
IDA	International Disaster Assistance
IDP	Internally displaced people
IOM	International Organization for Migration
LDC	Least developed country
MCC	Millennium Challenge Corporation
MDB	Multilateral development bank
NGO	Non-governmental organisation
NSC	National Security Council
OCO	Overseas Contingency Operations
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of the Inspector General

Abbreviations and acronyms

OPIC	Office of Private Investment Corporation
PPD-6	Presidential Policy Directive-6
PPL	Bureau for Policy, Planning and Learning
PRM	Bureau of Population, Refugees, and Migration
QDDR	Quadrennial Development and Diplomacy Review
R2DT	Relief to Development Transitions programme
SDGs	Sustainable Development Goals
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNOCHA	UN Office for the Coordination of Humanitarian Affairs
US	United States
USAID	United States Agency for International Development

Signs used:

USD	United States dollars
EUR	Euro
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = EUR

2010	2011	2012	2013	2014
0.7550	0.7192	0.7780	0.7532	0.7537

The United States' aid at a glance

UNITED STATES

Gross Bilateral ODA, 2013-14 average, unless otherwise shown

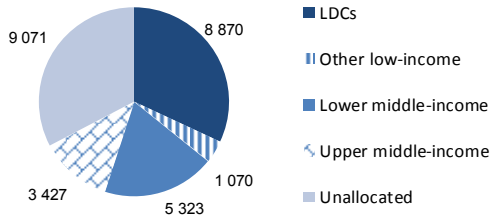
Net ODA	2013	2014	2015p	Change 2014/15
Current (USD m)	31 267	33 096	31 076	-6.1%
Constant (2014 USD m)	31 793	33 096	30 765	-7.0%
ODA/GNI	0.18%	0.19%	0.17%	
Bilateral share	84%	83%	86%	

P. Preliminary figures.

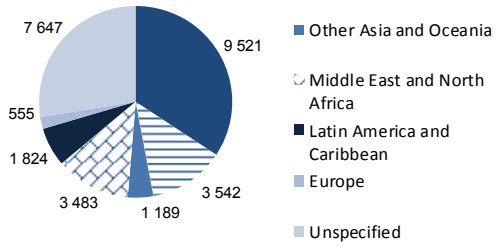
Top Ten Recipients of Gross ODA (USD million)	
1 Afghanistan	1 822
2 Jordan	865
3 Kenya	854
4 West Bank and Gaza Strip	752
5 Pakistan	727
6 Syrian Arab Republic	705
7 Ethiopia	674
8 Tanzania	623
9 South Sudan	604
10 Nigeria	516
Memo: Share of gross bilateral ODA	
Top 5 recipients	18%
Top 10 recipients	29%
Top 20 recipients	43%

By income group (USD m)

Clockwise from top



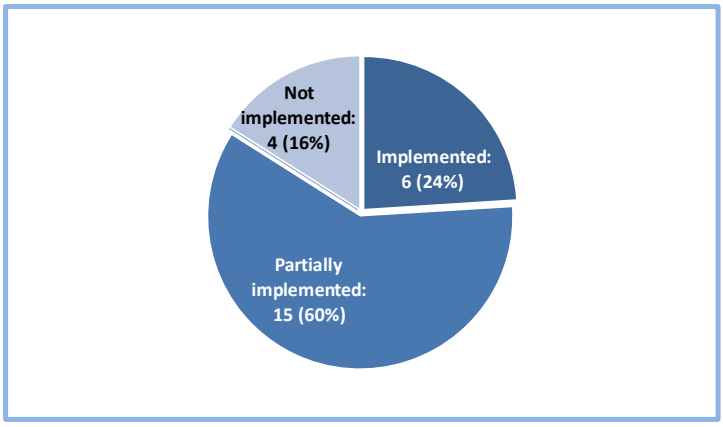
By region (USD m)



By sector

Source: OECD - DAC ; www.oecd.org/dac/stats.

Figure 0.1 The United States' implementation of the 2011 peer review recommendations



Context of the peer review of the United States

Political and economic context

After almost eight years in office, the Obama presidency is coming to an end, with the next presidential elections scheduled for November 2016. For several consecutive years, Congress was unable to reach a timely agreement on budgets and debates on major political issues such as healthcare, and retirement entitlements have been hampered by disagreements, often divided by political lines. Congressional elections will be held alongside the November presidential ones for all 435 members of the House of Representatives and one-third of the Senate, which may offer an opportunity to negotiate a longer-term budget accord – the last hard-fought deal to raise the debt ceiling and set higher spending limits runs until September 2017.

The population of the United States in July 2015 was 321.4 million people, while its gross domestic product (GDP) per capita was USD 55 798 (at purchasing power parity exchange rates). Growth in GDP averaged 2% between 2011 and 2015 – which is above the OECD average – and is projected to continue at the same pace in 2016 and 2017.

The US remains the most resilient of the large economies in the developed world. Eight years after the 2008 financial crisis, the US economy has rebounded thanks to robust monetary policy support and the well-timed expansion of fiscal policy. Output has surpassed its pre-crisis peak by 10%, solid private-sector employment gains sharply reduced unemployment to 5.3% in 2015, and fiscal sustainability has been largely restored. After peaking at 10.5% of GDP in 2009, the general government budget deficit had narrowed to 4.4% by 2015, reflecting both the improving economy and a period of sustained and substantial consolidation since 2011. The regained fiscal space will allow for higher public investments to boost productivity growth and address increasing income inequalities.

US official development assistance (ODA) has remained steady over the past five years. It was USD 31 billion in 2011 and USD 31.1 billion in 2015 at current prices. This represented a decrease over the period from 0.2% to 0.17% of gross national income. This review assesses the entire development co-operation system in the United States. However, the major focus is on the US Agency for International Development (USAID), the State Department, Treasury and the Millennium Challenge Corporation (MCC) – the bodies responsible for the majority of US ODA.

The DAC's main findings and recommendations

1 Towards a comprehensive United States' development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main findings

The United States is successfully deploying its global leadership, including through its economic and diplomatic power, to advance the development agenda internationally. In 2015, for instance, the US played a significant role in the international negotiations on Agenda 2030 for Sustainable Development, the Addis Ababa Action Agenda and the Paris Climate Agreement.

US leadership in this arena has been strengthened with the elevation of development as a core pillar of US foreign policy alongside diplomacy and defence; underpinned by the 2010 Presidential Policy Directive on Global Development (PPD-6).

Targeted diplomatic actions, combined with support from the top, demonstrate a renewed commitment by the US to tackle key development challenges. The US-China deal on carbon emissions, for example, was an essential milestone in reaching the Paris Climate Agreement and their formal entry into the agreement is a major step towards bringing it into effect. Similarly, the President's repeated calls for ending extreme poverty paved the way for raising the level of ambition of the sustainable development goals (SDGs).

In putting its own security interests at the centre of its international engagement, the US has been able to launch initiatives that address global risks. It has successfully built large coalitions to support initiatives on global health, food security and illicit financial flows by leveraging its membership in international fora, including the G7, the G20 and the United Nations.

While PPD-6 led to an improvement in coherence between foreign policy and development, significant efforts are still required to strengthen overall policy coherence for development. The whole-of-government co-ordination provided by the National Security Council has the potential to ensure policy coherence; however, it concentrates on international affairs and only rarely tackles incoherence between international and domestic policies.

Even so, PPD-6's call for greater policy coherence has prompted the administration to seize opportunities to improve specific policies, such as reforming tied food aid, lowering trade barriers and reducing greenhouse gas emissions. Although these initiatives are encouraging, their results have been mixed. The Clean Power Plan is undergoing a challenge in the US Court of Appeals for the D.C. Circuit, which could affect the US' ability to implement the Paris Climate Agreement. While the US is a recognised international champion in tracking illicit financial flows, it has not yet signed the OECD Automatic Exchange of Tax Information, potentially affecting its leadership in this area.

Increased awareness of the benefits of policy coherence for development, along with the further use of existing co-ordination mechanisms, would help sustain and expand these efforts. The US commitment to the implementation of the SDGs both at home and internationally provides an opportunity to establish such an agenda.

The US actively promotes the catalytic potential of official development assistance (ODA) for leveraging all sources of development finance, including domestic resources. This is reflected in its political support to the Addis Ababa Action Agenda.

The US also has a long history of championing the mobilisation of private sector resources. It has developed a broad toolbox to mobilise investments for achieving development objectives and demonstrates impressive leveraging effects in its flagship development initiatives. For example, the USD 7 billion commitment by the US government under Power Africa has brought on board over USD 31 billion in commitments from private stakeholders. The US would, however, benefit from greater synergies among its various development finance activities and instruments. Limitations on hiring staff in the Overseas Private Investment Corporation and on use of equity investments in partner countries constrain its ability to further leverage the world's largest capital market.

Recommendations

1.1 To support its commitment to the SDGs, the US should establish a prioritised, medium- to long-term agenda to further promote policy coherence for sustainable development.

1.2 The US should scale up its tools for mobilising private finance by enabling its development finance instruments to respond to increased demand.

2 United States' vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main findings

The 2010 Presidential Policy Directive on Global Development (PPD-6) has provided the government of the United States with a clear, high-level and whole-of-government vision for its development co-operation. PPD-6 links development to the core US national interests of security, prosperity, respect for international values and preservation of international order, making development a strategic, economic and moral imperative for the US.

In addition to clarifying the broad purpose of US foreign assistance, PPD-6 calls for increasing selectivity and focus – prioritising sectors and countries where sustainable outcomes can be achieved, built on the foundations of inclusive growth and democratic governance. In doing so, this policy has offered a strong rationale for streamlining fragmented development efforts, which remain governed by the outdated and now overly complex 1961 Foreign Assistance Act.

As a result of PPD-6, USAID and the State Department have jointly reviewed their policies through regular Quadrennial Diplomacy and Development Reviews. These reviews have allowed them to state their development priorities based on their areas of comparative advantage – food security, health, climate change, economic growth, democratic governance, humanitarian assistance, crisis prevention and education. USAID and State have also defined clear objectives and targets in a suite of comprehensive strategic frameworks. Restoring USAID's policy role has been instrumental in this respect.

Presidential Initiatives have usefully complemented this renewed policy framework to rally the whole-of-government agenda around a few critical development challenges. The Presidential Initiatives on Global Health, Feed the Future and Power Africa, for example, demonstrate PPD-6's high level of ambition – aiming respectively for an AIDS-free generation, an end to hunger and malnutrition, and a doubling of energy access in Africa. Presidential Initiatives define priority countries according to greatest need and results, and also aim for the greatest leveraging effects. The successful passing of the Electrify Africa Act and the Global Food Security Act in 2016 reveals bi-partisan support for this model, improving the sustainability of these initiatives over time.

Beyond these frameworks and initiatives, however, the US still lacks the whole-of-government development strategy required by PPD-6. Bringing the entire US development effort under a comprehensive strategy would strengthen coherence and transparency, and facilitate partnerships.

The recent focus of USAID – in its mission statement, as well as in policy – on ending extreme poverty is a significant step change. It provides an opportunity to align USAID and more broadly US development efforts with the SDGs. There is as yet an absence of clear guidance on how to operationalise this vision, although pilots are underway.

In the bilateral programme, PPD-6's call for greater focus and selectivity has been followed through, not only with top-down Presidential Initiatives but also by bottom-up Country Development Co-operation Strategies built on evidence from the field. Allocation models guided by countries' needs and clear criteria are becoming more prevalent, building on the good practice set by the Millennium Challenge Corporation (MCC). Nevertheless, the authorisation and appropriation process in Congress remains complex.

PPD-6 has triggered a more strategic use of multilateral organisations to complement US bilateral efforts. However, despite the establishment of co-ordination mechanisms, there is no common multilateral engagement strategy to guide the Treasury, the State Department, USAID and others in ensuring that multilateral allocations and trade-offs between the different channels are based on evidence. The US would benefit from making more consistent use of the performance assessments that they are promoting in the boards of multilateral organisations, as well as assessments produced by the Multilateral Organisation Performance Assessment Network.

The US government is taking a systematic approach to mainstreaming the cross-cutting issues of gender equality and the environment in its development co-operation. This is facilitated by various executive orders, presidential initiatives, earmarked funds, guidance and training.

Recommendations

2.1 Building on PPD-6, the US government should regularly update its whole-of-government development strategy to provide operational guidance for its entire development effort, including its multilateral component.

2.2 The US should develop an operational plan for implementing its vision to end extreme poverty, building on experience from pilots.

3 Allocating United States' official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main findings

The United States remains by far the largest Development Assistance Committee (DAC) donor, providing about a quarter of overall DAC development assistance. Its ODA reached an all-time high of USD 33.1 billion in 2014, and consisted exclusively of grants. However, preliminary figures indicate a 7% drop in 2015, lowering ODA levels to below those of 2010, despite the country's robust economic recovery. It is expected that the significant decrease in multilateral funding revealed in 2015 figures will be compensated for in coming years, allowing ODA levels to rebound.

In addition, US aid volumes are low in comparison to the size of its economy. ODA was 0.17% of gross national income in 2015 – down from a peak of 0.23% in 2005 – and the US ranks only 21st among the 29 DAC donors against this measure. The downward trend in this indicator since 2009 risks creating a disconnect between the strong US foreign policy commitment to prioritising development and the reality of budget allocations.

Unlike most other DAC members, the US does not have a target for the level of its ODA, which is appropriated yearly by Congress. The increased share of contingency funding in the US foreign assistance budget also raises concerns over the sustainability of development funding in the longer term. Bi-partisan support for development demonstrated by Congress in recent years could provide a basis for a longer-term commitment to financing development and thereby increase the predictability of US foreign assistance.

With 137 beneficiary countries in 2013-14, the large US bilateral programme has a global reach. Within PPD-6's focus on well-performing states, the US bilateral programme allocates significant resources to least developed countries (which receive 47% of US bilateral allocable ODA); sub-Saharan Africa; and fragile, conflict and disaster-affected countries.

Sectoral allocations align well with the priorities of PPD-6, including the Presidential Initiatives. The strong focus on health – which accounts for 25% of US bilateral ODA – is consistent with the Global Health Initiative. US support is particularly important for HIV/AIDS, with the President's Emergency Plan for AIDS Relief (PEPFAR) representing 90% of all DAC funding for HIV/AIDS. US support to economic growth, notably agriculture and energy, reflect the prominence of the Feed the Future and Power Africa initiatives, as well as the MCC's support to poverty-reducing economic growth. The US is also the biggest donor for good governance and civil society.

However, US development assistance is still dispersed and concentration amongst its top recipients has declined since the last review. Whilst the recent 42% reduction in the number of country programmes demonstrates good progress in increasing focus and selectivity, there are still several countries - and sectors within countries - where the US is not amongst the most significant donors. Reducing the number of sectors the US supports in partner countries would limit aid dispersion and increase the cost-effectiveness of its bilateral programme.

US funding to multilateral organisations has increased significantly – by 44% between 2011 and 2014 – making the US their second largest donor. Support is largely in line with the US bilateral priorities of health, humanitarian aid, food security and climate change. US support to multilateral development banks (MDBs) has been enhanced as a way to maintain leadership in key institutions in the context of changing geopolitical influences in the multilateral system.

However, the limited predictability of the US contribution, its un-met commitments to the MDBs and the vertical funds – to the tune of USD 1.6 billion – and its heavy reporting requirements all risk undermining its leadership in multilateral organisations.

The US also channels a significant part of its bilateral ODA to multilateral organisations through non-core contributions representing an additional 14 to 18% of its ODA, mostly concentrated on humanitarian funding through the UN. Its role as the first contributor to UN appeals is highly appreciated. However, core-funding to the UN is limited in comparison.

Recommendations

3.1 To reflect the country's continued economic recovery and its goal of ending extreme poverty by 2030, the US should increase its ODA level in real terms, from its all-time high in 2014.

3.2 The US should continue to increase its focus on sectors and programmes where it has a comparative advantage and adds value.

4 Managing United States' development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main findings

The United States has made concerted efforts to improve the organisation and management of its development co-operation over the last five years. Most notably, USAID's position – as well as credibility and capability – in the system have been restored. The reform process is not yet complete, however. It needs to be consolidated and sustained so as to tackle the recurring challenges of co-ordinating a complex system and managing human resources.

USAID has become a more strategic, effective and deliberate development partner thanks to the restoration of its policy, evaluation and budgeting functions. In Washington, USAID has been given a policy voice through its participation on the National Security Council. It also now plays a stronger role in foreign assistance budgeting processes. In partner countries, its roll out of Country Development Co-operation Strategies (CDCS) – mirrored in the whole-of-government Integrated Country Strategies (ICS) – allows USAID to have a strong medium-term strategic outlook. Finally, USAID has restored its strength in staff numbers, following a bottoming-out at the turn of the century.

These shifts are starting to bear fruit. USAID has been entrusted with housing and co-ordinating new Presidential Initiatives, such as Power Africa. Joint plans and reviews have succeeded in bringing greater coherence between USAID and the State Department. Efforts to secure bi-partisan support for development co-operation in Congress have enabled the passing of significant legislation during this administration.

Business model reforms embodied in USAID Forward – which promises a more strategic, focused and results-oriented approach – have taken root during this review period. For one, this has created a step change in how USAID creates, incubates and incentivises – if not yet fully bringing to scale – innovation. More broadly, USAID Forward and other reforms demonstrate the ability of the system to reform and innovate, but also to change and adapt. There has in the course of reforms, for example, been recognition that top-down, quantitative targets set in Washington are not necessarily the best means of creating positive incentives and organisational change.

Taken together, under the rubric of PPD-6, and with the reform of its key protagonist USAID, the US government has pushed through key organisational and management changes. The focus is now rightly on consolidation. For example, the system is still marked by multiple actors, a myriad of initiatives and budget lines, a difficult authorising environment and overly complex procedures. This places the system under strain and presents a risk to effectiveness overall.

With over 21 government agencies implementing foreign assistance, ensuring coherence and complementarity, rather than competition, remains a challenge. In partner countries, the CDCSs do not perform this function, as they only cover USAID effort, while the ICS is not made public and covers a different timeframe. The US therefore lacks one single, transparent, whole-of-government development strategy in partner countries.

Systems and procedures differ across government agencies, as well as across initiatives such as PEPFAR. These systems do not speak to each other, adding to the transaction costs for staff and partners alike.

Finally, whilst USAID's staffing – including a high number of local staff – remains strong, highly decentralised and well-respected, the human resources system governing recruitment, retention, career management and personal development is not fit for purpose. On the contrary, it is recognised as an outdated and inefficient human resources operating system. A fundamental reform of the system is needed and has now been initiated. This reform will need to learn the lessons from previous reform efforts that have not been well internalised or met their objectives.

Recommendations

4.1 As the US government has identified USAID as the lead player in the US development co-operation system, it should entrust it with the mandate of: i) co-ordinating across development initiatives in Washington and in partner countries and ii) bringing together all US government development efforts in partner countries in one publicly available overview.

4.2 USAID should review the extent of institutionalisation of recent reform efforts and prioritise remaining reforms, including by fully resourcing the implementation of the human resources transformation plan in order to improve staff recruitment and progression.

5 United States' development co-operation delivery and partnerships

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximizing the impact of its support, as defined in Busan

Main findings

The United States still has work to do in fulfilling its effective aid commitments, but changes to the delivery model – in a difficult budgeting environment – demonstrate a commitment to improving quality. The US will need to consistently extend this commitment to all relevant parts of the US government and continue to remove barriers to flexible, predictable, mutually accountable and value-for-money assistance.

Three USAID programming shifts stand out for their potential to improve effectiveness: the emphasis on using local systems, on integrated approaches to development and on deepening partnerships.

In the spirit of local ownership and sustainability, USAID has embarked on an ambitious local systems approach, whereby the focus is on a range of inter-connected actors, relationships and incentives. This is accompanied by a recognition that USAID needs to re-calibrate its approach to risk, including in fragile states. Given the traditionally strong focus on fiduciary risk, however, this is a work in progress. The early focus on increasing money to local actors now needs to be complemented with an assessment of the effectiveness and impact of the local systems approach.

With Washington-driven initiatives dominating the budget landscape, USAID is also increasingly recognising the need to seek synergies between programmes and in response to complex development challenges in partner countries. Some programming tools facilitate this integrated approach, such as the Project Appraisal Document. Continuing on this path could help USAID reduce the number of projects and funding mechanisms its staff struggle to keep on top of, and help it in raising the relevance and impact of Washington-designed programmes.

Finally, support to local actors is complemented with a broader and well-internalised commitment to partnership. USAID is working increasingly with a broad range of partners and alliances. Its toolbox for private sector engagement is particularly impressive – driven by seeking "shared value" in terms of public and private sector contributions to specific development results. The current US government has also been an ardent defender of civil society space, although all funding goes to non-government organisations (NGOs) as contractors rather than as core funding.

However, these fundamental changes to USAID's business model are swimming against a tide of long-standing and binding constraints in programming and budgeting.

First, multi-annual predictability is prevented by the complex annual appropriations process. Furthermore, whilst USAID budget requests are built on mission needs, the weight of Presidential Initiatives and congressional directives very often leave missions with little funding to respond to emerging needs or opportunities. Funds also often arrive late. However, the multi-year predictability and flexibility of MCC compacts and PEPFAR framework arrangements show that greater predictability is possible with more permissive legislation.

Second, and despite the local solutions approach, US use of country systems is very low. US private contractors, grantees and NGOs remain the biggest implementers – by far – of US funding. Government-to-government assistance is declining, even in low-risk partner countries. In more general terms, the commitment to mutual accountability between the US and partner countries could be strengthened through greater transparency and alignment.

Third, burdensome US procedures – including procurement, audits and reporting – for staff and partners alike can put off the very partners the US wishes to work with, including small and local NGOs.

Finally, procurement and food aid reform has not yet led to a significant decline in tied aid, which continues to affect the effectiveness of US development assistance.

Recommendations

5.1 The US should continue to seek both synergies and flexibility across its varied initiatives, programmes and mechanisms, in order for missions to be able to align with country priorities and needs.

5.2 The US should take stock of the results of its local systems approach with a view to increasing support to local actors, including governments, and reducing the reliance on US contractors.

5.3 The US should streamline its procedures across government departments to achieve more effective and efficient whole-of-government programming.

5.4 The US should continue to reduce the level of tied aid, including food aid.

6 Results management and accountability of US development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main findings

Results and accountability are central tenets of the current administration and are integrated into development co-operation reforms. This focus has culminated in the passing of the Foreign Aid Transparency and Accountability Act, which should help the government continue to raise standards in performance measurement and transparency across the system, taking inspiration from the leader in the pack, the Millennium Challenge Corporation (MCC).

The US – its agencies and initiatives – sets and reports on high-level, aggregate and occasionally outcome-oriented results in its priority areas. This is underpinned by the integration of results into new programme management and budgeting tools, and a stronger focus on data-driven approaches to gathering and presenting evidence. Progress has also been made in building a culture of evaluation within USAID, the State Department and MCC – not least through staff training, communities of practice and transparent evaluations.

However, USAID and the State Department's results system is complex and burdensome – with too many indicators, data quality challenges, an excessive reporting regime and limited alignment with partner country results. This is creating a transaction and compliance-based approach, undermining the utility of results information for decision making and learning. USAID's new Development Information Solution should be designed to reduce the burden and increase the usefulness of results information. The SDGs also offer the US an opportunity to achieve stronger coherence and alignment with the results priorities of its partner countries.

Whilst there are more and better evaluations being conducted in USAID, particularly at mission level, on performance and impact, evaluation management and planning could also usefully be driven more by their potential contribution to learning across the organisation. The commitment to conduct more evaluations with partners, and to follow up on all evaluations, could also be strengthened within both USAID and the State Department.

Evidence and evaluation in USAID form part of a broader knowledge management approach known as the collaborating, learning and adapting framework. This is an ambitious attempt to make better use of, and connections between, its wealth of experience, tools and people. It reflects a clear commitment to institutional learning, at all levels of the agency. However, once again, the systems to support this endeavour are complex and overlapping, and have not been uniformly rolled out across the organisation, undermining the ability of staff to make best use of them.

The government has made significant improvements to the external face of US development co-operation. Although only MCC met the Busan transparency standard by its deadline of 2015, the direction of travel towards enhanced transparency is positive in all corners of the US system. With the aforementioned act, and systems such as the ForeignAssistance.gov website now in place, all US government departments – in equal measure – can shift their focus to the quality and comprehensiveness of their aid transparency effort.

A robust control environment also assures Congress and the US public of a high level of domestic accountability for the use of taxpayers' money. The reporting to and communication with Congress, in particular, have resulted in stronger, more bi-partisan, support for USAID and foreign assistance. Levels of public awareness and support, on the other hand, remain weak – despite the more strategic and targeted communications effort by USAID emanating from its new mission statement, and other actors in the system such as the Peace Corps.

Recommendations

6.1 To improve the use of results information, evidence and data, the US should streamline its indicators and reporting, and align more with partner country results frameworks and the SDGs.

6.2 The US should embed its focus on collaborating, learning and adapting with simplified knowledge management tools and through routine follow up of evaluation findings.

6.3 The US should continue to work with a vibrant civil society and private sector to deepen citizen engagement with global development.

7 United States' humanitarian assistance

Indicator: The member contributes to minimising impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main findings

Humanitarian assistance is a policy priority for the United States, both globally and in the field. The weight given to the programme is matched by a hefty budget – making the US a key humanitarian donor globally.

The US's ability to provide a quality response from the early days of a new or escalating emergency remains impressive, with new tools – such as crisis modifiers – proving a valuable addition to existing hands-on approaches and financing mechanisms. Greater funding predictability has also allowed some useful new tools to be used in complex crises – such as local purchases, cash responses and innovation – helping deliver on areas deemed priorities at the 2016 World Humanitarian Summit. The US is encouraged to expand the use of such tools and to systematically consider cash-based responses as a part of its toolkit.

US government humanitarian staff are highly respected by their peers and partners. Funding decisions in-country are informed by these experienced staff, ensuring that decisions target the highest priority needs, and that partner programmes are well designed. Overall, humanitarian organisations value their strong and constructive partnerships with US federal agencies.

Early warning tools, including the Famine Early Warning System Network, are very useful for the broader humanitarian community, and the US does take early action based on this information.

Useful progress since the last peer review includes a more predictable humanitarian budget, better financing and programming options for recovery and transition contexts, and a high-profile push for resilience programming.

In addition, the US is to be congratulated on its approach to accountability to affected populations – this is an inspiration for other donors and provides the right incentives for partners.

Individual US responses, especially to high-profile emergencies, are evaluated or subjected to after-action reviews, which is also good practice.

The US could now build on its achievements in certain areas. The extensive network of field staff serves as the front line for monitoring partner programmes, but security constraints can limit staff access to project sites, hindering the effectiveness of this monitoring effort. Systematically including evaluation budgets in partner grants could help in those areas.

The US is making efforts to ensure that branding and transparency requirements do not affect partner neutrality or create protection concerns; the US must continue to take care in this sensitive area.

The civilian nature of the US response in disaster settings is now clear. While there is no specific US internal guidance for the use of military assets to deliver or support humanitarian programmes, the US considers the internationally agreed principle of last resort in any request for military support to humanitarian operations, regardless of the context. However, by developing safeguards, the US could further diminish the risk of inappropriate military involvement in humanitarian assistance.

The US is to be commended for further untying food aid. However, if the US is to get the greatest value for money from its food response to front-burner emergencies, it will need to untie more of its food aid allocation: both the commodities and their transportation.

Compliance with counterterrorism measures – an issue for several DAC members – remains a concern. The US has clearly made progress, but more needs to be done.

The previous review asked the US to strengthen cross-government co-ordination mechanisms. Disaster co-ordination mechanisms now seem to be working very well – the Ebola response is a good example. Co-ordination on policy issues and in protracted crises is more challenging; the division of labour between the State Department and USAID creates obstacles for partners, including those seeking funding for recovery.

The US's role in dealing with crises around the world – including the current refugee crisis – brings to the fore the imperative of bringing together diplomacy, defence and development, as stipulated in the PPD-6.

Recommendations

7.1 The US should continue to review compliance with counter-terrorism measures to ensure that partners can carry on working with local counterparts and are not punished for work in high-risk areas.

7.2 The US should continue to strengthen cross-government co-ordination mechanisms, especially in protracted crises and on policy issues, to increase the impact of the US voice on the global stage, and increase the effectiveness of its humanitarian aid on the ground and strengthen its link to long-term development action.

7.3 The US should continue to incorporate international guidelines on the military involvement in humanitarian assistance when developing policies and conducting operations.

Secretariat's report

Chapter 1: Towards a comprehensive United States' development effort

Global development issues

As the world's largest bilateral donor, economy and diplomatic power, the United States has played a major role in shaping ambitious global development policies – including Agenda 2030, the Addis Ababa Action Agenda and the Paris Climate Agreement. It regularly launches initiatives to tackle global public risks and provide global public goods. Combined and targeted actions on the diplomatic front and leadership in international fora – from the G7 and G20 to the United Nations – allow the US to engage partners and gain support for achieving shared objectives.

The US uses its global leadership to address key risks and shape ambitious development policies worldwide

The United States (US) deploys its global leadership to focus on key development challenges. With the latest National Security Strategy and its predecessors identifying the main risks affecting US interests and values (White House, 2015a), the US is well positioned to develop global initiatives targeting key global risks. Recent examples include initiatives on global health, food security, illicit financial flows and climate change. The US uses its leadership strategically in international fora, including the G7, G20 and United Nations (UN), to develop partnerships and build coalitions to support these initiatives, including the Global Health Security Agenda and the New Alliance for Food Security and Nutrition.

The US, backed up by the world's largest diplomatic network and the largest aid budget, influences the development agenda and convenes others to contribute to shared global objectives. For example, the deal struck between the US and China, the two largest emitters of greenhouse gases, was instrumental for sealing the Paris Climate Agreement in 2015. Pledging USD 3 billion to the Green Climate Fund in 2014 also provided a strong signal of US support for this new instrument.

Another good example of leadership was the active mobilisation of US diplomacy and expertise in helping to shape the 2030 Agenda. The US government gave strong support to the emphasis on ending extreme poverty in the Sustainable Development Goals (SDGs), and on inclusive growth and good governance as the best ways to achieve it.[1] Similarly, since adopting the Presidential Policy Directive on Global Development (PPD-6) in 2010 (Chapter 2), the US has been promoting a new operational model that leverages all financial resources for development (White House, 2010). The US was also a key advocate for the Addis Ababa Action Agenda on financing for development (UN, 2015).

As the world's largest humanitarian donor, the US is also engaging strategically in the reform of the global humanitarian architecture in 2016 (Chapter 7). Together with major humanitarian donors and key agencies, the US endorsed the Grand Bargain at the Istanbul World Humanitarian Summit in 2016 (White House, 2016). This aims at making humanitarian aid more efficient and effective when dealing with increasingly frequent disasters and crises. The President's decision to host the Leaders' Summit on Refugees on the margins of the UN General Assembly in September 2016 reflects the nation's proactive approach in engaging others to tackle key development issues and grapple with emerging global challenges.

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

The US has taken important steps towards more development-friendly policies in agriculture, climate, trade and combatting illicit financial flows. However, the Presidential Policy Directive on Global Development's call for more systematic scrutiny of the impact of US domestic and foreign policies on partner countries has had mixed results. The SDG discussions between the National Security Council and the Domestic Policy Committee created a momentum upon which a more systematic approach to policy coherence for sustainable development could be built.

PPD-6 has led to better policy co-ordination on development across the US government

Recognising the US' potentially extensive development footprint in developing countries, PPD-6 highlighted the need to ensure greater coherence across policy areas. The directive called for an assessment of the development impact of US policy changes, as well as the establishment of related policy co-ordination mechanisms across the US government. The newly established Interagency Policy Committee on Global Development at the National Security Council (NSC) brings together all agencies active internationally to discuss development issues and address questions of policy coherence.[2] This has resulted in development receiving greater priority within the US government and has improved whole-of-government co-ordination (Chapter 4).

Policies are more coherent, but the US still lacks a formal mechanism to ensure domestic and foreign policy coherence

Unlike other OECD Development Assistance Committee (DAC) members, the US lacks a formal mechanism to identify and address priority issues of coherence or incoherence between domestic policies and development objectives. Establishing such a mechanism was recommended in the 2011 peer review. The US is, however, increasing coherence in a number of key policy areas – notably climate, agriculture, trade, and illicit financial flows. However, the approach is rather ad-hoc and the results are mixed:

- The Obama Administration's climate change efforts led to domestic and international action being combined. In line with its Global Initiative on Climate Change (Chapter 2), the US Clean Power Plan set the ambitious national target of reducing carbon dioxide emissions by 32% from 2005 levels by 2030 (White House, 2015b). As the world's second largest emitter and with some of the highest oil, gas and coal subsidies,[3] curbing US emissions is essential to reducing global emissions. However, the Clean Power Plan is undergoing a challenge in the US Court of Appeals for the D.C. Circuit, which could affect the US' ability to implement the Paris Climate Agreement. Further efforts are now needed to bring US energy policy in line with the Paris Agreement, which was joined by the US in September 2016.[4]
- The renewal of the Farm Bill in 2014 was an opportunity for the US administration to improve policy coherence for development. The NSC Interagency Committee in charge of the Presidential Initiative Feed the Future (Chapter 2) took this opportunity to meet with the Domestic Policy Committee in charge of agriculture to make trade-off decisions between support to the national agriculture sector and global food security objectives. The outcome was encouraging, though limited, reductions in tied food aid (Chapter 7) and domestic agriculture subsidies (Elliott, 2014).

- The US is also a strong advocate of combatting illicit financial flows, backed by numerous international initiatives and the promotion of development-friendly trade policies. At home, while the US is performing well on implementing the OECD Anti-Bribery Convention (OECD, 2014),[5] it has not so far committed to the OECD's 2014 global standard on Automatic Exchange of Tax Information aimed at reducing tax evasion, which is recognised as one of the sources of illicit financial flows and can reduce resources that could otherwise be used for poverty alleviation and economic growth.
- Similarly on trade, the renewal of the Africa Growth Opportunity Act (AGOA) in 2014 demonstrates US commitment to facilitating trade for development. But the multiplication of regional trade agreements and the persistent barriers in sectors where developing countries have a comparative advantage (agriculture, textiles) show that the US is not using trade as effectively as it might to promote development (Leo and Moss, 2015).

Despite these ad-hoc initiatives, the frequent high-level political commitments to development, the solid engagement with the SDGs, and the emphasis on leading by example in the 2015 National Security Strategy, policy coherence for development is still not seen as central to an effective US development policy. Policy silos and a lack of awareness of development challenges among policy makers are key constraints to developing a more systematic approach to scrutinising domestic policies and their impact on development.

The SDG process offers an opportunity to develop a more systematic approach to policy coherence

The adoption of the SDGs – and US commitment to their implementation internationally and nationally – is an opportunity for a more systematic approach to policy coherence for sustainable development. The SDG negotiation process brought the NSC and the Domestic Policy Committee together to define the US position. This comprehensive approach covered a wide spectrum of public policies and could pave the way for integrating development into any future national plan for SDG implementation. It could also help set up a dedicated mechanism for ensuring that domestic policies do not harm – and instead contribute to – development in partner countries.

Such a mechanism could also benefit from the contribution of the vibrant US civil society, think tanks and government bodies which produce a wealth of analysis on development. The Council on Global Development, for example, established in 2014 to inform and provide advice to the President on US global development policies, provides analysis of development issues in its yearly reports. The council could potentially have a role in monitoring and reporting on progress with policy coherence. The US Government Accountability Office (GAO) and the Congressional Research Service also produce useful research and analysis on the benefits of tackling incoherent policies for achieving development objectives.[6]

Financing for development

Indicator: The member engages in development finance in addition to official development assistance

The US plays a leading role in increasing sources of finance for development other than official development assistance (ODA). It has been creative in developing a broad toolbox that strengthens the catalytic role of its ODA. This includes supporting domestic resource mobilisation, improving the trade and business environment in partner countries, and leveraging resources from the private sector. Despite the scale of recent partnerships with the private sector, the US could achieve more by broadening the remit of its development finance instruments.

The use of ODA as a catalyst is at the core of US development efforts

As demonstrated by its high-level and cross-government participation in the Third UN Conference on Financing for Development, the US actively promotes the catalytic role of ODA for leveraging additional development finance from the private sector, philanthropic sources, remittances and domestic resources. In negotiating the Addis Ababa Agenda for Action, the US promoted each of these streams of finance for development. This approach has constituted an important part of the US development co-operation strategy since PPD-6 prioritised the use of ODA to leverage other resource as part of its new operational model (The White House, 2010). As a consequence, the objective of mobilising non-ODA flows has been integrated into the strategies of the major US development co-operation providers, including USAID's Policy Framework 2011-2015 (USAID, 2011), the new Millennium Challenge Corporation (MCC) action plan "Next" (MCC, 2016), as well as most of the US Presidential Initiatives on development (Chapter 2). The US also has a dedicated development finance institution, the Overseas Private Investment Corporation (OPIC). Finally, USAID, MCC, and the Office of Technical Assistance at the Treasury all engage in public finance reform to support domestic resource mobilisation in partner countries.

The special initiative "Partnership for Growth", piloted in four partner countries,[7] aims to ensure that all these providers bring together the diversity of their instruments for the maximum leveraging effect (State Department, 2011). But this initiative has not progressed at the same pace in the various pilot countries. It will be important to fully learn the lessons from this first phase of implementation to inform future attempts to consolidate these various efforts.

The large US development finance toolbox could unlock even more private capital

The US has developed a broad toolbox for mobilising additional finance for development. The primary vehicle consists of USAID's Development Credit Authority (DCA) guarantees, along with direct loans, credit guarantees, and political risk insurance from OPIC. Between 2012 and 2014, the US mobilised USD 10 billion from the private sector through guarantees. This represents 59% of the total DAC bilateral donors' mobilisation efforts using official development finance interventions over the same period (Benn et al., 2016). Since the launch of USAID Forward (Chapter 4), the size and impact of USAID's DCA credit guarantees have nearly doubled, signalling the increasing importance of private finance for development. Since 2010, OPIC's portfolio has grown 47%, increasing to approximately USD 20 billion.

Public-private partnerships are also extensively used by USAID to leverage non-ODA resources from the private and philanthropic sectors. In 2015, USAID leveraged commitments of USD 400 million in private sector resources for new Global Development

Alliances (Chapter 5). In addition, in 2015 USAID launched the Office of Private Capital and Microenterprise (PCM). PCM is developing a broad range of new tools to mitigate both real and perceived risk in private sector investments in developing countries. These include participation in blended finance instruments through direct provision of financing with favourable terms, and new approaches to aggregate and link capital supply and demand, as well as the provision of advisory services to companies, investors, intermediaries and governments in these areas.

Presidential Initiatives are also effective at leveraging by combining different tools, such as USAID Trade Hubs and feasibility studies, that can be financed by other US government agencies.[8] For example, the Power Africa USD 7 billion commitment by the US government has brought in more than USD 31 billion in commitments from private stakeholders (White House, 2015c). Similarly, through the New Alliance of Food Security and Nutrition, the US leveraged an investment of USD 10 billion for food security from 200 domestic, international and African companies (ibid.). In the realm of climate finance, the US has also been at the forefront of international efforts by mobilising non-ODA private sector finance (through guarantees, direct loans, and political risk insurance) and export credits amounting respectively to USD 5.6 billion and USD 1.2 billion between 2010 and 2015 (State Department, 2015).

Despite the scale of these recent partnerships and US foreign direct investment in developing countries (see below), observers suggest that the US – as the world's largest capital market – could do more to generate greater finance for development (GDC, 2014). However, legislation[9] limiting OPIC staffing levels restricts its ability to respond to greater demand for its loans, guarantees and insurance products. Unlike DCA, most of OPIC's instruments are also limited to projects in which there is meaningful US participation (Leo and Moss, 2015). Furthermore, unlike other major DAC donors, the US makes limited use of equity investments or first-loss risk sharing.[10]

US technical assistance and policy reforms also aim to increase finance for development

The US plays a significant role in supporting domestic resource mobilisation in partner countries. Its support to the Addis Tax Initiative and the US Government pledge to substantially increase technical co-operation for domestic resource mobilisation indicate that the US intends to pursue this approach further. Accordingly, the President's Budget for the 2017 financial year includes USD 33.5 million for the Treasury's Office of Technical Assistance (OTA).

The US also aims to increase finance for development by fostering policy and regulatory reforms in trade and improving the business environment in partner countries. The MCC specifically targets issues that can unlock economic growth and foster private investments. It works with partner country governments to address bottlenecks as part of its compact projects (Chapter 2). USAID and other US government agencies also have trade capacity-building programmes which have provided efficient returns on investment: every dollar spent on USAID assistance brings a USD 42 increase in the value of developing country exports within two years (USAID, 2010).

The US reports non-ODA flows appropriately

The US tracks and reports the totality of public and private flows to developing countries. The vast majority of public finance provided to developing countries by the US government is ODA – USD 33.1 billion in 2014 (Chapter 3) – with other net official financial flows representing just USD 210 million in 2014, down from USD 1.4 billion in 2013. These are net flows consisting mostly of export credits from the Export-Import Bank, OPIC, and the US Department of Agriculture.

In 2014, private flows from the US to developing countries were six times greater than ODA flows, at USD 205 billion. They mainly include private bonds and other securities (USD 108 billion – up significantly from USD 38 billion in 2013), foreign direct investments, and generous private charitable grants (USD 26 billion or 80% of all DAC net private grants) donated by the American people. In addition, the level of remittances from the US to developing countries stood at USD 56 billion in 2014 (World Bank, 2015).

Significant efforts are also made to measure the leveraging effect of ODA in mobilising private investments. While the methodology still needs to be improved and fine-tuned, the US has been responsive to OECD surveys on private sector mobilisation (Benn et al, 2016) and on climate finance (OECD, 2015), with USAID and OPIC providing detailed information on these financial flows.

Notes

1. The US has been a strong advocate for the development of an ambitious 2030 Agenda, which reflects many of its development priorities (e.g. ending extreme poverty, food security, health, education, gender, climate, governance). It was particularly active in supporting the inclusion of SDG 16 on peace, justice and strong institutions to ensure a focus on good governance.

2. This includes the following agencies: Department of State, the Treasury, Defense, Justice, Agriculture, Commerce, Labour, Health and Human Services, Homeland Security, Office of Management and Budget, United States Trade Representative, Representative of the US to the UN, Council of Economic Advisers, Office of Science and Technology Policy, Office of the Director of National Intelligence, USAID, Export-Import Bank, Joint Chiefs of Staff, Peace Corps, Overseas Private Investment Corporation (OPIC), Millennium Challenge Corporation (MCC) and the United States Trade and Development Agency.

3. US oil, coal and gas subsidies reached USD 20 billion in 2014, among the world's highest (Doukas, 2015).

4. The Paris Climate Agreement is available at the following website: http://unfccc.int/documentation/documents/advanced_search/items/6911.php?priref=600008831.

5. The OECD notes that the United States is among the few OECD countries that have seen a considerable amount of judicial activity with regards to foreign bribery cases.

6. The GAO frequently produces reports on international assistance. Its analysis on tied food aid and the Africa Growth Opportunity Act (AGOA) could help guide discussions in Congress. The Congressional Research Service also identifies issues that could support policy discussions in Congress.

7. The Philippines, El Salvador, Ghana and Tanzania.

8. Including the US Agency for Trade and Development.

9. OPIC must rely on congressional appropriations to cover annual administrative expenses despite generating significant profit on a consistent basis (Leo and Moss, 2015).

10. OPIC does not have the authority to make equity investments. USAID created equity investment vehicles in the 1990s (known as Enterprise Funds) in Eastern Europe and the former Soviet Union. It is now replicating this approach in Tunisia and Egypt – the first investments in Egypt in 2015 reached USD 40 million and USD 2.4 million in Tunisia. In comparison, the German DEG committed EUR 257 million for equity finance in 2015, the French PROPARCO invested EUR 92 million in equities in partner countries in 2015, and the British CDC invested USD 129.4 million in 2014.

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Chapter 2: The United States' vision and policies for development co-operation

Policies, strategies and commitments

Indicator: A clear policy vision and solid strategies guide the programme

The 2010 Presidential Policy Directive on Global Development elevated development as a core pillar of US international engagement. Through this policy, which overarches all US development strategies and policy guidance, the US has set ambitious development goals aligned with its strategic national objectives of peace, security, global prosperity, universal values and human rights. The recent focus on ending extreme poverty as a global objective for US development co-operation is positive, but has not yet been fully operationalised.

The Presidential Policy Directive makes development a strategic, economic and moral imperative

The 2010 Presidential Policy Directive on Global Development (PPD-6) has provided a clear political orientation for all US development co-operation actors (White House, 2010a). By linking development to the core national interests of security, prosperity, respect for universal values and international order, this top-level policy vision makes development a strategic, economic and moral imperative for the US. The continued integration of development in the US National Security Strategies (White House, 2010b; 2015) has also been essential to elevate development as a core pillar of US international engagement, on a par with defence and diplomacy.

Since 1961, the Foreign Assistance Act has given the US government legislative authorisation for foreign assistance policies and programmes (US Congress, 2015). The Act, however, is perceived as outdated, overly complex and lacking coherence (Rennack and Chesser, 2011). Decades of congressional amendments have multiplied the number of objectives, priorities, authorities and restrictions (Ingram, 2014). The PPD-6, by stating a series of high-level principles, is a step change towards a clearer focus for US development policy. As the culmination of a large inter-agency review, PPD-6 has been instrumental in building broad ownership of development objectives across the US government, as well as in obtaining support from the US Congress, as recommended in the 2011 DAC peer review (OECD, 2013).

This policy focuses on the achievement of sustainable development outcomes, placing a premium on broad-based economic growth and democratic governance as the only sustainable way to accelerate development and reduce poverty. It also proposes a new operational model, based on effective partnerships (Chapter 5) and a revitalised institutional architecture (Chapter 4), to deliver this vision. It includes Presidential Initiatives on global health, food security, climate change and energy as overarching thematic priorities to give greater selectivity and focus to US foreign assistance (Box 2.1).

The US has an opportunity to create a cross-government global development strategy

Building on this foundation, every four years USAID and the State Department review their policy orientations and practices through Quadrennial Diplomacy and Development Reviews (State Department, 2010; 2015). These have allowed for stronger alignment between diplomacy and development policies. In addition, USAID's Policy Framework, 2011-15 sets out USAID's eight core development objectives (Table 2.1), complemented by operational principles that serve to guide many of its organisational reforms (Chapter 4; USAID, 2011). Out of this framework, a suite of sectoral policies has emerged,[1] aligned with PPD-6 principles. This policy architecture – along with a re-established policy function in USAID (Chapter 4) – has driven the renewal of USAID's approach to development. Reflecting its new ambitions, the USAID mission statement was changed in 2014 to: "We partner to end extreme poverty and promote resilient democratic societies while advancing our security and prosperity" (USAID, 2015).

Twelve years after its creation, the Millennium Challenge Corporation (MCC) remains a valued component of US development co-operation. It has maintained its core vision to reduce poverty through economic growth in countries that are performing well, in line with PPD-6, while adapting its approach to the changing development landscape.[2]

All other US government stakeholders active in development co-operation refer to PPD-6, which demonstrates its broad ownership. However, the US has not developed a whole-of-government "global development strategy", as required by PPD-6, for presidential approval every four years. The US now has the opportunity to define this overarching operational strategy by linking it to any future plan for implementing the SDGs.

Table 2.1 USAID's core development objectives

1) Increase food security
2) Promote global health and health systems
3) Reduce the impacts of climate change and promote low emissions growth
4) Promote sustainable broad-based economic growth
5) Expand and sustain the ranks of stable, prosperous and democratic states
6) Provide humanitarian assistance and support disaster mitigation
7) Prevent and respond to crises, conflicts and instability
8) Improve lives through learning and education

Source: USAID (2011), "USAID policy framework 2011-2015", United States Agency for International Development, Washington DC, www.usaid.gov/sites/default/files/documents/1870/USAID%20Policy%20Framework%202011-2015.PDF.

Box 2.1 US Presidential Initiatives

Presidential Initiatives target critical development challenges, and provide focus and resources in a difficult authorising environment. They aim at driving the US development agenda, rallying Congressional support, with a whole-of-government approach. With a strong focus on results and a high level of ambition, Presidential Initiatives define priority countries according to both where the greatest needs are and where results can be obtained. For example:

- The President's Emergency Plan for AIDS Relief (PEPFAR) programme, set up in 2008 under the Bush administration, is the most important component of the Presidential Initiative on Global Health.[3] The new PEPFAR 3.0 strategy aims to control the epidemic globally to deliver the presidential promise of an AIDS-free generation (State Department, 2016a). PEPFAR embraces the 90-90-90 objective to have 90% of people with HIV diagnosed, 90% of them on antiretroviral therapy, and 90% of them virally suppressed by 2020. PEPFAR targets countries where the HIV/AIDS burden is high, using a data-driven approach.
- The Obama Administration has challenged the world to end preventable child and maternal deaths, and since 2008 has helped save the lives of 4.6 million children and 200 000 mothers. US contributions to GAVI (the Vaccine Alliance), have helped to immunise more than 500 million children and prevent more than 7 million deaths. With a focus on neglected tropical diseases, the United States has leveraged more than USD 11 billion in donated medicines, reaching nearly 700 million people with life-saving treatments.[4]
- Feed the Future is aimed at ending hunger by improving agricultural productivity and nutrition. It draws on the resources and expertise from 11 US government agencies and focuses on 19 countries where food security is a pressing issue and where progress can be achieved.[5]
- Power Africa[6] aims to increase installed power capacity by 30 000 megawatts and to create 60 million new connections to double electricity access in sub-Saharan Africa by 2030. Its roadmap to reach these goals has involved more than 120 public and private partners.

Presidential Initiatives also aim for the greatest leveraging effects through multi-tiered partnerships with multilateral organisations, other bilateral donors, and the private sector. Ensuring these approaches are sustained over time requires support from Congress. The Obama Administration has been successful in obtaining this support. For instance, the Electrify Africa Act was passed by Congress and signed into law in February 2016, and the Global Food Security Act was passed by Congress and signed into law in July 2016. These acts authorise programming to support the Power Africa and Feed the Future initiatives, respectively.

Source: White House (2015), *Factsheet: U.S. Global Development Policy and Agenda 2030, The White House, Washington DC*,www.whitehouse.gov/the-press-office/2015/09/27/fact-sheet-us-global-development-policy-and-agenda-2030.

Approach to allocating bilateral and multilateral aid

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

The US has made significant progress in allocating its bilateral aid more strategically by increasing its focus and selectivity. But the congressional authorisation and appropriation process remains highly complex, does not guarantee that resources are allocated to areas of greatest need, and has high transaction costs. The US could do more to improve evidence-based allocations, building on the MCC model, the Presidential Initiatives and the country strategies. A positive development is renewed US support to the multilateral system as a complement to bilateral efforts, but a cross-government strategy would help to clarify the rationale for allocations.

US bilateral aid is more selective and focused

Despite the wide scope of the US bilateral programme, it does not apply a unified approach and transparent criteria for resource allocation. Instead, the US combines a bottom-up approach (whereby field missions make resource requests) with top-down decision making (whereby Presidential Initiatives and congressional directives drive the authorisation and appropriation processes).

The PPD-6 called for an increase in selectivity and focus, and the development of a results-driven approach to bilateral allocations. This was in recognition of the fact that the annual budget appropriation process was not sufficiently evidence-based. Greater selectivity of beneficiary countries has been achieved through Presidential Initiatives and country strategies have increased focus on fewer priorities based on local needs (Chapter 4). In addition, the series of thematic policies and guidelines developed by USAID in the last five years often provide the rationale for the choice of focus countries.[7] Joint regional strategies developed by USAID and the State Department are also becoming a more prominent tool to align objectives and guide resource allocations. Combined, these have increased the use of evidence to guide bilateral allocations.

Geopolitical interests influence aid allocations

Despite this notable progress, there is still scope to reduce the complexity of the decision-making process. The yearly budget appropriation process at Congress has become particularly cumbersome (Chapter 5). In addition to heavy transaction costs, this makes it hard to understand the rationale behind aid allocations, which are partly political and highly centralised. The fact that the State Department has authority over the foreign assistance budget request for State and USAID also means that geopolitical considerations remain important in decision making on foreign assistance managed by the State Department and USAID.

Simplifying the bilateral allocation process will require reaching a new agreement between Congress and the executive branch. When Congress is assured that foreign assistance provides the best value for money to American taxpayers, it has in the past authorised new legislation allowing greater flexibility in foreign assistance allocations.[8] However, the recurrent calls for a comprehensive review of foreign assistance legislation have not succeeded.

MCC's selection process is an efficient model

MCC offers a sound model for bilateral allocation decision making. MCC's allocations are based on clear and transparent criteria. A competitive selection process ranks low-income and lower-middle income countries that demonstrate positive performance in three areas: ruling justly, investing in people and fostering economic freedom. Eligible countries are selected against this set of criteria annually by MCC's board chaired by the Secretary of State, although supplemental information can at times also be integrated into the decision-making process.[9]

Selected countries become eligible for a compact programme, typically consisting of several hundred million USD multi-year grants. This approach encourages other countries to make progress against the above-mentioned criteria to also become eligible – the so-called MCC effect. The MCC may also help such countries to make progress with smaller projects, called thresholds, which complement its compact programmes. Partner countries must develop a "constraint-to-growth analysis", outlining the content of their compact or threshold project and demonstrating how it will contribute to poverty reduction through economic growth. This allocation model is in line with aid effectiveness principles, especially ownership, predictability, and a strong emphasis on results.

As recommended in the latest Quadrennial Development and Diplomacy Review, MCC's inclusive growth diagnostic tool has been adopted by USAID to inform its country strategies and to better target priority sectors in partner countries (State Department, 2015).

US renewed multilateral engagement would benefit from a clear whole-of-government strategy

PPD-6 states a clear intent for the US government to engage strategically with multilateral organisations and make more use of their comparative advantage. It highlights US support to the reforms of the multilateral system, and its willingness to renew its leadership of the multilateral development banks and to create additional multilateral capabilities as needed.

However, this impetus has not been matched by a whole-of-government strategy guiding multilateral allocation decisions. Instead, decision making is divided among the Treasury (for the multilateral development banks and key vertical funds), the State Department (for global health funds and most UN agencies), USAID and others of the 22 US agencies involved in development – which often use multilateral organisations as implementing partners and by contributing to trust funds.

The criteria used to justify multilateral funding and seek appropriations from Congress through the yearly budget process include: (1) alignment with US interests; (2) complementarity with US development co-operation priorities; (3) results achieved and the existence of monitoring and evaluation policies; (4) mobilisation of resources from other donors, the private sector, or partner governments; and (5) consideration of cross-cutting issues, such as gender and the environment. However, the justification often varies in its level of detail depending on the department in charge, which does not ensure consistency in decision making.[10] While decision-making criteria are common and some co-ordination mechanisms exist, in the absence of a strategy it is not clear how trade-offs between bilateral and multilateral funding decisions or among the various multilateral options are made.

The co-ordination mechanisms under the National Security Council and the Office of Management and Budget have helped to ensure that Presidential Initiatives are complemented with a properly funded multilateral component. The US has for instance increased voluntary multilateral funding for climate, food security, global health and

energy (Chapter 3). But these mechanisms are not used to evaluate and compare the levels of funding for the various priorities or the performance of the various organisations in order to guide allocations. The US would benefit from making more strategic use of the performance assessments and results-based approaches that they are promoting in the boards of multilateral organisations, as well as assessments produced in the Multilateral Organisation Performance Assessment Network (MOPAN).

Policy focus

Indicator: Fighting poverty, especially in least developed countries and fragile states, is prioritised

Ending extreme poverty is now the overarching objective of US development co-operation, and is included in USAID's dedicated vision and mission statement and integrated into the US National Security Strategy. While it is yet to be seen how this will affect programming decisions, the US focus on fragility, resilience and inclusive development offers a base on which to build. The US is making progress to mainstream consideration for the environment in its development co-operation, particularly climate change, and is demonstrating high-level support to gender equality and women's empowerment.

The US has started to address its commitment to ending extreme poverty but needs to further operationalise its vision

In 2010, PPD-6's central focus on economic growth, governance and well performing countries did not explicitly integrate poverty reduction as an overarching goal.[11] During the Agenda 2030 process, the US made ending extreme poverty the central focus of its development policies – a goal that was supported from the top.[12] This was demonstrated by the revision of USAID's mission statement, the inclusion of the goal in the National Security Strategy and the release of the USAID vision for ending extreme poverty (USAID, 2015).

While the vision has not yet been translated into operational guidance, the US has made initial efforts in pilot countries to ensure strategies focus on reducing extreme poverty. In Nigeria and Honduras, for example, reducing extreme poverty is among the key goals of the new Country Development Co-operation Strategy of these middle-income countries. In the Democratic Republic of Congo, USAID has conducted a dedicated analysis of how its inclusive growth objective could best contribute to reducing extreme poverty.

Mainstreaming these approaches might help to increase USAID's focus on poverty reduction. But it remains to be seen whether this vision will drive US development strategy more broadly, including choice of focus countries. The US government could benefit from drawing on the significant knowledge base developed by the MCC on the links between poverty reduction and economic growth, as well as from the MCC's current efforts to improve how it assesses poverty, especially in countries with high inequalities.[13]

There is a strong focus on resilience and recovery, but some opportunities are missed

The 2011 peer review encouraged a systematic approach to supporting countries in their recovery from shocks (OECD, 2013). There has been progress on this recommendation in a number of areas – including multi-annual financing, requirements for partner transition strategies, new USAID Transition Strategy Guidance (USAID, 2012), a new Relief to Development Transitions programme, and advocacy for durable solutions as part of the Solutions Alliance Platform (Chapter 7). Some innovative programming has also emerged for supporting resilience to shocks. Programming guidance supports joint analysis (between USAID humanitarian and development teams) and anticipating risks in development strategies, backed up with programming tools that include crisis modifiers,

development investments to tackle the root causes of crises, and important partnerships such as the Global Alliances for the Horn of Africa and the Sahel (Chapter 7). Nevertheless, USAID's UN and NGO partners report no particular focus on integrating resilience into their programming, which is a missed opportunity. In addition, the strict division of labour between the State Department/Bureau of Population, Refugees, and Migration on the one hand, and USAID and the Office of U.S. Foreign Disaster Assistance on the other, still complicates access to development funding for durable solutions for refugees (Chapter 7).

The focus on fragility and violent extremism is stronger, but there is still no cross-government strategy

PPD-6 recognises how persistent weakness in fragile states poses clear risks to America's interests. It therefore commits to tailoring development strategies in stabilisation and post-crisis situations to the specific context, and to focus more on investments that help shape a country's stability and prosperity (The White House, 2010a). The 2015 Quadrennial Diplomacy and Development Review echoed these commitments, elevating the importance of countering violent extremism and seeking a stronger whole-of-government approach in fragile states (State Department, 2015). This has led the US to create a National Security Council taskforce[14] which will utilise policy and programme tools for mitigating fragility more coherently and consistently, examine the overlap between fragility and violent extremism, and to seek and apply preventive and upstream solutions that are more cost-effective and impactful. Its findings could be usefully transformed into a cross-government strategy for fragile states and help USAID to replace it's 2005 strategy, which focuses more on state-society dysfunction (USAID, 2005).[15]

The US is mainstreaming environmental sustainability and climate change with advanced policies and tools

The US has well-established policies and guidance for integrating environmental protection into its development co-operation. Environmental impact assessments of all US federal projects have been mandatory since 1970 under the National Environmental Policy Act. USAID's Automatic Directive System (ADS) 204 requires that environmental officers are nominated in all USAID missions and bureaus to ensure that all country strategies and projects are based on a comprehensive environmental analysis. Similarly, MCC uses dedicated methodologies to look carefully at sustainability issues when developing its country compacts.

Environmental issues have been increasingly mainstreamed in recent years, with high-level commitments on climate and biodiversity. Aligned with the Global Climate Change Initiative, USAID's Global Climate Change and Development Strategy 2012-2016 mainstreams climate change in all agency programming (USAID, 2012a). President Obama's 2014 Executive Order #13677 on climate-resilient international development (White House, 2014) has seen these efforts broaden significantly: all US international development efforts must now be made climate-resilient, meaning that all US programming will be assessed for its potential effects on, and exposure to the impacts of, climate change.

Similarly, in addition to the 2014 USAID biodiversity policy (USAID, 2014), the White House recently issued a memorandum directing all federal agencies to develop and institutionalise policies that promote consideration of ecosystem services, forming a strong basis for mainstreaming biodiversity conservation across all US development co-operation programming.

This impetus to mainstream is not yet visible in the numbers, however. In 2014, 10.4% of US bilateral allocable ODA (USD 2.7 billion) supported the environment and climate change with 4.8% (USD 1.2 billion) focused specifically on climate change – well

below the respective DAC country averages of 32.2% and 23.9% (OECD, 2016). In addition to mainstreaming efforts, the US contribution of USD 500 million to the Green Climate Fund in 2016 is a significant step to increase US ODA allocated to environment sustainability and climate change.

The US champions gender equality and women's empowerment

Strong political leadership has led to the adoption of a suite of new gender equality policies at the State Department and USAID. The release of the State Department policy guidance on Promoting Gender Equality to Achieve our National Security and Foreign Policy Objectives in 2012 and the adoption of additional policy guidance on Promoting Gender Equality and Advancing the Status of Women and Girls in 2014 has made gender equality a top strategic priority in US foreign policy. USAID's Gender Equality and Women's Empowerment Policy in 2012 requires gender analysis to inform all strategies and projects (USAID, 2012b). A specific performance goal of the State/USAID Joint Strategic Plan states that 60% of USAID operating units will report their gender integration results by September 2017 (State Department and USAID, 2014). Gender equality is also integral to Presidential Initiatives on food security and health. Major new initiatives, such as Let Girls Learn and DREAMS, specifically target adolescent girls in education and HIV/AIDS prevention respectively. They have received significant funding as well as support from the US leadership, including the office of the President.

The Office of Global Women's Issues in the State Department and USAID's Office of the Senior Co-ordinator for Gender Equality and Women's Empowerment share the parallel missions of institutionalising gender equality and women's empowerment in the State Department and USAID, and of leading implementation of US gender strategies. In addition, with the increase in gender advisors at headquarters and in the field, and the roll-out of training to more than 10 000 people – including USAID staff and partners – on gender equality, the US has the capacity to mainstream gender equality and women's empowerment across its development co-operation programming.

The US now reports its ODA using the DAC gender equality marker. In 2014, USD 5.8 billion of bilateral allocable ODA supported gender equality – up from USD 5.2 billion in 2013. Field visits in Malawi and South Africa indicate that the US could now usefully complement its gender equality policies and capacities with more funds and a heightened focus on improved development outcomes for women and girls (Annex C).

Notes

1. USAID's Bureau for Policy, Planning and Learning has developed 21 policy documents since it was established in 2011, targeting critical sectors such as biodiversity, climate change, governance, gender, nutrition, maternal health, youth, violent extremism, water, resilience and urban service delivery.
2. In 2016 MCC revised its strategy to enlarge its scope by integrating new strategic directions such as on regional integration, decentralisation, partnerships with the private sector and fostering policy reforms. More information is available at: www.mcc.gov/resources/pub/next.
3. More information is available at: www.ghi.gov/.
4. More information is available at: https://www.whitehouse.gov/campaign/globaldevelopment.
5. The 19 focus countries for Feed the Future were selected based on 5 criteria: level of need, opportunity for partnership, potential for agricultural growth, opportunity for regional synergies and resource availability.
6. More information is available at the following link: www.usaid.gov/powerafrica.
7. USAID policy guidance often provides a rationale for choosing focus countries. For instance, the biodiversity policy targets 50 countries according to a mix of biological and institutional criteria. For climate change, the policy prioritises countries using criteria on their energy mix and clean energy potential, the global importance of their forest landscapes, and their vulnerability to the effects of climate change.
8. A good example is the annual appropriation to the Foreign Operations Act for the Millennium Challenge Corporation.
9. This happened in 2011 for Georgia for instance.
10. While the Treasury's requests under the International Programme account consistently detail multilateral development bank and trust fund results (US Department of Treasury, 2016), the State Department request for Contribution to International Organisations account and the International Organisations sub-account do not use the same level of reporting to guide decisions (State Department, 2016b).
11. While meeting basic needs appeared as a secondary objective in PPD-6, the thematic priorities of health, agriculture and food security, and gender equality have shaped US contributions to the Millennium Development Goals in the last five years.
12. This shift benefitted from sustained and high-level leadership support, with the President reiterating in three consecutive State of the Union addresses to Congress that this objective was within reach.
13. Since its creation, the MCC has had a clear statement of intent to reduce poverty through inclusive growth. MCC has built up significant knowledge on the links between economic growth and poverty reduction. While this approach remains at the core of Next, the new MCC strategy (MCC, 2016), it also intends to improve how it assesses poverty, especially in countries of high inequalities. This could involve reviewing its criteria that currently prioritise low per capita income countries based on national averages, which may understate the extent and nature of poverty in countries of high inequalities.
14. The taskforce includes the Department of Treasury, MCC, the Department of State, USAID, the Department of Defense, and other relevant departments and agencies.
15. USAID currently defines fragility as follows: "Fragility refers to the extent to which state-society relations fail to produce outcomes that are considered to be effective and legitimate" (USAID, 2005).

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Chapter 3: Allocating the United States' official development assistance

Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

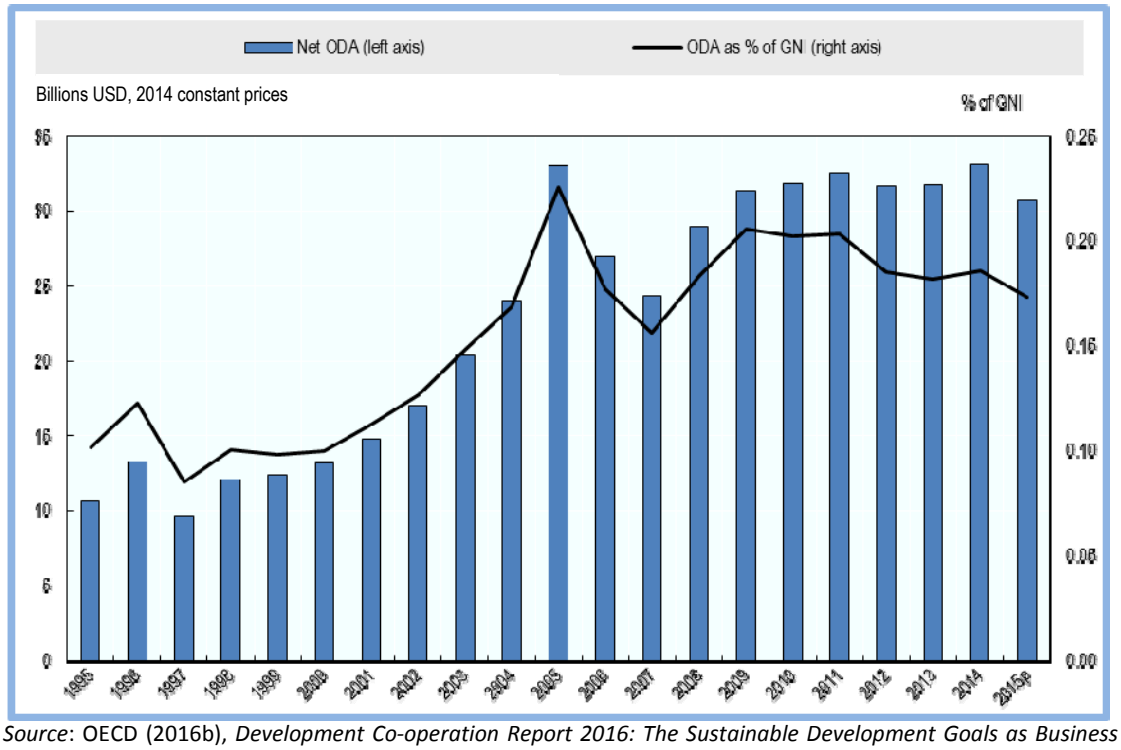
As the largest bilateral donor of the DAC, the United States' official development assistance (ODA) constitutes a significant share of global development co-operation funding. Its ODA volume has been broadly maintained since 2010, despite falling by USD 2 billion in 2015 (in real terms) from a record high of USD 33.1 billion in 2014 – a 7% drop. However, US ODA levels have not matched its economic recovery. While transparency has increased, the unpredictable nature of US ODA creates uncertainties for its partners.

The US is the largest DAC donor, but growth in ODA up until 2014 has since been reversed

The US remains by far the largest donor of the DAC, with its ODA representing between 21 and 24% of the DAC members' total assistance in each of the last five years. In 2014, US ODA reached an historic high of USD 33.1 billion, a 4.1% increase from 2013 and consisting exclusively of grants. Between 2010 and 2014, the US ODA volume steadily increased, and at a faster pace than the DAC assistance overall (Figure 3.1).[1] However, preliminary figures indicate a significant reduction (7%) of US aid since 2014, putting levels back below those of 2010, despite the country's robust economic recovery and improved fiscal situation in recent years.[2] This decrease between 2014 and 2015 is the result of: (1) a fall of 3.8% in real terms in bilateral ODA, following reductions in disbursements for two specific programmes;[3] and (2) a fall of 23.2% in real terms in multilateral ODA due to the timing of contributions to the Global Fund. However, the US expects these allocations to smooth themselves out and for ODA to rebound in 2016. The US has therefore only partially implemented the DAC recommendation of 2011 to maintain its ODA volume at 2010 levels and to increase it as the US economy improves (OECD, 2013).

In addition, aid volumes remain low in comparison to the US gross national income (GNI). ODA was only 0.17% of GNI in 2015, ranking the US 21st among the 29 DAC donors for this measure. This indicator has followed a downward trend since 2009, and may continue to slide in the next two years according to the 2016 foreign assistance budget adopted by the US Congress at the end of 2015,[4] and the Presidential request for 2017 (State Department, 2016). This risks creating a disconnect between the strong commitment to prioritising development within US foreign policy and the reality of budget allocations.

Figure 3.1 Trends in the United States' net ODA, 1995-2015



Source: OECD (2016b), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities,* OECD Publishing, Paris, http://dx.doi.org/10.1787/dcr-2016-en.

With no established ODA target and an increased use of contingency funding, ODA is unpredictable

Given its large share in total donor ODA allocations, ensuring long-term funding for US foreign assistance is critical. Recent years however have seen US foreign assistance being increasingly financed through its Overseas Contingency Operations (OCO), originally created to house "extraordinary but temporary" spending on operations and programmes in "frontline" states of Iraq, Afghanistan and Pakistan (Epstein, Lawson and Tiersky, 2016). Since 2010, the OCO has increased from 9% to nearly one third of US total international affairs spending as its scope has been significantly enlarged (USGLC, 2016). This trend has accelerated in the last two years. The parallel reduction of the base funding for US foreign assistance raises concerns for its longer-term predictability, given the specificity of this off-budget window linked to conflict situations (Schwanke and Collinson, 2016).

Unlike some other OECD countries, the US has not committed to any overall ODA target, either in terms of volume or as a percentage of its GNI.[5] Yet commitments made in the past, such as at the 2005 Gleneagles G-8 summit – where the US agreed to double its assistance to sub-Saharan Africa – were not only achieved but also pursued consistently.[6] This demonstrates the effectiveness of making such commitments. Bi-partisan support for development demonstrated by Congress in recent years provide a basis for a longer-term commitment to financing development and thus to increase the predictability of US foreign assistance. The passing of the Global Food Security Act and the Electrify Africa Act in 2016 are positive steps in that direction.

The US reporting to the DAC is 'fair', and it has taken notable steps towards transparency

The US provides comprehensive information on its ODA as well as other financial flows to the OECD Creditor Reporting System, despite the large size of its foreign assistance and the numerous government agencies managing its development co-operation programme. In accordance with its open data policy, the US has made significant efforts in recent years to increase the transparency of its foreign assistance (Chapter 6). The US also reports consistently on other financial flows to the DAC (Chapter 1).

However, the US reporting to the DAC is often late because of the complexity of the system. In addition, the US does not report to the OECD survey on donors' forward spending plans, nor to partner countries on a rolling basis, despite its commitment to the Busan Partnership agreement. While its annual budget process explains the difficulty for the US government to make long-term predictions, long-term commitments are possible, as seen in Malawi and South Africa (Chapter 5).

Bilateral ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

The US' global presence and the wide scope of its bilateral programme make bilateral allocations complex and prioritisation challenging. The US is commended for having maintained its strong focus on the least developed countries and Africa, and for striving to increase focus and selectivity, notably through the Presidential Initiatives. Furthering these efforts by reducing the number of sectors in partner countries would limit aid dispersion and increase the cost-effectiveness of its bilateral programme.

The US bilateral programme has a global reach

The US provides the bulk of its ODA bilaterally – 83% of ODA in 2014 at USD 27.5 billion (Annex B). Given its worldwide presence and the global reach of its important humanitarian programme, the US does not have an established list of priority countries for its overall foreign assistance, unlike most DAC members. Instead, it fixes priority countries for interventions mostly on a sectoral basis through its various Presidential Initiatives and congressional directives (Chapter 2).

In 2013-14, the US provided development assistance to 137 countries. Bilateral aid is becoming less concentrated, with a lower share of ODA to the top 5, 10 and 20 recipient countries in 2013-14 than the 2003-07 and 2008-12 averages (see Annex B, Table B.4). While this can be partly explained by the significant reduction of the US programme in Iraq since 2010, there is still a large number of countries (23 in 2014) where the US is not among the most important donors.[7]

Most bilateral ODA is provided through USAID, which disbursed USD 16.6 billion in 2014, representing 60% of the total. The State Department follows with USD 5.3 billion, mostly concentrated on the major PEPFAR programme on HIV/AIDS and other related communicable diseases and health interventions. The Health and Human Services contribution to the US Global Health Initiative (Chapter 2) amounted to USD 3.4 billion and MCC disbursed USD 0.9 billion for economic growth. The rest of the US bilateral ODA budget (USD 1.3 billion) is dispersed across 17 other agencies involved in foreign assistance.

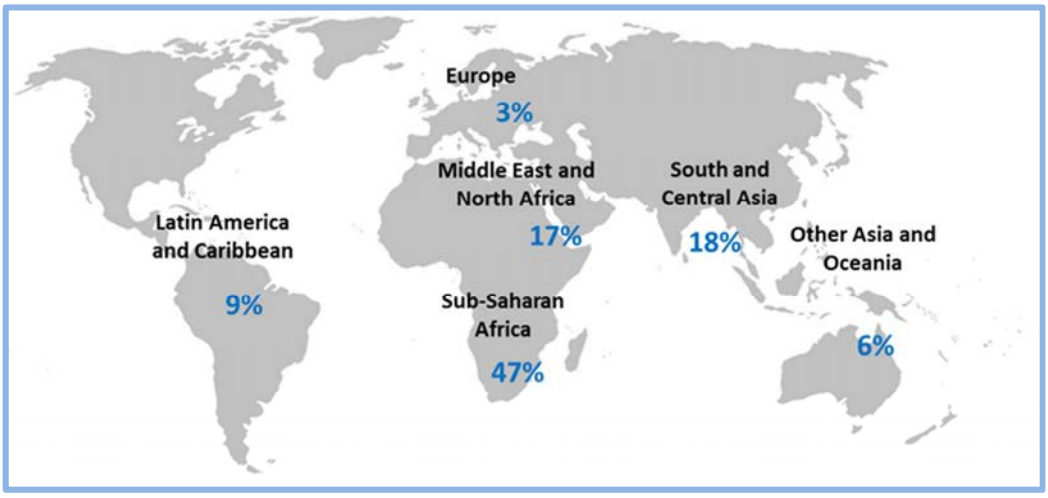
The US share of country programmable aid (CPA) is in line with the DAC average at 52% (Annex B, Table B.2). However, this is lower than the 2009 level of 61%. This fall is a result of the significant rise of humanitarian aid between 2013 and 2014 (from 19 to 23%),

as well as a continuous reduction of CPA in real terms, demonstrating a tendency towards re-centralisation and greater use of multilateral channels in recent years. Project-based interventions remain the predominant bilateral *modus operandi*, accounting for 88% of US CPA support, while budget support, technical assistance and contributions to pooled programmes and funds at country level claim only a low share.

US ODA is strongly focused on LDCs, fragile states and sub-Saharan Africa

The priority given by the US to least developed countries (LDC) has remained high, representing almost 50% of bilateral allocable ODA (Annex B, Table B.3). This is higher than other DAC members. On average, over the past five years 44% of US ODA has been allocated to fragile, conflict-affected or post-crisis states. This aligns well with the increased policy focus on fragile states of the 2015 Quadrennial Development and Diplomacy Review, and follows the recommendation of the 2011 DAC review to ensure that the renewed focus on well-performing states does not lead to a reduction in support to LDCs or fragile states (OECD, 2013). The geographic allocation of US bilateral ODA is also consistent with the US commitment to doubling its support to sub-Saharan Africa (Figure 3.3).

Figure 3.3 Share of US gross bilateral ODA allocable by region, 2013-14



Source: *OECD (2016b), Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities, OECD Publishing, Paris, http://dx.doi.org/10.1787/dcr-2016-en.*

Sectoral ODA allocations reflect broad US priorities but still target too many sectors in countries

Sector allocations reflect the US policy focus on poverty reduction, health, good governance and humanitarian support. Almost half of US bilateral assistance concentrates on social infrastructure and services (47% in 2013/14) with a particular focus on health, government and civil society. This is followed by its humanitarian aid, which reached an all-time high of USD 6 billion in 2014. This represented 21% of its bilateral ODA in 2013/14, and is in line with the priority given to fragile and conflict or disaster-affected countries.

The strong US focus on health is consistent with its Global Health Initiative. The health sector – including population and reproductive health – accounted for 25% of US bilateral ODA in 2013-2014. US support is particularly important for HIV/AIDS, which represents around 90% of all DAC funding for HIV/AIDS, with the PEPFAR programme managed by the State Department reaching USD 4.8 billion in 2014. The US is also the main donor for governance and civil society, particularly through its programmes supporting justice systems and the rule of law, as well as public sector reform.

While less important proportionally, US support for economic infrastructure and services remains important in volume, as it does for the productive sector – notably agriculture and energy, which respectively received USD 1.2 billion and USD 0.8 billion on average in 2013-14. This includes most of MCC's support to poverty-reducing economic growth. This also reflects the importance of Presidential Initiatives, such as Feed the Future and Power Africa (Chapter 2), in driving sectoral allocations. This is less the case for the Global Climate Change Initiative: in 2014 the US was only the fifth largest bilateral donor for climate change mitigation and the fourth for adaptation.

However, the US could become more selective in individual countries. While the Presidential Initiatives have allowed the US to make significant progress in focus and selectivity – reducing the number of country programme areas by 42% between 2010 and 2014 (USG, 2016) – there are still a large number of countries where US assistance in sectors is not significant compared to other donors. For instance in 2014, US support to education was much less than other DAC donors in 29 countries among the 98 receiving US support in this sector. Similarly, its support to water supply and sanitation was not significant in 37 countries, and its support to agriculture was not considered significant in 26 countries compared to other DAC donors.

Multilateral ODA channel

Indicator: The member uses the multilateral aid channel effectively

The US has renewed its engagement with the multilateral system, backed up by increased funding to and through multilateral organisations, which reached an all-time high of USD 11.6 billion in 2014. The US plays a key role in most of the multilateral development banks, promotes vertical funds aligned with its priority areas of action, and is the largest humanitarian donor to UN appeals. While being an appreciated and engaged partner driving the reform of the multilateral system, the US could expand its leadership by fulfilling its unmet commitments to multilateral organisations, and rationalising its multi-faceted relationships and at times burdensome procedures with those organisations.

Increased multilateral ODA reflects the US' renewed multilateral engagement

The US is the second largest DAC contributor in volume to the core budget of multilateral organisations (after the United Kingdom), allocating USD 5.6 billion of multilateral ODA in 2014. It saw a sharp increase in its multilateral aid between 2011 and 2014 (44% growth), which largely outpaced the DAC average[8] (Figure 3.4a). This reflects the renewed US engagement in multilateralism which emerged from the 2010 Presidential Policy Directive on Global Development (Chapter 2). As a result, the share of multilateral ODA in total US ODA rose from 11% to 17% between 2011 and 2014, making the US an even more influential partner for multilateral development banks (MDBs) and other multilateral development organisations. However, preliminary figures for 2015 indicate a significant decrease in multilateral funding – down to USD 4.3 billion, which is well below the 2012-14 yearly average of USD 5.3 billion. This is due to a change in the timing of contributions to multilateral organisations (see above).

The increase in multilateral aid prior to 2015 mostly reflects US contributions to replenishments and capital increases in the MDBs, as well as increased contributions to vertical funds in the health and environment sectors (Figure 3.4b). In 2014, the US contributions to the World Bank and regional development banks represented 39% of its multilateral engagement, and its contributions to health represented 35%. This is in line with the US' important shareholding in the MDBs, as well as its commitment to global health.

Presidential Initiatives on health, climate change and food security all have a multilateral component, demonstrating broad coherence between bilateral and multilateral ODA:

- The US is the largest contributor to the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Alliance for Vaccines and Immunisation and the WHO.
- The US contribution to environment funds almost quadrupled between 2010 and 2014 to reach USD 500 million, representing 9% of its multilateral ODA.[9] Despite difficult discussions in Congress, the US has also recently started to fund the Green Climate Fund with a one-off contribution of USD 500 million as a first step towards meeting its USD 3 billion commitment.
- The US initiated the creation of the Global Agriculture and Food Security Programme (GAFSP) in 2009 and has provided funding since then amounting to USD 613 million (US Department of Treasury, 2016). It is also the largest contributor to the United Nations Food and Agriculture Organization, and one of the largest to the International Fund for Agriculture Development.

The US could strengthen its leadership role in the MDBs by honouring its commitments

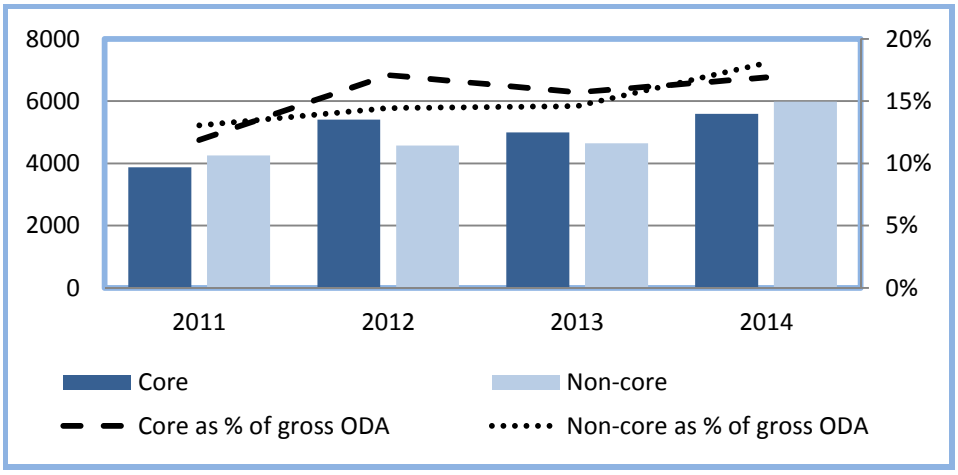
As the largest shareholder in the World Bank and the International Bank for Reconstruction and Development, and the second in the Asian and African Development Banks, the US has a strong influence on their boards that it uses strategically to support the MDB reform agenda.

Feedback from multilateral organisations suggests that the US is an active stakeholder, engaged in the management of these organisations. It pushes through key reforms – such as on procurement, on the need to increase grants to LDCs and fragile states, and on the need to further integrate cross-cutting issues such as environmental sustainability and gender equality in programming.

However, unmet financial commitments to the MDBs and the vertical funds – to the tune of USD 1.6 billion in 2016 (US Department of Treasury, 2016) – are undermining the effectiveness of US multilateral funding. Congress has not appropriated the full funding requested to meet US commitments and Treasury has been unable to include direct appropriation requests to fulfil unmet commitments in the annual budget proposal due to budgetary limitations and other priorities. These unmet commitments risk eroding US leadership and influence in the MDBs at a time when the international financial architecture is evolving, notably with the creation of the Asian Investment Infrastructure Bank.

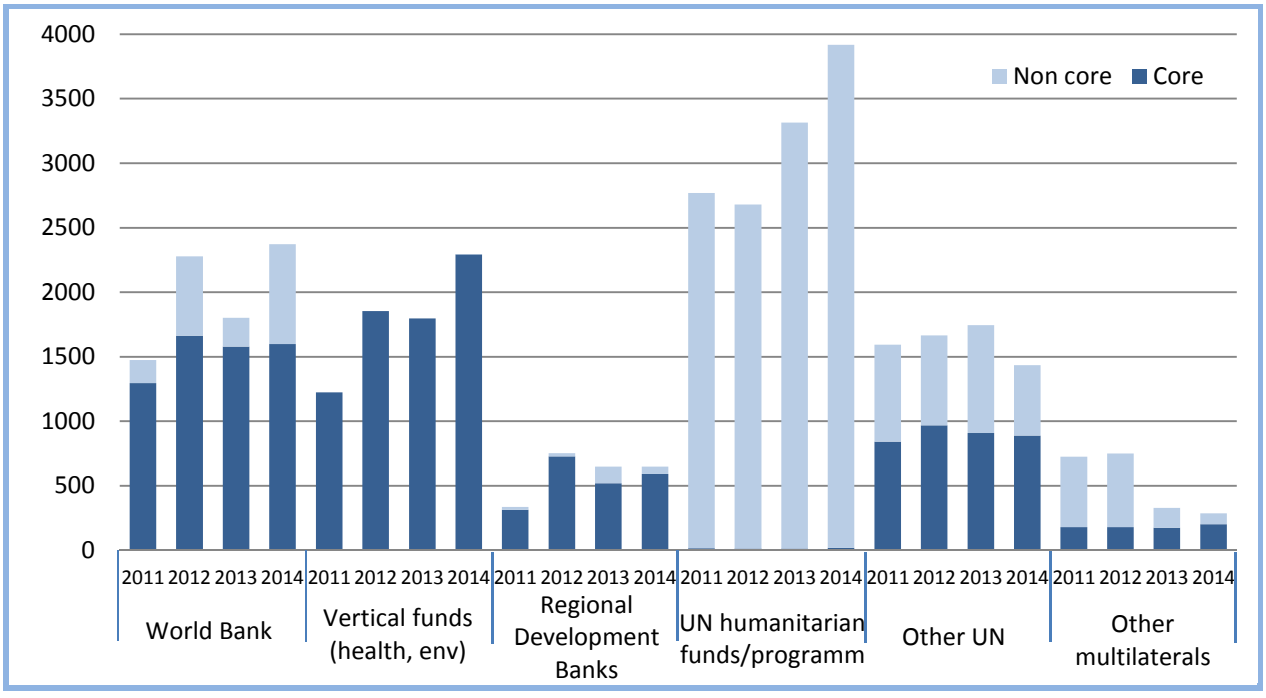
Figure 3.4 US official development assistance to multilateral organisations, 2011-14

(a) Gross disbursements, constant 2014 million USD



Source: Creditor Reporting System, "Members' total use of the multilateral system", accessed on 1 June 2016, https://stats.oecd.org/Index.aspx?DataSetCode=CRS1.

(b) Gross disbursements to the different multilateral channels, constant 2014 million USD



Note: Vertical funds on health and climate include the Global Environment Facility, the Strategic Climate Fund and the Clean Technology Fund, the Global Alliance for Vaccines and Immunization and the Global Fund to Fight AIDS, Tuberculosis and Malaria. UN humanitarian funds and programmes include the World Food Programme, the United Nations High Commissioner for Refugees (UNHCR), the UN Office for the Coordination of Humanitarian Affairs (UNOCHA) and the International Organization for Migration (IOM).

Source: Creditor Reporting System, "Members' total use of the multilateral system", accessed on 1 June 2016, *https://stats.oecd.org/Index.aspx?DataSetCode=CRS1*

The US makes significant use of non-core contributions to multilateral organisations

The US also channels a significant part of its bilateral ODA to multilateral organisations through non-core contributions, representing an additional 14 to 18% of its ODA in each of the last five years. A large part of this funding focuses on humanitarian support through the UN, notably to finance flash appeals through the World Food Programme, UNHCR, UNOCHA and IOM. This share increased significantly between 2011 and 2014, reflecting US flexibility in its crisis response. The US role as the largest contributor to the UN humanitarian appeals is highly appreciated (Chapter 7).

The US also makes significant contributions to MDB trust funds. For instance, in 2014 the World Bank received 32 contributions from the US to its trust funds, for a total of USD 480 million.[10] This additional funding came from multiple US agencies – USAID, the Treasury, the State Department and MCC. While efforts are being made to develop a more joined-up approach, notably with the Working Group on Multilateral Assistance managed by the Treasury, there is still scope for better co-ordination of US contributions to the MDBs (Chapter 2).

The US non-core contributions are key to many UN agencies, funds and programmes, such as FAO, UNICEF, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations Development Programme (UNDP). In comparison, core funding to these multilateral agencies is rather limited, though it still amounts to a significant resource for them. While the US is generally considered as an active and engaged partner pushing the UN reform agenda strategically – similar to its role in the MDBs – feedback suggests that its rigid reporting requirements, financial regulations and sometimes burdensome procedures increase the transaction costs for these organisations.

Notes

1. Between 2010 and 2014, US ODA increased by 3.9% and total DAC assistance by 2% in real terms.
2. Meanwhile overall DAC ODA increased to USD 131.6 billion in 2015, a rise of 6.9% from 2014 in real terms. More details are available at www.oecd.org/development/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm.
3. These two programmes are (1) the President's Emergency Programme for AIDS Relief (PEPFAR), for which changes to timings meant that disbursements were reduced from USD 2.3 billion in 2014 to USD 2 billion in 2015; and (2) International Narcotics Control, which fell from USD 1.8 billion in 2014 to USD 1 billion in 2015.
4. While ODA figures are not directly available in the US Foreign Assistance budget documents, the Foreign Operations budget line provides a good indicator of trends. The Congressional Budget Justification for the fiscal year 2017 indicates an increase from USD 34.46 billion to USD 36.41 billion between 2015 and 2016, but its 2017 request totals USD 35.75 billion, implying a new reduction (State Department, 2016).
5. The US has never committed to provide 0.7% of its GNI in ODA, for example.
6. The US achieved its Gleneagles commitment one year ahead of its 2010 deadline. US aid to sub-Saharan Africa rose from USD 4.9 billion in 2004 to USD 9 billion in 2009. It reached almost USD 12 billion in 2014, including both net bilateral ODA and imputed multilateral ODA to sub-Saharan Africa.
7. Those which cumulatively provide 90% of country programmable aid to these countries.
8. US multilateral ODA increased from USD 3.9 billion to USD 5.6 billion (a 44% increase) while the DAC total multilateral ODA increased from USD 39.7 to 42.7 billion (a 7.6% increase) between 2011 and 2014, in constant 2014 dollars.
9. This includes US contributions to the Global Environment Fund, the Clean Technology Fund and the Strategic Climate Fund.
10. More information is available at the World Bank Group Finances webpage: https://finances.worldbank.org/Trust-Funds/Paid-In-Contributions-to-IBRD-IDA-IFC-Trust-Funds-/nh5z-5qch.

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Chapter 4: Managing the United States' development co-operation

Institutional system

Indicator: The institutional structure is conducive to consistent, quality development co-operation

The institutional system for development co-operation in the US is marked by multiple actors, a myriad of initiatives and budget lines, a difficult authorising environment, and complex procedures. In order to deal with this complexity, concerted efforts have been made to give USAID a pivotal role in the development co-operation system. Although still a work in progress, USAID's expanded capabilities are already making a positive difference.

Institutional reform has restored USAID's credibility and capability

The last five years have seen significant institutional reforms – backed by determined US government leadership – aimed at making USAID the lead development agency in the US system. While this is a work in progress in many ways, there have been notable improvements in USAID's structure, voice, staffing and overall business model. Much of the institutional change was embodied in the "USAID Forward" reform agenda, set out in 2010 and endorsed in the Quadrennial Development and Diplomacy Review (QDDR), which promised a more strategic, focused and results-oriented approach to USAID's management; more high-impact partnerships and "local solutions" (Chapter 5); and more innovation.[1]

Continued implementation of USAID Forward in this review period has successfully re-built and restored policy, budget management and evaluation capability, making USAID a more professional, engaged and effective agency. It created the Bureau for Policy, Planning, and Learning (PPL) in 2010 to perform policy analysis and strategic planning. PPL works in close partnership with missions and other USAID bureaus on policy and strategy development. The Office of Budget and Resource Management (BRM) was created to enable USAID to tie budget decisions more explicitly to policy priorities, strategic plans, and evidence-based results – and to give it more voice in budget negotiations (Annex D).

The roll-out of Country Development Co-operation Strategies (CDCSs)[2] closed the loop between policy, budget and operations. These are designed to focus and guide five-year development planning in partner countries. Finally, USAID has re-staffed the organisation following a period of deep staffing cuts (see below), placing strong emphasis on leadership and talent.

These have been stand-out achievements that have restored USAID's position as a deliberate and thoughtful development partner from its past pejorative reputation as a mere "contracting pass-through" (Dunning and Leo, 2015).

Concerted co-ordination efforts are being made in Washington

There are over 21 government agencies with foreign assistance budget lines – although 95% of all foreign assistance is concentrated in only five of them (Chapter 3). As noted during the last peer review, this spread across government brings co-ordination challenges. Presidential Policy Directive on Global Development (PPD-6) made a firm commitment to address this challenge by establishing an Interagency Policy Committee on Global Development, led by National Security Staff and reporting to the National Security Council (NSC). Its aim was "to set priorities, facilitate decision-making where agency positions diverge, and co-ordinate development policy across the executive branch, including the implementation of this PPD" (White House, 2010).

Despite not being a permanent member, USAID is a regular participant in NSC meetings on development and foreign policy. This has brought a much-needed development voice to the NSC table and to important decision-making meetings (Ingram, 2014). In addition, the more recent Presidential Initiatives, such as Power Africa and Feed the Future, have been institutionally housed in USAID – reflecting USAID's improved capabilities, its core operational competence, and its elevation in the overall system.

In the absence of a comprehensive US government development strategy (Chapter 2), however, it is not clear whether the various co-ordination mechanisms established through the NSC, State Department and USAID are effective in driving system-wide coherence and complementarity. According to employee surveys, for instance, there could still be clearer rationale for the various roles and responsibilities assigned across US government agencies, and improved communications among them (USAID, 2015b).

The relationship between the State Department and USAID has also evolved over the last five years. The QDDR and Joint Strategic Plan processes have delivered a clearer development footprint in foreign policy and strategy. In terms of budgeting and planning, whilst the Office of US Foreign Assistance Resources[3] retains the overall co-ordination role, it has counterparts at both USAID in the form of BRM and PPL, and at the State Department's Office of Budget and Planning. According to a Congressional Research Service report, this has led to more autonomy for USAID and more informal interactions, but "no institutional assurances that the agency's 'independence' will not be further challenged in the future" (Tarnoff, 2015). The most recent QDDR calls for strengthened information sharing and collaboration between the State Department and USAID (State Department, 2015).

Congress is a key component of the US institutional system for development co-operation. Given Congress' major role in both authorising legislation and the annual appropriation process, PPD-6 encourages closer working relationships between the executive branch and Congress. Whilst challenges remain in terms of appropriations (Chapter 5), the current administration has largely succeeded in shoring up bi-partisan support for development co-operation, evidenced by the passing of legislation on "electrify Africa", food security, and transparency and accountability.

The many US actors in partner countries lack a unified development strategy and interface

The US has laid the foundations for improved co-ordination in partner countries through strategies and working practices. The Integrated Country Strategy (ICS) is a three-year, high-level plan that lays out US whole-of-government priorities in a given country. The ICS sets mission goals and objectives through a co-ordinated and collaborative planning effort overseen by the Chief of Mission and involving the Department of State, USAID, and other US government agencies operating overseas. The ICS must take its development objectives directly from the CDCS. USAID mission directors – described as the Ambassador's primary development advisers – serve under the Chief of Mission Authority but report to USAID's regional Assistant Administrator.

The Country Team is a whole-of-government co-ordination mechanism involving the heads of all the US agencies present in the country. Most missions will also have a further set of working or technical co-ordination groups on specific themes or initiatives. Given the number of agencies active in US development co-operation, co-ordination will always be challenging. In South Africa, for example, there are 7 agencies and 268 staff working on PEPFAR, although not exclusively.[4]

There are, however, further complicating factors. Firstly, the ICS is only available to members of the US government and is not made public. The CDCS, on the other hand, is made public but only sets out USAID's development objectives and not those of the whole of government. As a result, partner countries do not have access to a single transparent, detailed or co-ordinated strategy that sets out US government development objectives over the medium term. This also makes it more challenging to ensure that all US government agencies are pulling in the same direction and exploiting synergies.

Secondly, many US government agencies operating in development co-operation have overlapping mandates. For example, in major sectors like health, several agencies may claim to have a comparative advantage, which can breed competition for resources rather than promote co-ordination.

Thirdly, the various US government agencies use different systems and procedures, and have different levels of predictability and transparency. The absence of a strong interface among these systems and approaches generates both internal inefficiencies and communication challenges with external partners, as seen in the case of PEPFAR in both Malawi and South Africa.

Authorisation and delivery requirements constrain flexibility

Despite the broad institutional progress noted above, system-related issues affect the efficiency and quality of US development co-operation. The large number of centralised programmes, initiatives and funding channels contribute to ever-growing budget lines that reduce organisational flexibility and responsiveness to emerging needs and priorities (Chapter 5 and Annex C). USAID's procedures are also burdensome and inflexible, which may be preventing further progress towards increasing the use of local solutions and reducing reliance on US private contractors (Chapter 5). Finally, as noted in several audits and reports, USAID is often reconciling a multitude of demands from other government agencies with which it shares foreign assistance resources (USAID, 2015c; Lundsgaarde, 2014; Tarnoff, 2015).

Adaptation to change

Indicator: The system is able to reform and innovate to meet evolving needs

The system – large as it is – has proven itself very capable to reform and innovate, change and adapt. In the case of USAID, both USAID Forward and the creation of the Global Development Lab epitomise this capability, also made possible through strong leadership. However, as with any reform process, there are lessons for the future in terms of prioritising and institutionalising change processes and innovative solutions.

USAID's reform has been positive overall; it now needs to consolidate

There was an urgent need to reform USAID when the new Administrator was appointed in late 2010 with a remit to make USAID the premier development agency. As noted above, giving USAID back its policy and budgeting function, and re-staffing, were the fundamentals and have now been put in place effectively.

The USAID Forward reform agenda has been well publicised and transparent. However, it has been driven by a set of largely top-down targets that have not always been effective – such as the 30% target for local solutions (Chapter 5). It is encouraging that USAID has the flexibility to make adjustments to these approaches when they do not work. This has also been the case for human resource reforms, where a series of quick fixes to the human resources system proved ineffective and have now been replaced with a more fundamental transformation process (see below).

There was clearly a risk in introducing change to USAID's business model – such as through the local systems framework – at the same time as restoring its capacity by recruiting large numbers of new staff. Reaching out to new partners has led to new design and procurement processes, which appear to have overwhelmed staff. In the Office of the Inspector General's 2014 survey, staff at all levels identified difficulties in developing and executing programmes because of more complex requirements (USAID, 2015b). A diffuse knowledge management system also complicates internal communications and learning (Chapter 6).

Overall, however, USAID can reflect positively on its organisational change over the last five years. A lesson for future change would be the need to carefully prioritise, sequence and communicate significant reform processes and new corporate initiatives, and ensure that staff are equipped to adopt them. It is clear that consolidating and institutionalising the reform process are now priorities for the current leadership.

USAID is "bending the curve" to find innovative development solutions

USAID has initiated a pioneering approach to innovation. In their own words, "we need to bend the curve on development solutions by applying the best modern tools, approaches, and innovations to tackle the toughest and most intractable challenges around the world" (USAID, 2015a).

USAID Forward gives priority to identifying and scaling up innovative, breakthrough solutions. Structures have been created – most notably the Global Development Lab – to finance and incubate innovation. Instruments have been developed to crowd in and co-create innovative solutions from diverse partners, including those in developing countries. These instruments include the Development Innovation Ventures, the Grand Challenges for Development, and the Higher Education Solutions Network. Many of them leverage considerable funding from non-US government sources (Chapter 1).

The Global Development Lab was launched by USAID in 2014 to source, test and scale up innovations that can help countries leapfrog major development challenges. It works across four areas — science, technology, innovation, and partnership. It has had over 10 000 applicants for innovation grants, 60% of whom had never before received USAID funding; 25% of Grand Challenge applicants come from developing countries. The Lab claims to have fostered over 420 development innovations in sectors such as food security, health, climate change, energy, and economic growth, improving the lives of over 24.5 million people. It also takes a whole-of-government approach – for example, the Fighting Ebola Grand Challenge was launched in November 2015 with the USAID Global Health Bureau, the White House, the Centers for Disease Control and Prevention, and the Department of Defense.[5]

Nevertheless, like most Development Assistance Committee (DAC) members USAID continues to face challenges in scaling up these innovative solutions. According to the annual performance review, in FY 2015 only 1% of US Global Development Lab innovations/technologies reached more than 1 million people, whereas the target was 10%. None of the innovations reached more than five million people (the target was 1%) (State Department/USAID, 2016). This might suggest that the Lab needs to work more closely with country missions to analyse constraints to scaling up, and to help disseminate these ideas where it is feasible and the demand exists.

Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

Following a period of significant fluctuation, USAID has maintained its staffing levels over the last three years. Turnover has created a relatively new workforce, but one that is respected in the field for its technical expertise and skills, including in fragile states. A number of initiatives aim to support locally engaged staff. However, a human resources system that is not fit for purpose is undermining USAID's ability to recruit, retain and develop the best talent. The new human resources transformation strategy has high expectations to meet.

USAID has restored its workforce and empowered local staff

Rebuilding USAID's human resource capacity was seen as a key challenge at the time of the 2011 peer review, when staffing levels were volatile (OECD, 2013). A sharp depletion in USAID staff numbers occurred at the beginning of the millennium, though numbers bounced back between 2003 and 2012 (Figure 4.1). USAID has more or less sustained its staffing levels over the last three years, despite the government-wide wage freeze between 2010 and 2014. In 2015, the agency had 3 603 permanent and non-permanent direct hire employees, including 2 007 in the Foreign Service (FS) and 1 596 in the Civil Service (CS). Additional support came from 4 495 foreign service nationals (FSN, or locally-engaged staff), and 1 119 other non-direct hire employees.[6] Of the entire workforce, 3 035 are based in Washington, and 6 376 are deployed overseas.

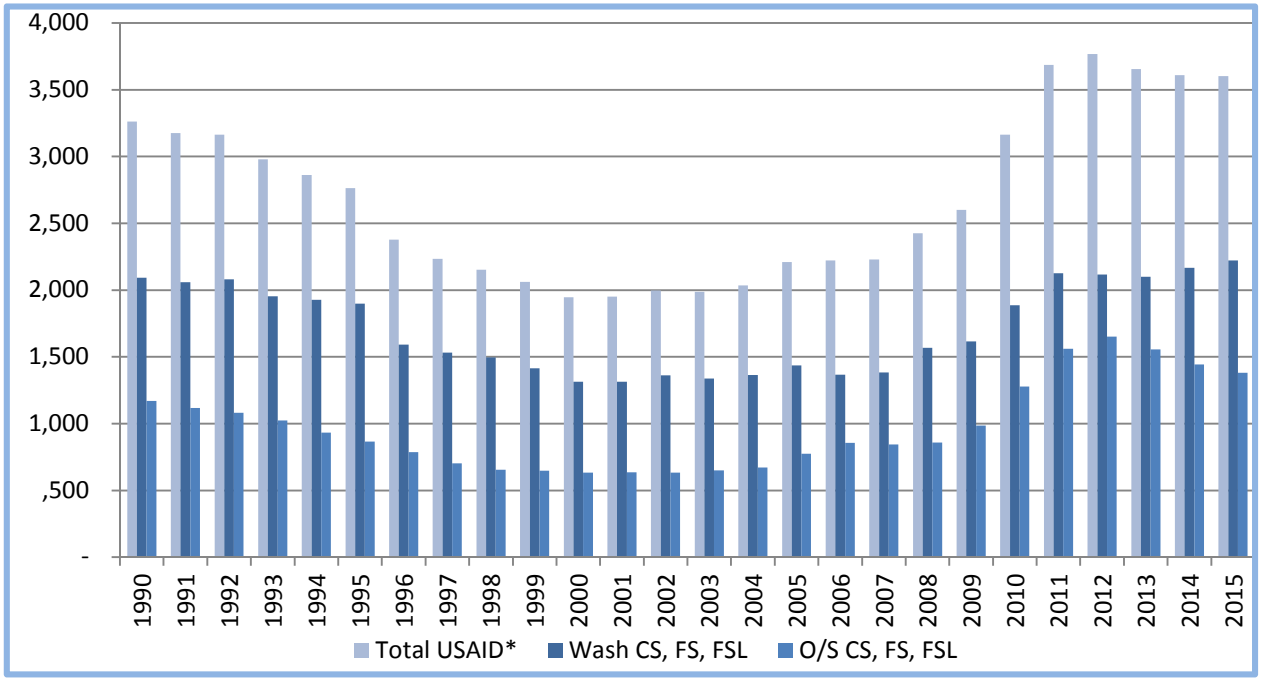
To restore its workforce, in 2008 USAID embarked on the Development Leadership Initiative, with the goal of doubling the Foreign Service workforce by 2012. This was successfully achieved. Such rapid recruitment, however, inevitably brings challenges. For one, approximately one-third of the Foreign Service workforce has been with USAID for less than five years, and about three-quarters for less than 10 years. The Office of the Inspector General (OIG) reports that USAID continually lacks experienced, highly skilled

personnel who are familiar with USAID guidelines, standards, and processes, for both programming and support functions (USAID, 2015b). Evaluations of the Development Leadership Initiative also show challenges related to on-boarding and training (Federal Management Partners, 2011).

Nonetheless, USAID is committed to "getting the right people in the right place, doing the right work, with the right skills, at the right time to pursue U.S. national interests abroad" (USAID, 2010). There has been some progress. USAID's technical expertise – in the field as well as Washington – is very well respected. The US also has a strong network of staff on the ground in fragile states, where partners report them to be competent, engaged and respected. Rather than deploying fragility specialists to these difficult contexts, USAID trains all its staff in conflict analysis and other relevant tools, ensuring a wider pool of staff for deployment. However, USAID staffing levels in partner countries are under the authority of the State Department (under National Security Decision Directive 38), which could restrict its autonomy in certain circumstances.

Local (FSN) staff numbers have remained steady over the last five years, at around 4 500. In 2014 USAID created the Foreign Service National Advocacy Council to act as an effective voice and strong advocate for FSN staff. The FSN Fellowship Program continues to offer professional developmental opportunities to allow FSNs to apply their technical knowledge and professional work experience in temporary rotational assignments. Since 2009, it has supported 215 FSN Fellowships and 47 Mission-to-Mission rotations. USAID also convenes worldwide FSN conferences, most recently in 2015. Despite these efforts, the career prospects of FSNs remain limited due to the classification of positions – which restrict local staff from occupying senior jobs – and a limited number of promotion opportunities.

Figure 4.1 USAID staffing levels, 1990-2015 (excluding FSN staff)



Note: Does not include Office of the Inspector General.
Source: USAID data

Both the Millennium Challenge Corporation and the Office of Private Investment Corporation run much smaller operations, with 279 and 259 employees respectively. Both – through their budget justifications to Congress – have repeatedly but unsuccessfully sought an increase in staffing to match their expanding operations and budgets.

USAID's human resources system is not fit for purpose and faces deep-rooted challenges

USAID has attempted a number of reforms and new strategies to improve the functioning of the overall human resources system. It introduced a five-year workforce plan in 2010 to better integrate budget and staffing considerations into management decisions (USAID, 2010).[7] It also introduced a Global Workforce Learning Strategy to strengthen employee knowledge, skills and resources (USAID, 2015d). It has reviewed the performance management system and has also developed a USAID Staff Care programme to improve the wellbeing and work-life balance of the entire workforce.

However, a recent assessment of the current state of human resources at USAID found that USAID staff and leaders feel the system is not fit for purpose – findings reinforced by the review team's discussions during headquarter and field visits.[8] It notes, for example, that (USAID, 2016):

- USAID has a clearly articulated mission, but has not identified the workforce attributes needed to achieve it. Hiring mechanisms are confusing and cumbersome, organisational structures are outdated, and the characteristics of the workforce are not entirely consistent with the agency's future direction.
- USAID suffers from an inefficient and disorganised human resources work flow, and an ineffective operating model.
- The current performance management systems are burdensome, do not provide staff incentives to improve performance, and are not tied to organisational priorities. There are also different performance appraisal programmes for different groups of employees.
- Training plans are narrowly constructed and rarely refer to individual learning and training plans, mission and bureau needs, or resources outside their respective unit. These fail to take advantage of potential synergies and cost savings.
- Employees feel a sense of division between Foreign and Civil Service employees, and direct and non-direct hires (particularly among minority employees), and a perceived lack of accountability and fairness.

In recognition that more fundamental change is needed, in June 2016 USAID launched a five-year, comprehensive package of human resources reforms known as the USAID Human Resource Transformation Strategy and Action Plan (USAID, 2016).[9] The plan acknowledges that previous attempts at reforms have been piecemeal quick fixes. It is therefore designed to achieve a fundamental shift in the way USAID supports the human resources and talent management needs of its current and future workforce. USAID management and staff have high expectations that this project will address the concerns outlined above. To be successful, it will need to be steered by senior figures in the organisation, be adequately resourced and involve staff in its execution – including FSN staff who represent approximately half of the entire workforce. The human resources system will need to learn the lessons of why previous reform efforts did not meet their objectives or were not well internalised.

Notes

1. See: www.usaid.gov/usaidforward.
2. Sixty out of 62 USAID missions have developed a CDCS. Fifty of these 62 missions have an Integrated Country Strategy.
3. The Office of US Foreign Assistance Resources (F) was established in 2006. Acting on behalf of the Secretary of State, F's role is to (1) provide leadership, co-ordination and strategic direction within the US government and with external stakeholders to enhance foreign assistance effectiveness and integrate foreign assistance planning and resource management across the State Department and USAID; (2) lead strategic, operational, and performance planning of United States' foreign assistance with a focus on aligning resources with policy priorities; (3) develop and defend foreign assistance budget requests and allocate State Department and USAID foreign assistance funding to meet urgent needs and new opportunities and to ensure long-term sustainable investments; and (4) promote good stewardship of foreign assistance funds by strengthening oversight, accountability, and transparency.
4. The Office of the Global AIDS Coordinator (OGAC) in the State Department was established in 2003 to oversee the implementation of PEPFAR. It convenes and arbitrates among US government agencies involved in implementing HIV/AIDS programmes, among which the Centers for Disease Control and Prevention and USAID are the most significant. OGAC then allocates implementation responsibility for the various elements of the PEPFAR strategy.
5. More information on the Global Development Lab, and the instruments, can be found here: www.usaid.gov/GlobalDevLab/about.
6. The Foreign Service Act of 1946, as amended in 1980, created the Foreign Service. Foreign Service Officers are appointed by the President, with the advice and consent of the Senate. They spend the majority of their careers overseas and are commissioned officers of the United States, available for worldwide service. Only US citizens may apply for a career in the Foreign Service. The work of the Civil Service is mainly based in the US. The Pendleton Civil Service Reform Act of 1883 and the Civil Service Reform Act of 1978 created rules and procedures for US Federal civilian employees. Under Executive Order 11935, only United States citizens and nationals may compete for competitive jobs in the Civil Service.
7. USAID's workforce planning process analyses various factors, such as programme funding levels, programme complexity, and required technical skills, to determine the appropriate staffing levels and mix needed to fulfil the agency's mission and implement foreign assistance in a cost-efficient manner.
8. The current state assessment was comprised of four components: a baseline document/data analysis, interviews and focus groups, an HR survey exploring work activities, and a leadership survey.
9. The Transformation Strategy and Plan has three objectives: to sustain efficient customer-focused human resources operations; to prepare the USAID workforce for today and the future; and to enhance the agency's culture and workplace.

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Chapter 5: United States' development co-operation delivery and partnerships

Budgeting and programming processes

Indicator: These processes support quality aid as defined in Busan

The US is committed to improving the quality of its aid. USAID places high priority on working with local actors, and responding to complexity, aiming to balance risk and reward. However, it continues to work mainly through US contractors and grantees, rather than through partner country systems. The programming cycle has improved effectiveness, but budget predictability and project procedures remain key constraints. The US could take inspiration from what the Millennium Challenge Corporation and President's Emergency Plan for AIDS Relief, with more permissive legislation, have been able to achieve in terms of predictability.

Effective aid is pursued in spirit

Some US development actors – most notably USAID, the Millennium Challenge Corporation (MCC) and Treasury – are making efforts to integrate the spirit, if not the letter, of successive aid effectiveness agreements. This was also noted by the evaluation of the Paris Declaration (USAID, 2011a) and the last peer review (OECD, 2013). Other US government agencies continue to struggle to adhere to these principles, however, and do not issue or receive adequate guidance for staff.

Predictability is compromised by the budgeting process

The annual budget appropriation process through Congress does not allow for multi-year predictability. This means that USAID cannot provide partners with multi-annual commitments without the caveat "subject to availability of funds", like most other DAC members. Predictability is also compromised by the frequently late approval of budgets in Congress and the late arrival of funds, creating uncertainty for programming in partner countries. Furthermore, amounts allocated by Congress often differ widely from the amounts requested in the President's budget, which draws from annual mission requests from each partner country.[1]

There are notable exceptions, however. MCC funds are segregated within the foreign assistance budget, and it is authorised to make multi-year commitments in the form of five-year compact agreements, with an agreed disbursement schedule based on performance. Certain Presidential Initiatives with separate legislation are also more predictable – PEPFAR in South Africa, for example, provided a non-binding, five-year budgeted framework arrangement. The US government was also able to be flexible in this arrangement by reversing the decision to cut the budget in face of continuing need and commitment from the government of South Africa (Annex C).

To some extent, the Country Development Co-operation Strategy (CDCS) process works around some of the predictability constraints, enabling missions to justify budget requests against a strategic, medium-term outlook and results framework, though in the absence of a final five year budget. However, in reality, Congressional directives[2] and Presidential Initiatives – which have to be included in the mission resource requests – consume the lion's share of the budget, leaving missions very little flexibility to programme differently.

This was observed during the Peer Review team visits to both Malawi and South Africa (Annex C). In the FY 2015 Foreign Operations appropriations legislation, for example, Congress provided funding levels amounting to approximately USD 12.5 billion — mostly to be implemented by USAID — which are likely to account for more than two-thirds of its programme budget for the fiscal year. This can lead to missions basing their annual resource requests on the areas that are likely to be funded, rather than on partner country priorities or evidence in their CDCSs (USAID, 2015a).

The Global Partnerships Act of 2013 – currently stuck in the legislative process – would give US embassies and USAID missions in partner countries a central role in planning, budgeting, and decision making on foreign assistance to those countries. This provision, if passed, would potentially make a significant difference to USAID's flexibility and authority to drive development partnerships in the field.

USAID tries to programme according to context, within existing constraints

The dominance of Washington-based directives and initiatives inevitably hinder the alignment of US programming with country priorities. Presidential Initiatives will often focus on countries where the need is the highest (see Box 2.1, Chapter 2), yet sudden changes in emphasis in these initiatives do not necessarily chime with the needs or context in a country (as happened with PEPFAR in both Malawi and South Africa).

In response to this challenge, the complexity and multi-dimensional nature of development, and the need to align with country plans, USAID is increasingly seeking synergies among the range of activities required by the different Presidential Initiatives and Congressional directives: "our activities across sectors must work together more effectively and strategically in pursuit of fewer overall goals. This requires that programme and project design and CDCS give careful consideration to integrated approaches" (USAID, 2011b). The Malawi programme's emphasis on working locally and multi-sectorally in focus districts demonstrates this approach in practice (Annex C).

USAID also bases its programming on strong context-based analysis and consultation. Its sector-based interventions, for example, are subject to landscape analyses – similar to MCC growth diagnostics (Chapter 2). An emphasis on adaptive management is gradually being introduced into USAID's approach, enabling staff to be more nimble in responding to changing circumstances.

The local systems framework holds promise, but ownership and sustainability effects need to be tested, and reliance on US contractors reduced

As part of a 2010 procurement reform, USAID set a target that by 2015 30% of mission programme funds should be implemented through local actors in order to enhance local ownership. USAID did in fact miss the 30% target; however, resources through local actors (not including qualifying trust funds or cash transfers) have nearly doubled since FY 2010 to reach 18.6% of mission funding in 2015. Over 1 970 local entities across 78 countries and regions received programme funding in 2015 (Dunning, 2016).

Over time, USAID has recognised that this was an unhelpful inward-looking input target that did not reflect well the focus on local solutions and systems, ownership and sustainability. In 2014, USAID published a policy framework setting out a more comprehensive approach to local systems in order to achieve:[3] "development that is locally owned, locally led and locally sustained" (USAID, 2014). The aim is to support local systems, or those interconnected sets of actors — governments, civil society, the private sector, universities, individual citizens and others — who together work towards a particular development outcome. This focus has demanded greater attention to risk (see below) and results (Chapter 6).

With the exception of government-to-government assistance, the local systems framework is being applied in South Africa with the extensive use of local civil society and private sector actors. It is also being applied opportunistically, in different countries, to tackle sensitive issues or create pressure for change. For example, the *SolucionES* alliance in El Salvador has allowed productive collaboration between the local private sector and the Salvadoran government, in spite of a certain level of historical tension.[4] The same is true of USAID's support to the Business Leadership Initiative in South Africa.[5]

It is too early to assess progress against whether the local systems framework is leading to a more sustainable approach. However, audits by the Office of the Inspector General (OIG) continue to find that planning for phasing out of projects is inadequate. Of the audit reports issued by OIG for the last three fiscal years, 23% contained recommendations to do more to ensure sustainability (USAID, 2015b). There is also room for improvement in MCC: Government Accountability Office reports on completed compacts question the sustainability of some MCC-funded initiatives (Tarnoff, 2016), despite the creation of Millennium Challenge Accounts, which are intended to build local capacity for the long term.

Furthermore, it appears that government-to-government assistance is no longer an important component of the local systems approach – government-to-government assistance declined from USD 929 million to USD 327 million between fiscal years 2010 to 2014 (GAO, 2015). A large share of this goes to Afghanistan and Pakistan. The US is therefore not using partner country government systems extensively and may also be missing opportunities to build the capacity of country systems (see Chapter 5). In fact, the top 20 implementers of USAID funding in 2015 were all US-based organisations, accounting for 70% of the total USAID spending for obligated contracts (up from 67% in 2014) (Orlina, 2016).[6] This stands in contrast to the clarion call in USAID to reduce large contracts to large US firms.

Several commentators and reviewers have pointed to the need to now measure the effects of the local solutions and systems endeavor across the portfolio, not just for individual activities. This would involve identifying additional indicators and measures of success, and conducting ex-post evaluations (Dunning, 2016; GAO, 2015; Save the Children, 2014). The relative contribution of government-to-government assistance – and its effects on ownership and sustainability – could also usefully be assessed.

US government procedures are overwhelming for staff and partners

The programme cycle approach has been well internalised by USAID missions and staff, and the 200 series of the Automated Directives Systems (ADS) is a useful – and constantly updated – one-stop-shop for all rules and procedures. The local systems framework is progressively being embedded in both. As an example, guidance, tools and training are being developed to help staff measure and develop organisational capacity, which is critical for effective partnerships and sustainability.[7]

However, US government procedures remain complex and cumbersome, particularly procurement procedures for all the main US actors. Reporting systems and requirements place a heavy burden on staff and partners alike (Chapter 6). Design and approval processes are also lengthy for most agencies, including MCC – which takes two years to design their compacts – and PEPFAR. Added to this, US government agencies all have different systems and procedures that do not tend to mesh well with one another (Chapter 4). The combined effect of this is that the entry costs into partnerships, particularly for non-US organisations, are often prohibitive.

The introduction of the Project Appraisal Document (PAD) – wrapping together several of USAID's main assistance modalities of contracts, co-operative agreements and grants in one project framework – has supported a more strategic results focus. However, missions still manage hundreds of funding mechanisms (contracts or awards) at any one time, particularly with the expanded pool of partners. This can also overwhelm staff (Chapter 4).

The US is attempting to balance risk with development rewards

US practices have not yet caught up with the progressive approach to risk identification and management set out in policy documents. USAID is attempting to balance multiple realities in establishing an agency-wide approach to risk – a strong control environment, particularly for fiduciary risk; rigid and often burdensome procedures; and, at the same time, a commitment to work with more diverse, potentially riskier, partners.

US work in Afghanistan and Pakistan embodies this challenge. The US government is working with local entities in both countries, including in several large government-to-government programmes. This is in line with the local systems framework, which states that USAID should "take better account of rewards as well as risks […] to better enable us to direct our resources where they are most likely to catalyse sustained development" (USAID, 2014). However, OIG audits found that fiduciary risk mitigation was inadequate for the local approaches in these two countries (USAID, 2015b). USAID has responded through continued guidance, sensitisation and training for all staff.

The local systems framework suggests that USAID develop a risk management approach that assesses risks in conjunction with strategic objectives, consider both risk and rewards rigorously and comprehensively, and integrate risk seamlessly into the programme cycle (USAID, 2014). In this context, risk refers to contextual, reputational, programmatic, security and fiduciary risks. The Quadrennial Diplomacy and Development Review also commits the State Department and USAID to work collaboratively to strengthen approaches to risk management (State Department, 2015). Turning these commitments into reality, including through continued sensitisation of Congress, would enable US development co-operation to continue to push boundaries and enhance the transformative potential of US resources for development.

Modest progress is being made to untie aid

Between 2005 and 2014, the US government almost doubled the percentage of total bilateral assistance that is untied, from 32% to 62.5%. The recent trend is also towards more untying, although the US remains very far below the DAC average of 79% of ODA untied (OECD, 2015a).

USAID procurement and food aid reforms demonstrate good intentions and some limited signs of progress. Revisions to the procurement regulations in 2012 mean that USAID no longer requires the US to tie aid to domestic manufacturers' products – with some notable exceptions that include food aid (see Chapter 7), motor vehicles and US-patented pharmaceuticals. Source and nationality provisions open the field to suppliers from any developing country.

Conditions are linked to actions or key concerns

The US government makes its support to partner countries dependent on certain conditions. This conditionality may take several forms. US law and policy requirements make applicable certain conditions for US assistance to partner countries, such as those related to terrorism. The US also uses some assistance models that disburse funds to governments once certain agreed conditions are met – such as when the government performs a certain activity or completes certain policy reforms agreed to by the US and the partner country governments. In this way, the US can continue to use conditions strategically to support improvement in development policies and results.

MCC's selection criteria are intended to provide incentives for countries to reform policies, strengthen institutions and improve data quality in order to boost their performance on MCC's scorecard. By the same token, serious contraventions or deteriorations in performance can lead to funding suspensions – there have been seven such suspensions in the history of MCC, mostly related to governance issues (including in Malawi). The recent suspension of the Tanzania II Compact that was in development was the first by MCC in four years.[8]

Partnerships

Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies and enhances mutual accountability

A partnership approach is up front in the revitalised USAID. This extends to a broad range of global, regional, national and local actors and alliances. USAID could usefully capture and share its lessons with the international community. The toolbox for engaging with private sector partners is especially impressive; though less so for civil society. The US will also need to take care that it is positively reinforcing mutual accountability with partner country governments.

The US has an ambitious and varied partnership agenda

The US works through partnerships more than ever before. "Partnership is not just a buzzword for USAID. Our mission statement places a commitment to partnership up front – a recognition that achieving our ambitions requires collective action" (USAID, 2011b). By way of illustration, the US is extending its traditional approach by:

- increasingly partnering with a network of local actors – including governments, civil society and private sector – as part of the local systems framework (see above)
- partnering with a number of governments in the form of triangular co-operation – for example in South Africa
- partnering with a range of actors to empower and defend civil society (see below)
- partnering with the private sector to leverage capital and know-how for development results (Box 5.1)
- partnering with other donors through joint programming and delegated co-operation, through multi-donor trust funds hosted by multilateral organisations, and globally on initiatives such as the Effective Institutions Platform[9]
- working through and leading multi-stakeholder initiatives, such as the Addis Tax Initiative[10] and the Open Government Partnership.[11]

The US is well placed to reflect and learn from these partnerships, and to disseminate lessons to its varied partners on establishing, managing and maximising partnerships for development results. Organisationally, also, there are lessons for other donors on how to – or not to – resource and co-ordinate partnerships (see Box 5.1, for example).

Two-way accountability goes only so far

The Presidential Policy Directive-6 (PPD-6) states that "we must hold accountable all countries to which the United States provides assistance, including those to which we have provided substantial assistance over years or decades" (White House, 2010). However, in terms of accountability towards partner countries, the US itself is constrained by its lack of a common development strategy (Chapter 4), budgetary flexibility, predictability (see above), and its approach to results measurement (Chapter 6). For example, it is constrained from forging a division of labour given that much of its funding is associated with central initiatives.

In general, the impression is that the US government could strengthen accountability towards partner countries – notwithstanding its encouraging emphasis on broad-based, country ownership and efforts towards increased transparency as noted in Malawi and South Africa (Annex C).

Box 5.1 Private sector engagement: Lessons from the United States

The US has a broad toolbox for working with the private sector that can be applied to address different development challenges. This has created an innovative and complementary approach that effectively leverages capital and know-how for development results. Four key lessons, *inter alia*, from the US experience have been highlighted in a recent DAC peer learning exercise on private sector engagement:

Lesson 1: Development objectives and desired results should determine the selection of partners. US partnerships with the private sector involve co-investment of resources to achieve shared objectives. They increasingly link to the core business interests of private sector actors, premised on principles of "shared value." These are the partnerships that are the most sustainable. The shared value premise has allowed the US to work with the private sector in all sectors, including those addressing social outcomes such as health, as shown by the Helping Babies Breathe Initiative.[12] This approach presents further opportunities to harness changing attitudes and business practices towards increased social and environmental responsibility. But public agencies must be willing to take risks if they want to encourage the private sector to do the same. They must also be prepared to address the challenges that exist for private sector partners seeking to work with public institutions, such as heavy bureaucratic processes.

Lesson 2: Do not underestimate the time and resources needed to mainstream private sector engagement throughout agency portfolios and ensure that staff have appropriate skills and capacities.
Private sector engagement is now strongly institutionalised across US government agencies, and embedded in strategies and programming portfolios across all bureaus. However, it can be time and resource-intensive for government agencies. It is important to ensure that there are sufficient staff with the right capacities in the right places for effective engagement at headquarter and field level. In this regard, agencies can recruit directly from the private sector and/or develop systems for continued training and skills development to build internal capacity. The US review showed that soft skills and relationship management were key ingredients for effective private sector engagement. Another challenge is ensuring that initiatives that originate at headquarters have sufficient buy-in at the country level: government agencies have to engage with country teams (and partners) in the development of initiatives, use incentives such as funding and build capacity in countries.

Lesson 3: Harness the financial and non-financial contributions government can make to private sector engagement initiatives, and develop a coherent mix of engagement mechanisms. Government agencies have an important leveraging effect through financial tools used to engage the private sector, such as guarantees and grants. The non-financial contributions of governments are equally important. Governments send important signals to the private sector and others, and play a

role in convening stakeholders across sectors. They signal to the business community priority issues (for example, the Power Africa initiative signalled a US government focus on energy). They also signal to other stakeholders that a company has been vetted by the US government and is a credible partner. Other non-financial tools such as policy dialogue and technical assistance can equally be harnessed to address development challenges coherently and encourage private sector involvement (e.g. improving the business enabling environment). A variety of tools allows for working with different types and sizes of private sector partners – not least the local private sector in partner countries – whose capacities vary.

Lesson 4: Create spaces that encourage individuals to innovate and work together to find solutions to complex challenges.
Broad Agency Announcements,[13] amongst other mechanisms, are procurement tools used by USAID to collaborate and promote innovation with the private sector and other organisations for development challenges without clearly defined solutions. Under this approach, the private sector is encouraged to co-define problems and co-create solutions with government. Universities and research institutions can also be valuable research and development partners, and help develop innovations which can then be taken to market or used to inform private sector engagement activities. For example, the US Feed the Future initiative allocates 15% of its resources to universities to support research and development.

Source: OECD (2016), *Private Sector Engagement for Sustainable Development: Lessons from the DAC,* OECD, Paris, http://dx.doi.org/10.1787/9789264266889-en..

The civil society strategy has improved, but partnerships could be deepened

The US government outlook and outreach towards civil society – both American and developing country – have become more strategic since the last peer review. In 2013, Stand with Civil Society was launched – a global call for action to support, defend, and sustain civil society amid a rising tide of restrictions on its operations globally. In 2014, President Obama deepened US commitment to this policy by issuing a Presidential Memorandum to US agencies engaged abroad. The memorandum directs US agencies to defend and strengthen civil society abroad by:

- consulting regularly with civil society organisations (CSOs) to explain the views of the US government, seek their perspectives, use their expertise and build strong partnerships to address joint challenges
- resisting efforts by foreign governments to dictate the nature of US assistance to civil society, the selection of individuals or entities to implement US government programmes, or the selection of recipients or beneficiaries of those programmes
- opposing efforts by foreign governments to impose excessive restrictions on freedoms of expression, peaceful assembly and association
- creating opportunities for exchange and dialogue between governments and civil society.

The US is also working with partners to support and connect civil society actors, regionally (e.g. Regional Civil Society Innovation Centers)[14] and in partner countries (e.g. *localworks*).[15] In addition, within the US system, the Advisory Committee on Voluntary Foreign Aid consults with, provides information to and advises USAID and other US agencies on matters and issues needing attention across a wide spectrum of development issues. USAID also regularly consults non-government organisations (NGOs) on policy documents, although some feel that this consultation comes late in the actual decision-making process.

In terms of funding relationships, USD 6.7 billion of bilateral ODA was channelled to and through CSOs in 2014. This volume has remained relatively stable in recent years,[16] as has CSOs' share in bilateral aid (23.6% in 2014). This share was higher than the 2014 DAC average of 17.4%. However, over 80% of this funding in 2014 went to US CSOs. All funds went through rather than to CSOs (OECD, 2015b). This is perhaps symptomatic of a widely-held belief amongst NGO partners that they are implementing agents or contractors rather than strategic partners. They feel that NGO experience and expertise could be used more effectively – with a broader set of funding instruments, and lower entry costs into partnerships – in a similar way to private sector partners.

Fragile states

Indicator: Delivery modalities and partnerships help deliver quality results in fragile states

The US adheres to the New Deal for Engagement in Fragile States, and has put in place safeguards that help ensure that its country strategies in fragile situations are conflict-sensitive, risk-informed and realistic. There is a broad cross-government toolbox – including defence, diplomatic and development solutions – that can be deployed in these challenging environments. The local systems framework has the potential to be an extremely effective policy tool in fragile situations, but outside of Pakistan and Afghanistan it has often been interpreted narrowly (see above), resulting in working primarily with non-state actors and strengthening parallel systems. A refined approach to local systems in fragile states would be useful – including strengthening country systems and national actors, even if finance is not provided government to government. More needs to be done to manage rather than avoid risks in fragile contexts. Strategic patience is required to encourage stability and statebuilding rather than responding to pressure to demonstrate short-term results. The US has set up a taskforce to develop ideas for improving effectiveness in high-risk security situations. This is encouraging as current restrictions on staff travel and field presence are limiting the scope for properly understanding, managing and monitoring programmes.

Security rules for staff hinder fragility and conflict assessments

Missions in fragile states use the same standard process for designing an Integrated Country Strategy (Chapter 4), and there are safeguards, such as the requirement to undertake fragility and conflict assessments, to ensure that strategies are conflict-sensitive, risk-informed and realistic. Fragility and conflict assessments are systematically part of strategy design, which is good practice. However, staff working in high-risk security situations (known as "non-permissive environments") often have to respect tight restrictions on travel and field presence, limiting the effectiveness of these assessments and the scope for properly understanding, managing and monitoring programmes. The US also has an internal risk alert system that monitors the risk of political instability and conflict; this allows USAID country and headquarters staff to critically review the balance of investments and may trigger a conflict-analysis or other analytical processes to adjust programmes (OECD, 2016). Finally, to ensure flexibility, USAID has revised its programming procedures to support managing adaptively, through shorter and more flexible strategies, project designs that are more nimble and responsive to changing contexts.

Co-ordination with other actors mostly involves information sharing; the US works mostly with non-state actors

The US's PPD-6 encourages synergies and co-ordination with other bilateral donors, the multilateral development banks and other international organisations (White House, 2010). However, this does not always play out in practice. USAID's local systems framework (see above) has the potential to be extremely relevant and useful in fragile situations. This is because it recognises how the different elements of the system – including governments, but also civil society, the private sector, and individuals – interact and contribute to development. It thus promotes programming that strengthens the capacities of a range of inter-connected local actors. However, as the peer review team found in Malawi (Annex C) and in other situations (see above), local solutions can be interpreted very narrowly in certain contexts, with country programmes often working primarily with non-state actors, with the notable exceptions of Pakistan and Afghanistan. The risk is that this primarily strengthens parallel, non-state systems for service delivery that are wholly dependent on US financing, potentially undermining longer-term state building goals. This approach has also discouraged support to programme-based approaches and other tools that increase coherence. Therefore, a refined approach to local solutions in fragile states would be useful – including strengthening country systems and national actors, even if finance is not provided government to government.

Tools in fragile states are diverse and innovative, but pressure for quick results can hinder long-term efforts

The US approach to fragile states involves the use of a range of defence, diplomacy and development tools to deal with these challenging environments. Usefully, the Millennium Challenge Corporation also gets involved, making major catalytic investments in what they term "frontier markets" using investment criteria that include good governance (Chapter 2).[17] Other innovative tools include cash-on-delivery, such as for health sector support in Liberia.[18] However, the US lacks a good system for managing, rather than avoiding, risk in fragile contexts. As the USAID Administrator acknowledges, change in fragile environments requires strategic patience and managing the expectations of administrations, Congress and the media.[19] However, there is often – especially with Congressional directives – pressure to demonstrate short-term results. This pressure can mean missing the wider opportunities to provide the right long-term incentives for stability. The US has set up a taskforce to look at how to improve effectiveness in these situations; this work is timely and is to be encouraged.

Notes

1. Missions are required to submit annual resource requests. These are quality assured by the regional and functional bureaus, consolidated by the Office of Budget and Resource Management and submitted to F Bureau for further consolidation into an integrated State/USAID Congressional Budget Justification. At this point, budgets are submitted to the budgetary arm of the White House, the OMB, and onwards through the appropriations process, before being signed off by the President. Upon appropriation of funds, USAID develops an allocation plan for USAID-implemented resources noting how it intends to meet Administration priorities and Congressional interests. This is then translated into mission-level operational plans. The process for each fiscal year typically takes two years. For more information on the federal budget process, refer to: www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/concepts.pdf.

2. Congressional directives for how funding should be spent shape what programmes and projects are possible.

3. USAID's focus on local systems is rooted in the reality that achieving and sustaining any development outcome depends on the contributions of multiple and interconnected actors. Building the capacity of a single actor or strengthening a single relationship is insufficient. Rather, the focus must be on the system as a whole: the actors, their interrelationships and the incentives that guide them.

4. For more information on *SolucionES*, see: www.usaid.gov/sites/default/files/documents/1862/Fact%20Sheet%20-%20SolucionES%20%20(July%202015).pdf.

5. For more information on Business Leadership South Africa, see: www.businessleadership.org.za/home/?&re=1.

6. Across USAID in FY2015, contract funding reached USD 4.8 billion – a USD 1 billion increase from its 2014 total.

7. See: http://usaidlearninglab.org/library/measuring-organizational-capacity and http://usaidlearninglab.org/library/training-organizational-capacity-assessment.

8. MCC suspended USD 472 million of funding for a Tanzanian electricity project after serious governance concerns were raised over elections in Zanzibar.

9. The US is a founding member and has been co-chair of the Effective Institutions Platform (EIP) since its inception at the Busan High Level Forum in 2011. The EIP is an innovative peer learning platform on institutional reform, whose Secretariat is currently hosted by the OECD and the UNDP Centre for Global Public Service Excellence in Singapore. The EIP's vision is to support members to implement the New Consensus on Effective Institutions, endorsed by 50 countries and organisations. EIP is a growing platform, with over 60 countries and organisations including OECD members, as well as middle and low-income countries.

10. The Addis Tax Initiative (ATI) is a new partnership to help developing countries better mobilise and effectively use their own domestic resources to achieve the Sustainable Development Goals by building developing countries' capacity to finance their own development.

11 . In 2011, President Obama joined seven other heads of state to launch the Open Government Partnership (OGP), a global platform that has since grown nearly 10-fold to include 69 member states that have made over 2 000 commitments to open government globally.

12. Helping Babies Breathe (HBB) is a country-led initiative that develops and implements evidence-based healthcare practices to decrease neonatal mortality due to birth asphyxia in low-resourced countries. HBB is part of USAID's Global Development Alliance and involves many private sector partners that provide funds and training for birth attendants: www.helpingbabiesbreathe.org.

13. For more information, see: www.usaid.gov/partnership-opportunities/respond-solicitation/broad-agency-announcements.

14. As part of this initiative, up to six networked Regional Civil Society Innovation Centres will be created worldwide. These centres will: (1) connect CSOs at the regional and global level to each other, new partners, and resources; (2) encourage peer-to-peer learning; (3) provide CSOs and their networks with virtual and physical platforms to access tools and technologies that will bolster their work and (4) amplify civil society voices around the world.

15. The purpose of *localworks* is to promote the capacity for locally-owned and led development by strengthening networks of local development actors and increasing their access to local resources. Each year, *localworks* will provide three to five missions with the financial, technical, and human resources to create bridges between key local actors: www.usaid.gov/partnership-opportunities/ngo/localworks.

16. It increased by 4.2% between 2013 and 2014, after a significant decrease in 2012.

17. An overview of MCC investments is available at www.mcc.gov/where-we-work.

18. USAID established a FARA with the Government of Liberia in 2011 in an effort to channel its support to the health sector through local systems. The FARA is a form of "cash-on-delivery" aid, whereby the government is reimbursed on completion and verification of a specified set of activities or outputs. FARAs manage fiduciary risk by transferring it to the implementing partner, who is obliged to risk their own capital. Early feedback from implementation of the FARA in Liberia indicates the need for a high level of engagement between USAID staff and government counterparts, particularly in the initial stages. This poses "significant challenges for USAID/Liberia staffing and program management capabilities" (USAID, 2013).

19. Refer, for example, to remarks on US Leadership in International Development available at www.usaid.gov/news-information/speeches/mar-9-2016-administrator-gayle-smith-us-leadership-international-development.

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Chapter 6: Results management and accountability of US development co-operation

Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

The current US administration has developed a strong focus on results. US policy documents establish and report on outcomes, as well as outputs. USAID is also seeking to reflect its local systems approach in its results measurement, but no agency yet has plans to align results with the Sustainable Development Goals (SDGs). Mandatory tools for managing programmes support the focus on results and their use in informing budgets and decision making. However, the results system is complex and burdensome – with too many indicators, too much reporting and too little alignment with partner country results.

US focus is on ambitious and lasting results

President Obama's Government Performance and Results Modernization Act of 2010 has established the basis and conditions for a stronger focus on results in US development co-operation.[1] In one of the final achievements of the current administration, the newly passed Foreign Aid Transparency and Accountability Act underscores and sustains this emphasis into the future (see below).

A commitment to development results has been at the heart of USAID policies, reforms and Presidential Initiatives over the last five years. Results are increasingly targeted at the level of ambitious outcomes and impact, rather than outputs alone, which is a positive development since the last peer review. The USAID policy framework 2011-15 (USAID, 2011a) sets out a limited number of expected results, both quantitative and qualitative, across its seven core development objectives (Chapter 2). An example is halving the burden of malaria for 70% of the at-risk population in Africa through the President's Malaria Initiative. The State-USAID Strategic Plan 2014-17 establishes additional performance goal statements (State Department/USAID, 2014).

Through its local systems framework (Chapter 5), USAID has committed to broadening its results architecture so it can track its contributions to the strength and sustainability of local systems. In doing so, USAID openly recognises the challenge – which it has not yet overcome – of creating a "results architecture that keeps attention focused simultaneously on outputs and outcomes and on the condition of the system that will produce those outputs and outcomes over time" (USAID, 2014).

US development actors have not yet formulated plans for aligning this overarching results focus and approach with the SDGs, and it is not yet clear how they intend to do this in the next phase of policy planning (Chapter 2).

The shift towards managing for results is clearly visible in US programming tools

In practice, USAID's programme cycle approach (Chapter 5) has enabled a number of results-based management tools to emerge, including the Country Development Co-operation Strategies (CDCS) results frameworks, the Performance Management Plan and the annual portfolio reviews.[2] All of these measures are designed to influence decision making and resource allocation in the missions. Regional and Sector Bureaus also play a role in highlighting the links between resources and results through the budgeting process.

Likewise, the State Department has instituted a managing for results framework, for the first time putting bureau and mission strategic planning before the budgeting process so that budget requests are informed by and support evidence and results. A recent evaluation of this framework, however, found that inconsistent leadership, insufficient guidance and integration, and the absence of a change and communications strategy are affecting its organisation-wide impact (State Department, 2015a).

A focus on results is one of the core principles upon which the Millennium Challenge Corporation (MCC) was founded, and remains so 12 years later.[3] It uses common indicators to aggregate results across countries for certain sectors. MCC is also now experimenting with results-based financing in a few of its compacts.

Results-based management is compromised by data quality and use challenges

The results focus of the three agencies outlined above has been accompanied by a similar focus on data-driven approaches that have fostered some good practice and innovation. USAID's GeoCenter, for example, aims to improve the effectiveness of programmes by assessing the geographical areas in which resources are likely to maximise impact.[4] Similarly, expanding site-level data collection and analysis across the entire President's Emergency Plan for AIDS Relief (PEPFAR) initiative has improved geographic mapping of the HIV epidemic at a local level and supports decision making to strengthen programme impact and efficiency.

The MCC uses data to select projects, partly by analysing projected economic rates of return (ERR). Closeout ERRs are now also calculated at the end of projects to show how the ERR has changed over the course of a project.[5]

Significant challenges remain in results measurement, however, particularly for USAID:

- The State Department and USAID use approximately 200 standard indicators (recently reduced from over 500),[6] and many more custom indicators. The peer review team observed during the field visits that missions are operating with – and have to report on – an excessive number of indicators, the utility of which is not always clear. Furthermore, the sheer number of indicators inevitably moves the US government away from existing partner country indicators and data sources, leading to the creation of parallel systems and data gathering methods. The SDGs offer an opportunity to drive stronger prioritisation of indicators and coherence with partner countries' results frameworks.
- While USAID puts emphasis on data quality, there are challenges in controlling the quality of data inputs, for example from implementing partners. Inaccurate and overstated performance data are recurring themes in audit reports (USAID, 2015a). Further, USAID only requires missions to conduct data quality assessments[7] on the data reported to Washington, which brings into question the utility of such assessments for missions themselves and therefore the incentives to improve data quality.

- USAID requires quarterly reporting for almost all interventions. Taking into account the frequency of reporting and the large number of indicators, in addition to the reporting required through several portfolio plans and reviews, the performance monitoring architecture is burdensome for staff and partners. It also creates a transaction and compliance-based approach, rather than a results-based approach in which data are strategically collected and used to correct direction or improve decision making.
- Monitoring of results in fragile situations is often severely constrained by security and travel restrictions. The US is looking for solutions, such as using contractors and mobile phones for monitoring; this is to be encouraged, as is sharing useful approaches with other DAC members facing similar challenges.

The Quadrennial Development and Diplomacy Review 2015 commits USAID to establishing a development information solution (DIS) to "harness data for decision making, improve efficiencies across the entire programme cycle, and connect management information from strategy to results" by 2020 (State Department, 2015b). The DIS is intended to integrate USAID's corporate systems, allowing it to better track its investments through to results. The DIS is therefore potentially an important link between the systems of results monitoring and the use of results information for strategic decision making, programming, learning and insight. It is not yet clear, however, how the DIS might assist USAID to tackle the challenges set out above.

Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

USAID, MCC and the State Department's evaluation policies have helped improve the quantity and quality of evaluations in US development co-operation. From different starting points, each has made strides in building an organisational culture in which staff know why evaluations are important, are encouraged and trained to conduct and use them, and can learn from each other. USAID's approach provides extensive coverage and use of evaluations, but could still improve on partnerships and the focus on learning.

Evaluation policies are well embedded, and a culture of evaluation is being built

As part of the government-wide emphasis on performance and evidence, US development co-operation actors have improved their evaluation policies and practices:

- The 2011 USAID evaluation policy – overseen by the Office of Learning, Evaluation, and Research (24 staff) in the Bureau for Policy, Planning and Learning (PPL) – strategically locates evaluation in USAID Forward reforms (Chapter 4), the programming cycle and the knowledge management system (see below; USAID, 2011b).[8]
- Evaluation has long been at the heart of MCC's commitment to accountability, learning, transparency and evidence-based decision making. All projects are independently evaluated, both for performance and impact.
- Evaluation is a newer discipline for the State Department, and its evaluation coverage is less ambitious, but is associated with the managing-for-results cycle.

USAID evaluation activity is heavily decentralised, with each mission producing annual evaluation inventories and appointing an evaluation focal point. The Office of the

Inspector General found that operating units generally comply with most of the evaluation policy provisions (USAID, 2015b). The review team found the same in Malawi and South Africa.

The decentralised approach means that there is no agency-wide evaluation plan. PPL is an institutional source of guidance, support and quality assurance. It also, along with other central bureaus, undertakes occasional thematic or meta-evaluations to generate recommendations on a range of agency priorities, policies and practices. These include evaluations of sector strategies, aid effectiveness commitments and human resource reforms (Chapter 4), as well as evaluation practices themselves. Given the considerable size of the portfolio for collaborating with the private sector, USAID could usefully complement its tracking of finance leveraged (Chapter 1) with more assessments and evaluations of impact.

As part of continued efforts to build an evaluation culture, PPL also co-ordinates evaluation training which has reached over 1 600 USAID staff since 2011. The F Bureau similarly organises training within the State Department. USAID has several monitoring and evaluation communities of practice, including the Evaluation Interest Group which holds discussions on evaluation methods and practice. The 240 staff formally designated as points of contact for monitoring and evaluation in their operating units meet every month to share common challenges and solutions. Both USAID and the State Department also convene international events, such as the Evaluation Forum hosted by the State Department in 2015.[9]

USAID could partner more in its evaluations

USAID does not emphasise the independence principle in its evaluation policy and practice as rigidly as other DAC members, reserving the right to involve staff in conducting evaluations, for example. However, there are checks and balances to ensure evaluations are unbiased – such as the requirement for external team leaders, peer reviews and conflict of interest disclosure. All MCC and State Department evaluations are conducted independently.

Over 200 000 programme-related documents, including evaluations, can be downloaded from the Development Experience Clearinghouse (DEC), and users can access a mobile application which, with one click on a map, pulls up all country-based evaluations instantaneously.[10] USAID met its own target of publishing 80% of USAID-funded evaluations online in 2015. As of July 2016, 91% of evaluations completed in FY 2015 had been published on the DEC. The State Department also has a clearinghouse for its evaluations and publishes online those that are not classified or sensitive.[11]

There is little evidence to suggest that the US government routinely conducts evaluations together with partner countries, however. In fact, an independent evaluation recommended that the US government engage partners in evaluations right through from planning and implementation to review and dissemination (Hagebock et al., 2016). This would increase ownership and accountability, as well as build capacity.

USAID is delivering more and better quality evaluations, but learning could be enhanced

The 2011 evaluation policy has seen USAID increase the average number of evaluations commissioned each year to more than 200, totalling more than 1 000 evaluations since 2011. A recent meta-evaluation assesses the quality of USAID's evaluation reports, covering evaluations completed between 2009 and the end of 2012. This shows there have been improvements in evaluation quality (Hagebock, Frumkin and Monschein, 2013). USAID has also commissioned an independent evaluation of the use of evaluations, which found that 93% of evaluations have been used in some

capacity, most frequently in project design and implementation (Hagebock et al., 2016). At the country level, 59% of approved Country Development Co-operation Strategies (CDCSs) referred to findings from USAID evaluations. However, the review recommended that trackers should link evaluation recommendations to specific actions, responsible parties and timelines. It also notes the need to synthesise evaluation findings across multiple evaluations in key sectors, as some USAID bureaus have started to do, to ease accessibility of information for missions. The evaluation of State Department's managing for results framework also finds a lack of formal methods for follow up and action on evaluation recommendations (State Department, 2015a).

While reviewing its 2011 policy, USAID has the opportunity to assess whether it has the right balance between project and thematic – decentralised and centralised – evaluations, and whether selection and coverage of evaluations are driven sufficiently by risk or knowledge gaps. Such an approach would not necessarily require spending targets and blanket coverage at activity level, but would be more focused on learning for improved policy making, programming and budgeting, at strategic as well as operational levels. This may also require a review of PPL's role in quality assuring and directing evaluation activity.

Institutional learning

Indicator: Evaluations and appropriate knowledge management systems are used as management tools

USAID has introduced frameworks, technologies, tools and plans for meeting its commitment to become a learning organisation. There is much innovation and potential in this knowledge management system, but it is overwhelming for staff and therefore risks detracting from its intended purpose.

USAID promotes learning, but the knowledge management system is overly complex

USAID is committed to being a learning organisation. USAID's emphasis on both accountability and learning throughout the implementation of its Evaluation Policy, its commissioning of meta-evaluations to look at quality and use of evaluations, and its new monitoring tools to facilitate rapid feedback have together improved USAID's standing as a learning organisation. Thematic bureaus have also initiated learning agendas that identify gaps in evidence and priorities for analysis to foster learning within a sector.

USAID has also instituted a "collaborating, learning, and adapting" approach, known as CLA (Figure 6.1). This provides a framework to connect people to each other and to the processes and technology that will help them work effectively with partners to accomplish USAID's mission. A suite of technology platforms and services has been designed to assist staff generate, capture, share and apply knowledge, including knowledge generated from evaluations (see above).[12] The PPL builds staff capacity through training, toolkits and webinars. It also hosts a series of fora including Evidence Summits aimed at supporting broader learning and connecting researchers, policy experts and practitioners.[13] Both PPL and the thematic bureaus have also developed several communities of practice.

At country level, missions are now required to produce a learning plan as part of their CDCS. The plan will outline how missions will incorporate learning into their programming, including activities like regular portfolio reviews, evaluation tracking and dissemination plans, and other analytical processes to better understand the dynamics of their programmes and their country contexts.

A new tool for CLA – the maturity matrix assessment and planning tool – will be released in 2016. The assessment will provide a picture of what systematic, intentional and resourced integration of CLA looks like throughout the programme cycle and within a mission's culture and processes. The experience with this tool should be of great interest to other DAC members.

CLA is an innovative response to USAID's honest assessment that it was failing to bring its wealth of decentralised resources, expertise and experience together to enhance learning. It will inevitably take time to integrate – and make optimal use of – the CLA framework. The peer review team's findings from the two field visits suggest there is some way to go in order to reinforce CLA with an accessible and effective knowledge management system. This system is currently spread across too many tools and platforms, which is overwhelming staff. Further, not all platforms are effectively rolled out to missions, again affecting the extent to which knowledge management objectives are being met and hindering the efficient flow of internal communications. The development information solution described above could usefully streamline and improve access to USAID's knowledge management system.

Figure 6.1 Collaborating, learning and adapting framework

Source: *USAID*, *https://usaidlearninglab.org/library/collaborating,-learning,-and-adapting-cla-maturity-matrix-overview*.

Communication, accountability and development awareness

Indicator: The member communicates development results transparently and honestly

During the Obama administration the US government has made significant efforts towards greater transparency, improving still further the already robust control and accountability environment for US government departments and agencies. USAID's new mission statement has also sparked a more strategic communications effort. However, progress with transparency remains patchy across government and public support remains low.

The US is taking great strides towards transparency and accountability

The US has taken a number of unprecedented steps over the last five years to show its commitment to improving transparency. These include launching ForeignAssistance.gov, joining the International Aid Transparency Initiative (IATI), establishing an open data policy and holding policy consultations.[14] The US government is to be commended for this step-change in the way in which government agencies operate.

Its commitment to accountability is long-standing, thanks to a rigorous control environment. USAID, for example, is subject to audits by both the Government Accountability Office and the Office of the Inspector General, and to its own internal and robust due diligence procedures. It is also accountable to Congress through budget justifications, annual reporting and various hearings.

Transparency and accountability are set to increase with the recent passing of the Foreign Aid Transparency and Accountability Act (2016). This bill requires the President to provide guidelines for establishing measurable goals, performance metrics, and monitoring and evaluation plans for all US foreign development and economic assistance, and requires all agencies to feed into the ForeignAssistance.gov website.[15]

This act may be a response to the uneven progress across government. As of March 2015, only ten US government agencies were publishing aid information according to the IATI standard. The most recent Publish What You Fund review of the US finds areas for improvement in quality and comprehensiveness of data reporting for USAID and the Departments of State, Treasury and Defense (Publish What You Fund, 2016). The Overseas Private Investment Corporation (OPIC) has also recently come under scrutiny for lacking a single publicly available dataset on its portfolio (Leo and Kalow, 2016), which it is now addressing.

Only MCC – long hailed as the leader of the pack and ranked second in the Publish What You Fund index[16] – met the Busan transparency standard by the 2015 deadline.[17] According to the Brookings Institute, "transparency has kept the MCC focused on its mission and provided a degree of protection from political pressures" (Ingram, 2014).

USAID has improved its communications, but public awareness and support are weak

Communications – and branding – in USAID have become more strategic and targeted, as recommended in the last peer review. Following the revision of USAID's mission statement in 2014 (Chapter 2), materials were developed to help staff issue coherent messages so that all agency communications reflect a common strategy. This effort has been matched with considerable human resources in the form of communication experts located in country missions and a 49% increase in the use of social media platforms as an engagement tool.

USAID has a wide variety of communication tools, targeting different audiences. For example, the primary target audience amongst the American public is young people aged 18 to 35 years, as this is the generation most likely to believe that ending extreme poverty is possible in their lifetime. To reach this group, USAID engages extensively with universities. Results and performance information are routinely communicated to the public and Congress through the Annual Performance Report and Plan and the Administrator's Annual Letter. However, reporting could be clearer about when the US government is attributing results to its support alone, or where it is contributing with others to the achievement of results. The webpage stories.usaid.gov contains a number of stories to "inspire the end of extreme poverty".[18] Peace Corps volunteers working in over 60 countries also help to raise awareness through their own individual stories.[19] Finally, the Global Development Council has the mandate of "increasing awareness and action in support of development by soliciting public input on current and emerging issues in the field of global development".[20]

Whilst bi-partisan Congressional support has improved, public understanding of – and support for – development co-operation remains weak. The public engagement score for USAID is a very low 2%. In 2014, the average respondent to a Kaiser Family Foundation poll believed that the US government spends 26% of its total budget on aid.[21] This misperception has given rise to public messaging that the actual amount spent by the government on foreign assistance is "less than 1%".

USAID might continue to explore possibilities for improving understanding of development while working with a vibrant civil society and private sector, and across government. It needs to do so within its legal constraints of not being able to spend funds domestically on public relations content that does not specifically connect to awareness, education and information sharing. However, this additional effort would be in line with the commitment in QDDR 2015 to, for example, expand engagement with faith-based and diaspora groups, and to reach out to students and civil leaders. It is also encouraging that the QDDR calls for "efforts to develop online content that teachers can use to explain global issues, foreign cultures, and the role of diplomacy and development" in American schools (State Department, 2015b).

Notes

1. The GPRA Modernization Act made important changes, moving towards a more useful approach to performance planning and reporting. See http://xml.fido.gov/stratml/references/PL111-532StratML.htm.

2. All CDCSs have results frameworks that set out development objectives, intermediate results and sub-intermediate results, and performance indicators. These results serve as the basis for project designs (using logframes) and evaluations. A Performance Management Plan defines the monitoring plan, evaluation plan and performance measures at each level of the CDCS. Missions conduct annual portfolio reviews to assess performance and make adjustments.

3. The MCC seeks to answer five basic questions over the course of programme design, implementation and evaluation: Which investments proposed to MCC will best support economic growth and poverty reduction? Who will the investments benefit and by how much? How do we know investments are on track to reach the intended impact of income gains? Did investments achieve the projected impact? What did we learn to help us improve our investments and better achieve our goals?

4. The GeoCenter plays a co-ordinating role in the agency, providing guidance, technical assistance and resources for using spatial analysis and geographic information systems (GIS) for development.

5. Closeout ERRs are compiled into an annual report, the first of which was recently published (MCC, 2015). This showed that the weighted average closeout ERR was 16% – above the 10% threshold for project approval but 4 percentage points below the average projected ERR.

6. Of the standard indicators, approximately 85% collect information requested by USAID bureaus and the rest collect information requested by State Department bureaus.

7. Data quality assessments help managers to understand how confident they should be in the data used to manage a programme and report on its success. Five key data quality standards are used to assess quality: validity, reliability, precision, integrity and timeliness.

8. USAID's policy, governed by Automated Directive System Chapter 201 released on September 7, 2016, stipulates that Missions and Washington Operating Units must conduct at least one evaluation per project, one impact evaluation (if feasible) for pilot interventions, and one "whole of project" performance evaluation within the time frame of a Country Development Cooperation Strategy (Missions only). On average, at least 3% of the program budget managed by an operating unit should be dedicated to external evaluations, although this target is not always met.

9. The US Government Evaluation Forum celebrated 2015 as the International Year of Evaluation. With participation by 19 agencies, the United Nations, multilateral development banks and the private sector, the forum looked at the links between policy making and evaluation, strategies for facilitating learning and increasing evaluation use, and ways to do more with less—through partnerships, innovative planning and design, and interagency collaboration.

10. See: https://dec.usaid.gov/dec/content/evaluations.aspx.

11. See www.state.gov/f/evaluations/all/index.htm.

12. Examples include: ProgramNet, an interactive online community devoted to sharing knowledge and promoting learning and resources on implementing the programme cycle; The Learning Lab platform with various toolkits and resources on monitoring and evaluation (http://usaidlearninglab.org/library); My.USAID.GOV, which is an internal social network that helps connect people, discussions, apps, tasks,

and content; and the Development Experience Clearinghouse – the largest online resource for USAID-funded technical and project materials.

13. See https://usaidlearninglab.org/library/usaid-evidence-summits-turning-evidence-action.

14. The Department of State and USAID launched ForeignAssistance.gov in December 2010, designed to make available all US government data on foreign assistance available in one place in a standardised reporting framework. The US joined the IATI in 2011. USAID developed a cost management plan in order to improve its reporting to IATI. The Department of State conducted and published a Foreign Assistance Data Review to improve its collection and reporting of foreign assistance data. The US government conducted a pilot study in three partner countries to assess the demand for more and higher quality aid data in partner countries, pointing to the need for more accessible and higher quality data. In September 2012, the Office of Management and Budget released Bulletin 12-01 which outlines the requirements to provide foreign assistance data from all US government agencies.

    See www.congress.gov/bill/114th-congress/senate-bill/2184.

15. See http://beta.foreignassistance.gov/.

16. See www.publishwhatyoufund.org/index/.

17. For more information, see www.oecd.org/dac/aid-architecture/acommonstandard.htm.

18. See https://stories.usaid.gov/stories/.

19. See www.peacecorps.gov/stories/.

20. See www.whitehouse.gov/administration/advisory-boards/global-development-council/about-the-council.

21. See http://kff.org/global-health-policy/poll-finding/data-note-americans-views-on-the-u-s-role-in-global-health/.

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Chapter 7: The United States' humanitarian assistance

Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Humanitarian assistance is a policy priority for the US, both globally and in the field. The weight given to the programme is matched by a hefty humanitarian budget – making the US the dominant humanitarian donor globally. There has been some useful progress since the last peer review: increased predictability of the humanitarian budget, consolidated US government positions on key humanitarian issues, better financing and programming options for recovery and transition contexts, and a high-profile push for resilience programming. To improve the overall efficiency and reach of the US humanitarian programme, further steps are needed: to reduce the directives in budget appropriations, further untie food aid and reduce practical obstacles for partners seeking development funding for recovery programmes.

Humanitarian assistance is a policy priority for the US, both globally and in the field

The United States government's humanitarian system is hefty and complex, with a broad range of authorising legislation[1] and the involvement of many different federal agencies. The policy environment clearly outlines US prioritisation of humanitarian programming: the US Global Development Strategy commits to balancing civilian and military power to address conflict, instability and humanitarian crises (The White House, 2010), and the 2015 Defence and Development Review commits to strengthening US ability to prevent and respond to internal conflict, atrocities and fragility (State Department, 2015b). The previous peer review recommended that the US government develop cross-government humanitarian guidance to ensure one US voice on humanitarian policy (OECD, 2013). Although this has not been done, the US has developed consolidated positions for major global issues such as the World Humanitarian Summit, International Humanitarian Law, global health challenges and refugees. In the field, senior staff use the US position to speak up on major humanitarian policy issues; the peer review team witnessed this in Malawi, where the Ambassador was actively challenging incoherence in Malawi's food security policy (Annex C).

Humanitarian-development coherence is growing on many fronts, despite some practical obstacles for partners

The 2011 peer review encouraged the US to take a more systematic approach to supporting recovery from shocks. There has been progress on this recommendation in a number of areas:

- There is now multi-annual funding for some non-government organisation (NGO) programmes; evaluations show this has improved the sustainability of recovery efforts in Ethiopia and Zimbabwe, for example (USG, 2016).
- USAID and Office of US Foreign Disaster Assistance (OFDA) grant guidelines require partners to outline a transition strategy (USAID, 2012a).
- USAID's Transition Strategy Guidance requires missions in conflict countries[2] to develop 12- to 36-month objectives. This is to prompt transitions towards sustainable development through addressing political, economic and social dynamics (USAID, 2012b).

- The Department of State and USAID have targeted eight countries[3] for a new Relief to Development Transitions programme (R2DT), involving joint planning, programming and resources to support transitions.
- The US continues to advocate for durable solutions for refugees, and for host communities, including through an active role on the Solutions Alliance platform.[4]

However, partners report that a strict division of labour between the State Department Bureau of Population, Refugees, and Migration (PRM) on the one hand, and USAID/Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) on the other, complicates funding for durable solutions for refugees. Some claim the division of labour treats partners as either "clients" of one agency or the other, which means that State Department/PRM partners (including the refugee agencies) have difficulty accessing USAID development funds for these programmes. State/PRM notes that there are now extensive US efforts to urge countries and development agencies to incorporate refugees in their planning at the local, national development plan and multilateral levels, reducing and potentially eliminating the need for humanitarian agencies to access development assistance funds for refugee programming.

The push for resilience programming is high-profile, mostly focused on disaster risk and food insecurity

The US government is actively promoting new approaches to crises, including resilience to shocks. USAID's programming guidance says it will do this through joint problem analysis and objective setting, better anticipating risks and vulnerabilities in development strategies, layering and sequencing humanitarian and development assistance, and focusing on learning to adapt programming as required (USAID, 2012c). Programme tools include crisis modifiers – allowing partners to take on additional humanitarian funding and responsibilities in times of crisis; development investments, based on a risk analysis, to tackle the root causes of crises; and partnerships such as the Global Alliances for the Horn of Africa and the Sahel[5] (mostly limited to food security). There is also a push for greater self-sufficiency for refugees. USAID has also partnered with Sweden, the Rockefeller Foundation and the Z Zurich Foundation to set up the Global Resilience Partnership[6] which offers challenge funds that award grants for flood and drought resilience to winning teams; this is good practice. The peer review team did see a solid commitment to breaking the cycle of food insecurity in Malawi, although this focused more on food security programming rather than addressing other systemic issues, such as social cohesion and environmental issues like deforestation (Annex C). Overall, United Nations partners had not noticed a particular push to integrate resilience aspects into their programming; this may be a missed opportunity.

Tightly tied food aid and heavily directed budget appropriations hinder the efficiency and reach of US humanitarian efforts

The US government is to be commended for providing a significant part of its official development assistance (ODA) as humanitarian assistance (24.6% in 2014), and it remains the largest (and growing) humanitarian donor in the Development Assistance Committee (DAC) (Figure 7.1). However, several issues are hindering the overall efficiency and reach of US humanitarian efforts. The first is predictability. On the positive side, USAID has a core humanitarian budget[7] to match State Department/PRM's Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration funds. This increases predictability by reducing reliance on supplemental Congressional allocations for new and deteriorating crises (the only supplemental in recent times has been for the Ebola response). However, nearly half of the International Disaster Assistance (IDA) funds come from the Overseas Contingency Operations (OCO) appropriation. This was set up for conflict response but now (since 2016) also includes disasters.[8] Having so much spending

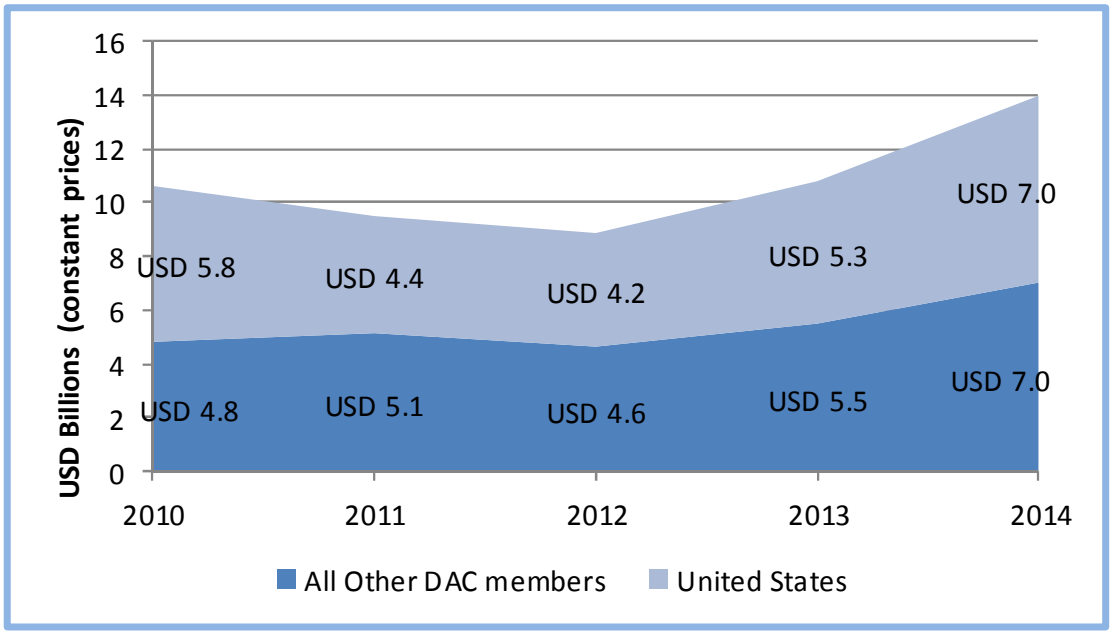
in a temporary account leaves the humanitarian programme vulnerable to future reductions in OCO, putting this new-found predictability at risk.

The second issue is flexibility. All of USAID's funding is provided through regular appropriations, though some of that is specified as OCO, with the remainder of regular appropriations often tightly directed to specific areas by Congress.

Finally, food aid remains tightly tied. The US is to be commended for further untying food aid (Title II is now 20% untied compared to 13% in 2011 – and Food for Peace is now 40% untied). The untying has allowed for innovative solutions, such as providing cash for more cost-effective local food purchases, and allowing NGO partners to compete with the World Food Programme, which receives the majority of tied emergency in-kind food aid. However, if the US is to get the most value for money out of its food response to front-burner emergencies, it will need to untie more of its food aid allocation.

Figure 7.1 The US dominates humanitarian assistance funding

USD billions in constant 2014 prices



Source: OECD Creditor Reporting System

Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

The US works hard to enable good programming. Funding decisions in countries are based on the judgement of experienced field staff, ensuring that decisions target the highest priority needs, and that partner programmes are well designed. Early warning tools, including Famine Early Warning System (FEWS NET), are very useful for the broader humanitarian community, and the US takes early action based on this information. The US is to be congratulated on its approach to accountability to affected populations – this is an inspiration for other donors and provides the right incentives for partners. More transparent criteria for geographical funding allocations could help resolve misconceptions that political imperatives – rather than need – drive funding earmarks.

Criteria for geographical funding allocations are not transparent

The US says that its funding allocations take into account the magnitude of the crisis, the size of the affected population, the capacity of those affected and the government to meet needs, and the amount of other resources available (USG, 2016). The authorising legislation for USAID's IDA also speaks of funding "to the neediest victims" (USAID, 2012d). State Department/PRM's MRA funding is mostly targeted at refugee crises, and thus goes largely to refugee agencies such as UNHCR, the International Organisation for Migration (IOM) and UNRWA. However, how the US determines its geographical funding envelopes – for individual crises or refugee situations – is not transparent, leading to some misperceptions about whether needs – rather than political imperatives – are really the driving force behind allocations. Once the geographical earmarks are made, the process for funding decisions to "who" and for "what" is more transparent. Both USAID and the State Department/PRM have large networks of staff on the ground, including in new emergencies; these people provide the analysis and fact checking necessary for good, appropriately targeted funding decisions. The US told the peer review team that they are seeking to further enhance their analytical capacity, including through mapping, so as to make better decisions. This is to be encouraged.

Early warning does lead to early action

The Famine Early Warning System, FEWS NET – a collaboration between several US government federal agencies – provides invaluable and highly respected early warning information to the government and the wider humanitarian community, enabling better planning and earlier response to food emergencies.[9] Partners report that early warning does lead to early US action: information from FEWS NET, as well as other crisis warnings from operational agencies, is acted on very rapidly, often resulting in the US receiving grant applications long before formal funding appeals are launched.

The US approach to accountability for affected populations is an inspiration

The previous peer review lamented the lack of attention paid to the participation of affected communities in the programming cycle. There has been much progress in this area: accountability requirements to affected populations are part of the most recent IDA and MRA allocations, the State Department/PRM has issued new NGO guidelines which make accountability a priority[10] (State Department, 2015a), and there is a requirement to focus on accountability in the PRM-UNHCR framework for co-operation. Accountability experts congratulate the US on its approach, notably the visible impact this has had on global attitudes to accountability, the positive financial incentives for partners, and the inspiration this approach has provided for other donors.

Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality results on the ground

The US has a broad toolbox for responding to complex crises and disasters, and is a leader in donor co-ordination, both globally and in the field. Its ability to provide a quality response from the early days of a new or escalating emergency remains impressive, with new tools – such as crisis modifiers – proving a valuable addition to existing hands-on approaches and financing mechanisms. Greater funding predictability has also aided the response in complex crises – enabling local purchase, cash and innovation, for example. However, more could be done if food aid were further untied. Humanitarian organisations value their strong and constructive partnerships with US federal agencies, but lament a trend towards greater funding directives and continued issues with funding predictability. In addition, care should be taken to ensure that information solicited from partners does not compromise their neutrality. Compliance with counterterrorism measures – an issue for several DAC members – remains a concern. The US has clearly made progress on this issue, but more needs to be done to ensure that partners can continue to work with local counterparts and are not punished for work in high-risk areas.

US tools for complex emergencies are innovative and effective; remaining challenges are tied food aid and inconsistencies in refugee versus IDP support

The US uses a broad range of complex emergency tools, mostly from the State Department/PRM, USAID and Defense, but also from other federal agencies. All support is provided as grants – usually earmarked to regions or countries – or as in-kind food aid. As noted earlier, the increase in funding predictability has allowed for positive changes in US programming – not just more predictable financial flows, but also greater openness to new approaches like cash programming, and to promising work on innovation and technology. Recently, the US has also begun to pilot investments in country-based pooled funds. In Malawi, the peer review team heard how providing cash, and thus enabling local food purchases, had made the response quicker and more effective, avoiding negative effects on local markets (avoiding unintended harm is an increasing focus of the US humanitarian programme overall). Further untying food aid would unlock even more potential to design and deliver more effective multi-dimensional programmes. The previous peer review raised concerns that more support was provided to refugees than internally displaced people (IDPs). While this is an issue for the broader humanitarian system, it is especially important for the US, which is a major provider of support to refugee and IDP crises.

The US response to new and escalating emergencies is impressive and high quality

The US is appreciated for its rapid, high-quality responses to new and escalating crises. As noted above, the near-elimination of Congressional supplementary allocations for new or scaled-up responses has vastly improved the timeliness, agility and completeness of financing – a significant improvement since the last peer review. Partners praise the US government's ability to provide additional funding for rapid response through budget extensions, crisis modifiers or new grants. They note that such funding comes in quickly, usually within six weeks. Some partners are now negotiating up-front contingency grants for unforeseen emergencies, and the US does provide a small amount of funding to the global Central Emergency Response Fund (CERF). In addition, the US has impressive hands-on response mechanisms; DART teams can be on the ground within hours or days after a disaster strikes – providing analysis to back up funding decisions and helping co-ordinate the response. Warranted contracting officers are often part of the teams, allowing contracts to be processed in the field. The Centers for Disease Control and Prevention (CDC) have also demonstrated their ability to provide a rapidly scaled up, quality response for global health emergencies, most notably during the Ebola crisis.[11]

Despite constructive partnerships, issues remain, including restrictive counterterrorism requirements

On the whole, the US has strong and productive partnerships with humanitarian organisations. The US government recognises and respects the neutrality of the United Nations and sees this as useful for delivering the US programme, for example in Syria. It is committed to improving multilateral performance.[12] All partners report good access to USAID/DCHA and the State Department/PRM – both in the field and in Washington – and appreciate the frank and constructive relationship. The administrative burden is viewed as appropriate given the volume of funding. Multiannual funding is also now available for some NGO partners; this is good practice.

Some issues remain, however:

- The division of labour between the State Department/PRM and USAID/OFDA is very strict and partners are frowned upon if they contact the other branch of government. This limits the potential for advocacy and information sharing, and reduces access to USAID development funds by PRM partners.
- Partner information is actively solicited by US agencies for use in internal briefings; while this can be useful in promoting partner advocacy positions, care must be taken not to oblige partners to compromise their neutrality.
- Partners report a trend towards greater earmarking – often requiring a separate proposal for each new earmark. This reduces the flexibility of programming and increases the administrative burden.
- Predictability is also an issue – partners often do not know the size of each tranche before it arrives, and this injects uncertainty into programming decisions, especially for organisations that depend on the US as their major donor.

The previous peer review raised serious concerns about partner compliance with the 2001 Patriot Act, which prohibits material support to terrorists.[13] The US – like other donors – was encouraged to find a compromise to ensure that counterterrorism measures are consistent with the shared humanitarian imperative. There has been some progress. USAID and the State Department have worked with the State Department's Sanctions Co-ordinator to ensure that humanitarian considerations are factored into sanctions decisions, for example in Somalia.[14] An NGO has been contracted to develop recommendations on the counterterrorism measures for policy makers (USG, 2016). Treasury's new guidance on humanitarian assistance through NGOs clarifies that unintended consequences of humanitarian programmes are not the focus of enforcement (US Department of Treasury, 2014). Anti-terrorism clauses in grant agreements have also helped protect some partners. However, compliance with counterterrorism measures remains a concern. Some partners report local organisations withdrawing from partnerships because they do not want staff exposed to vetting. This seems to go against USAID's push for greater engagement with local civil society (Chapter 5) – although vetting is more common with development grants. Others report claw-backs of funding if their organisation engages with "pariah" states. The US should keep working on this issue.

The US plays a lead role in donor co-ordination

The US is an active participant in donor co-ordination on the global stage and in crisis-affected countries. It co-chaired the Good Humanitarian Donorship initiative[15] from 2014-16, chaired the Food Assistance Convention from 2015-16, will be the next chair of the OCHA donor support group[16] and actively participates in the Emergency Directors' Group.[17] Volume dominance is an issue for the US (Figure 7.1); to counter this, it works to

obtain new donors for its main partners, and makes early contributions to new or underfunded appeals, thereby influencing other traditional donors to provide new contributions. In Malawi, the peer review team heard that the US humanitarian response was well-co-ordinated with other donors and with the government. The US also played a strong role in negotiating the Grand Bargain[18] and has reviewed its practices to assess where it can make early efforts to meet its commitments under the Grand Bargain.

Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

The US government's humanitarian staff are highly respected by their peers and partners, both for their technical skills and for their open approach to partnership. There has also been some progress on recommendations from the previous review, which asked the US to strengthen cross-government co-ordination mechanisms and develop guidance for US military involvement in humanitarian assistance. In response, the US has strengthened disaster co-ordination effectively, as witnessed by the Ebola response. Co-ordination on policy issues and in protracted crises is more challenging; the division of labour between the State Department/PRM and USAID/DCHA often trumps collaboration; a more harmonised and coherent US humanitarian approach would significantly increase the impact of the US response on the global stage. The civilian nature of the response in disaster settings is now clear, but there are not yet any safeguards in the use of military assets to deliver or support humanitarian programmes in active conflicts. The risk of inappropriate military involvement in humanitarian assistance therefore remains.

Cross-government co-ordination on disasters is good, but less effective for policy and protracted crises

The previous peer review asked the US to strengthen cross-government co-ordination mechanisms. These now exist, and disaster-related co-ordination seems to be working well. The USAID Administrator is designated as the US lead on disaster response,[19] including for contingency planning. To discharge this role, USAID/OFDA brings together 17 federal agencies as the Disaster Response and Disaster Risk Reduction Forum (USG, 2016). This has led to good cross-government collaboration in actual disaster situations: one notable example is the Ebola response, during which the Centers for Disease Control and Prevention were deployed under the US government DART.

On policy issues, co-ordination remains difficult – but not from lack of trying. A beefed-up cross-government Humanitarian Policy Working Group[20] meets regularly to help streamline US humanitarian positions.[21] USAID also uses the National Security Council (Chapter 1) to advance significant humanitarian issues. For operational issues, there is a memorandum of understanding between the State Department and USAID which sets out a division of labour. However, partners report that this division of labour often trumps collaboration, and that a more harmonised and coherent US humanitarian approach to crises would significantly increase the impact of the US response on the global stage. In addition, the practice of allocating partners to either the State Department/PRM (for example, International Committee of the Red Cross, UNHCR and IOM) or USAID/DCHA can limit the scope for advocacy and access to funding.

Lack of clear guidance on military involvement, but US says principle of "last resort" always taken into account

There were significant concerns about US civil-military co-ordination in the last review, which recommended the US develop guidance for its military involvement in humanitarian assistance (OECD, 2013). This current peer review has found few civil-military issues, but notes that formal guidance for this area is not in place. During disasters, the civilian character of the response is clear. The peer review team heard that military support for disasters is based on a request from the Secretary of State to the Secretary of Defense, and that military assets used in disasters are supervised by civilian DARTs. In conflicts, however, the civilian nature of the response is not so clear, and there are no safeguards for the principle of military involvement as "last resort";[22] although there have been some steps taken to reinforce respect for humanitarian norms and the United States has informed the peer review team that the principles of "last resort" are actively taken into account when considering military involvement in humanitarian action. Existing guidance for interaction with NGOs in the field (USIP, IA and DoD, 2007) has been supplemented by training for key military personnel in humanitarian principles, and humanitarian advisors have been positioned in combatant command units on the ground. However, events such as the attack on a humanitarian hospital in Afghanistan – going against the principle of protecting medical facilities in wartime[23]– show what can go wrong. Although this was followed by an apology and disciplinary measures for the military personnel involved, there was no independent investigation (The Guardian, 2016).

Humanitarian staff are highly respected and engaged

US humanitarian staff are widely respected, praised for their technical skills and appreciated for their frank and open approach to partnerships. Partners value the breadth and depth of US presence on the ground, and the limited staff turnover, which helps promote solid, supportive relationships based on long experience. This finding played out in the peer review visit to Malawi, where partners lamented the lack of a full-time US humanitarian presence despite a recurring food crisis (although there is a full-time Food For Peace presence in Malawi), while still appreciating the support given by mission staff to navigate the various grant requirements from Washington (Annex C). The US is now looking to further expand the knowledge base of its humanitarian corps, which is to be encouraged.

Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

There is a strong focus on partner accountability and communication with major stakeholders. Communication mixes awareness campaigns – on "cash is best" and food aid reform, for example – with broader public information. Individual US responses, especially to high-profile emergencies, are evaluated or subjected to after-action reviews, which is good practice. The extensive network of field staff serves as the front line for monitoring partner programmes; but security constraints can limit staff access to project sites, hindering the effectiveness of this monitoring effort. Including evaluation budgets in partner grants could help in those areas. Partner reports are reviewed closely and performance issues are actively followed up. The US is making efforts to ensure that its branding and transparency requirements are not affecting partner neutrality or creating protection concerns; the US must continue to take care in this sensitive area.

The US lacks metrics for overall performance, but individual US responses are reviewed

USAID has internal indicators to monitor and report through the Administrators Leadership Council on strategic targets – notably the percent of disaster declarations responded to within 72 hours and the number of people trained in disaster risk reduction. The US also self-reports on its progress to the Good Humanitarian Donorship initiative, most recently in 2015 (Good Humanitarian Donorship Initiative, 2016). However, in general, the federal agencies involved in humanitarian assistance do not have verifiable indicators to monitor and report on their own objectives and strategies, and do not regularly evaluate their own performance as donors. Annual reports from USAID/OFDA[24] focus on their partners' results, rather than on USAID's own ability to meet performance targets on good donorship. That said, USAID has conducted independent reviews, for example of the response in Haiti (USAID, 2011), and DART teams regularly conduct after-action reviews. Defense uses 5% of its annual budget for monitoring and evaluation. In addition, USAID's performance is highly scrutinised by Congress, which is a useful external oversight function (Chapter 1).

Though the focus on monitoring partner programmes is strong, security constraints can limit access

The US has a strong focus on monitoring partner programmes. Field monitoring is conducted by the extensive network of USAID/OFDA field staff and State Department/PRM refugee co-ordinators, although security constraints can prohibit access to partner projects, limiting the effectiveness of overall monitoring efforts. Partners agree that the reporting burden is appropriate; the US generally accepts standard reports, but requires more detailed reporting for special appropriations such as for Syria and Iraq. The State Department/PRM uses multi-donor reviews where these exist,[25] which is good practice. Reports are read closely and properly appraised – the peer review team heard instances of funding being reduced following poor performance. However, aside from Emergency Food Assistance, there is no systematic provision for evaluation budgets in grants to partners, which is a missed opportunity.

Communication with major stakeholders is good, though care is needed over branding and transparency

Despite the legal limits on communication (Chapter 6), the US still manages to push out facts on the humanitarian programme via social and traditional media.[26] There is also regular communication with lawmakers on key issues, such as on food aid reform and on major crises like Syria. Outreach to the public, beyond information sharing, has also included a major campaign on why "cash is best",[27] which is good practice. Branding of US programmes and commodities is required under the Foreign Assistance Act; the US is trying to comply with these provisions in a smart way, including waivers and exceptions for programmes in Iraq, Syria and Yemen, where branding may lead to security issues and a perception of non-neutrality. The push for greater transparency by publishing partner reports is excellent; however this must be done with caution so as not to create any protection issues for partners, their staff, and affected populations who may be individually identified in those reports.

Notes

1. US Humanitarian assistance authorising legislation includes: International Disaster and Famine Assistance (Office of U.S. Foreign Disaster Assistance and Food for Peace (FFP)); International Disaster and Famine Assistance, Chapter 9 Section 491 (USAID); Food for Peace Act 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).

2. A transition strategy is expected when at least one of the following conditions are met: (1) a five year Country Development Cooperation Strategy is not possible or does not make sense; (2) a change in conditions or circumstances on the ground is needed to create an enabling environment for sustainable development; (3) the environment requires a blend of immediate relief and stabilisation assistance in combination with medium-term support for institutional, systems, and human capacity development to lay the groundwork for sustainable development; (4) the country context requires contingency or scenario planning due to the likelihood of a rapid change in the environment requiring resources to be redirected in response to new or renewed crisis, conflict or rapid state deterioration (or improvement).

3. For 2017, the targets for R2DT are Afghanistan, Ethiopia, Kenya, Lebanon, Mali, Pakistan, South Sudan and Yemen. Other countries also provide resources along these lines.

4. For more on the Solutions Alliance, see www.endingdisplacement.org.

5. More on the Global Alliance for Action for Drought Resilience and Growth in the Horn of Africa at www.usaid.gov/sites/default/files/documents/1866/Global%20Alliance%20FactSheet.pdf; and the Global Alliance for Resilience in the Sahel (AGIR Sahel) at www.oecd.org/site/rpca/agir.

6. More information at www.globalresiliencepartnership.org/approach.

7. International Disaster Assistance (IDA) and Food for Peace Title II Emergency Funds.

8. From 2010 to 2014, Congress provided OCO funds to increase the level of funding for the primary accounts used to respond to international conflicts and disasters: IDA and MRA. OCO was originally created to house temporary spending related to operations and programmes in "frontline" states (including Afghanistan and Iraq). In recent years, humanitarian funds from OCO have totalled nearly half of the overall available resources for MRA (42%) and IDA (51% in FY14). In FY15, OCO totalled 70% of both the IDA and MRA budgets.

9. More on FEWS NET at www.fews.net.

10. The State Department/PRM requests from its partners: (1) an institutional framework explaining how the institution collects and uses beneficiary feedback; (2) an explanation of the mechanism in place to ensure that communities' voices are collected for programme design, implementation and course correction; and (3) a quarterly report on how feedback has actually been used to modify programmes.

11. More on CDC's response to the Ebola crisis at www.cdc.gov/about/ebola/index.html.

12. Some examples include engaging in efforts to strengthen the World Health Organization post-Ebola, institutional reform at UNHCR, and the Grand Bargain process for the World Humanitarian Summit.

13. Concerns centred on the security of field personnel who must be vetted under the act; the scope of humanitarian operations, as partners could be prohibited from working in high-risk areas; and fears that the counterterrorism measures would reduce the pool of potential partners (OECD, 2013).

14. A carve out for humanitarian assistance was negotiated as part of the sanctions package for Somalia.

15. More on the Good Humanitarian Donorship Initiative at http://ghdinitiative.org/ghd/gns/home-page.html.

16. The OCHA donor support group serves as a sounding board supporting OCHA and as a source of advice on policy, management, budgetary and financial questions. It also handles key policy issues for the humanitarian system and its co-ordination.

17. More information on the Emergency Directors' Group is at: https://interagencystandingcommittee.org/emergency-directors-group.

18. The Grand Bargain can be found here: www.oecd.org/development/world-humanitarian-summit.htm

19. This responsibility (as Presidents' Special Coordinator for International Disaster Assistance) falls under Title 22 – Foreign Relations and Intercourse Chapter 32 – Foreign Assistance Subchapter I – International Development Part IX – International Disaster Assistance.

20. The Humanitarian Policy Working Group is chaired by USAID/DCHA, State Department/PRM and State/IO with participation from USAID/OFDA, USAID/FFP and State/F.

21. The Humanitarian Policy Working Group has recently discussed issues such as IDP protection, humanitarian effectiveness, biometrics, sanctions, integrated missions, and positions for the World Humanitarian Summit.

22. For more on the principle of last resort, see https://docs.unocha.org/sites/dms/Documents/Last%20Resort%20Pamphlet%20-%20FINAL%20April%202012.pdf.

23. International Humanitarian Law Rule 35 states that directing an attack against a zone established to shelter the wounded, the sick and civilians from the effects of hostilities is prohibited (www.icrc.org/customary-ihl/eng/docs/v1_rul_rule35).

24. The latest is for fiscal year 2014 (USAID, 2014).

25. Including multi-donor reviews of individual partner organisations, and reviews through global evaluation and learning networks like ALNAP: see www.alnap.org.

26. Some examples include work on food aid reform through the Today Show at www.globalcitizen.org/en/content/global-citizens-rise-and-shine-at-the-today-show; humanitarian response factsheets and human interest stories on USAID's and the State Department/PRM's Facebook accounts; regular activity on the @StatePRM twitter account and some activity on the @OFDA twitter account; and press conferences on contributions to major crises (for USAID/DCHA: www.usaid.gov/news-information/press-releases and for the State Department/PRM: www.state.gov/j/prm/).

27. For more on this campaign, see www.cidi.org/about-cidi/#.VzG2nPl96Uk.

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Annex A: Progress since the 2011 DAC peer review recommendations

Key Issues: Development beyond aid

Recommendations 2011	Progress in implementation
To address the lack of a strategic framework to ensure that its domestic and foreign policies support developing country efforts, 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.	Partially implemented
• Make full use of its interagency policy committee on global development to monitor and report on efforts to promote coherence and their impact.	Partially implemented

Key Issues: Strategic orientations

Recommendations 2011	Progress in implementation
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.	Implemented
To meet the challenge of balancing domestic, geopolitical and development objectives, the US administration should:	
• Reinforce the role for USAID in the National Security Council.	Implemented
• Give USAID a stronger voice in the final foreign aid budget arbitrations under the State Department's authority.	Implemented

Key Issues: Aid volume, channels and allocations

Recommendations 2011	Progress in implementation
To support its desire to be a global leader on development, the US should:	
• Maintain the 2010 official development assistance (ODA) level, the highest the US has achieved, and as the US economy improves, increase ODA.	Partially implemented
• 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.	Partially implemented
• 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.	Implemented

Key Issues: Organisation and management

Recommendations 2011	Progress in implementation
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.	Implemented
• Review programming approaches of entities involved in development co-operation in order to rationalise planning and budgeting processes.	Not implemented
To pursue the reforms of State Department and USAID, 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.	Partially implemented
• Accompany the reforms with appropriate communication and training.	Partially implemented

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.	Not implemented
• Set timeframes to adjust the staff skills mix to the new US aid model and working contexts.	Partially implemented
• Provide stronger career prospects for local staff.	Partially implemented

Key Issues: Delivery and partnerships

Recommendations 2011	Progress in implementation
To implement the principles related to improving aid quality outlines 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.	Partially implemented
• 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.	Partially implemented
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 Development Assistance Committee (DAC) recommendation on untying aid as amended on 25 July 2008.	Not implemented
• 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.	Partially implemented

Annex A: Progress since the 2011 DAC peer review recommendations

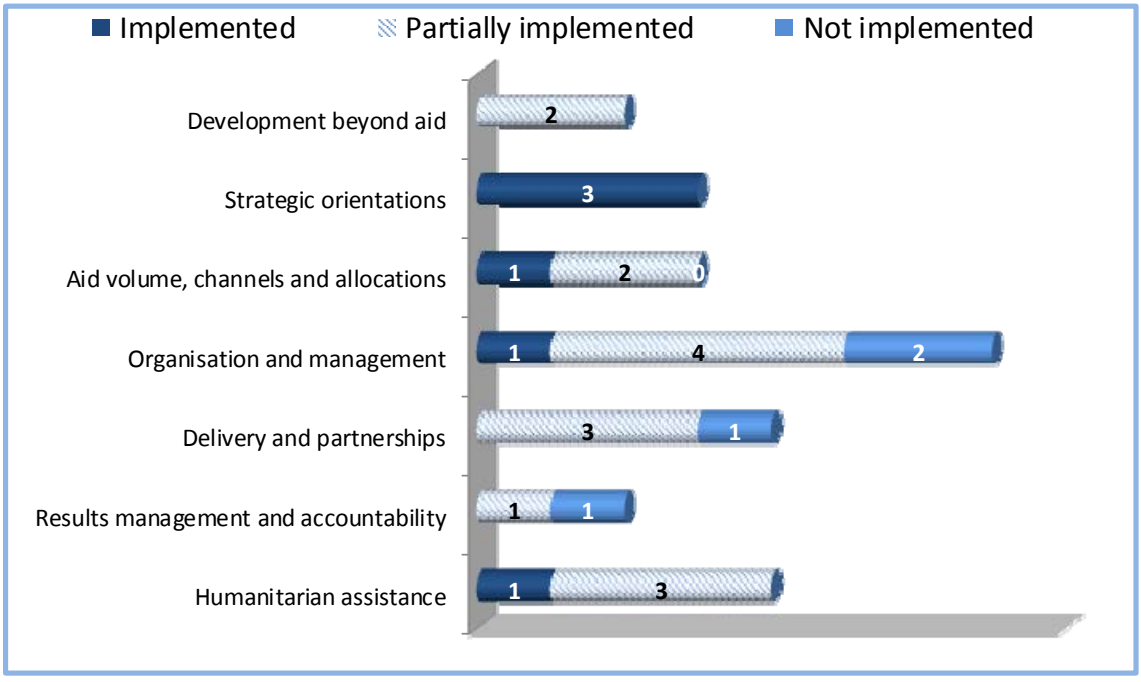
Key Issues: Results management and accountability

Recommendations 2011	Progress in implementation
To secure broad ownership of the development vision, the US administration should: • 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.	Partially implemented
To overcome difficulties linked to policy fragmentation the US should: • Harmonise and simplify reporting requirements.	Not implemented

Key Issues: Humanitarian assistance

Recommendations 2011	Progress in implementation
To promote more coherent humanitarian programming, the US should: • Develop cross-government humanitarian guidance that: (i) reinforces existing good practice; (ii) encourages a systematic approach to support recovery; (iii) enables more flexible and predictable funding for protracted crises; and (iv) eliminates inconsistencies in support to internally displaced persons (IDPs) compared with refugees.	Partially implemented
• Strengthen cross-government co-ordination mechanisms – including incorporating humanitarian activities into wider US mission strategies.	Implemented
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.	Partially implemented
• Engage with the humanitarian community to find workable solutions and compromises to ensure that its counterterrorism measures are consistent with the shared humanitarian imperative.	Partially implemented

Figure A.1 The United States' implementation of 2011 peer review recommendations, by theme



Annex B: OECD/DAC standard suite of tables

Table B.1 Total financial flows

USD million at current prices and exchange rates

Net disbursements

United States	2000-04	2005-09	2010	2011	2012	2013	2014
Total official flows	**14 526**	**24 343**	**29 818**	**32 209**	**33 114**	**32 694**	**33 306**
Official development assistance	**14 140**	**25 704**	**29 656**	**30 966**	**30 652**	**31 267**	**33 096**
Bilateral	11 433	22 855	25 915	27 293	25 423	26 360	27 509
Multilateral	2 706	2 850	3 741	3 673	5 230	4 906	5 586
Other official flows	**387**	**-1 361**	**162**	**1 243**	**2 462**	**1 427**	**210**
Bilateral	387	-1 361	162	1 243	2 462	1 427	210
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**5 495**	**12 647**	**25 898**	**26 132**	**27 198**	**25 867**	**25 998**
Private flows at market terms	**11 663**	**55 658**	**161 234**	**108 436**	**107 194**	**93 299**	**179 345**
Bilateral: *of which*	12 435	55 273	168 317	116 947	108 648	84 240	176 894
Direct investment	18 055	36 886	50 954	42 712	46 433	36 418	40 238
Export credits	979	55	12 573	1 254	4 149	787	262
Multilateral	- 772	385	-7 083	-8 511	-1 454	9 058	2 451
Total flows	**31 685**	**92 648**	**216 950**	**166 777**	**167 506**	**151 860**	**238 648**
for reference:							
ODA (at constant 2013 USD million)	*17 907*	*28 927*	*31 854*	*32 585*	*31 672*	*31 793*	*33 096*
ODA (as a % of GNI)	*0.13*	*0.19*	*0.20*	*0.20*	*0.19*	*0.18*	*0.19*
Total flows (as a % of GNI) (a)	*0.30*	*0.68*	*1.48*	*1.10*	*1.01*	*0.88*	*1.34*
ODA to and channelled through NGOs							
- In USD million	-	-	6 361	6 589	6 147	6 303	6 670
- In percentage of total net ODA	-	-	21	21	20	20	20
- DAC countries' average % of total net ODA	*9*	*7*	*9*	*13*	*13*	*13*	*13*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2014 prices and exchange rates and as a share of GNI

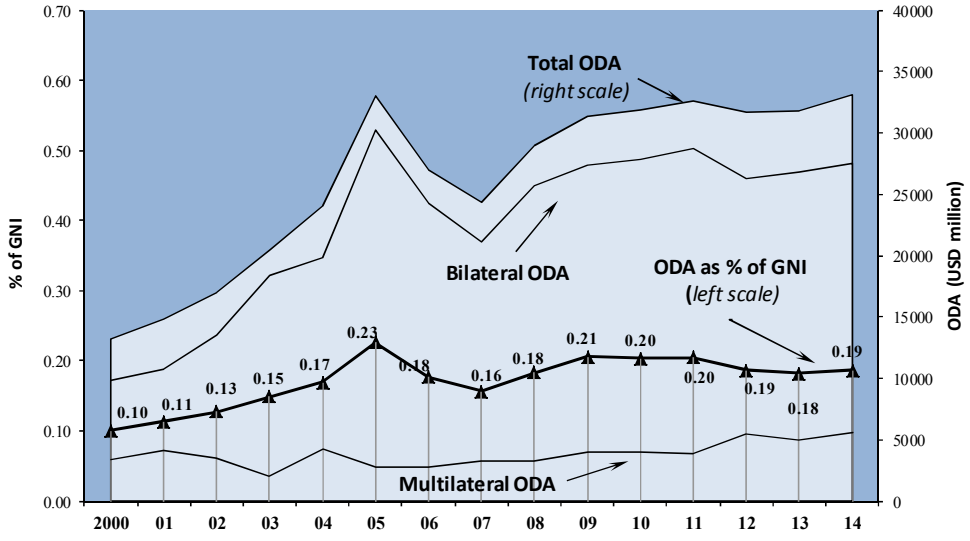
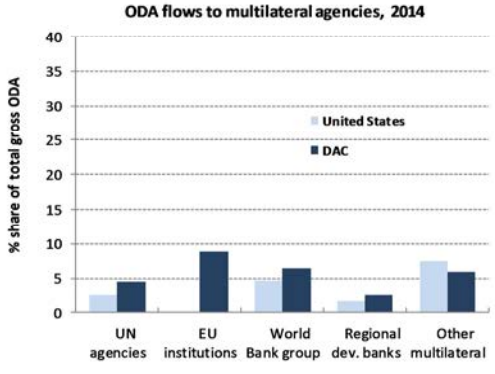
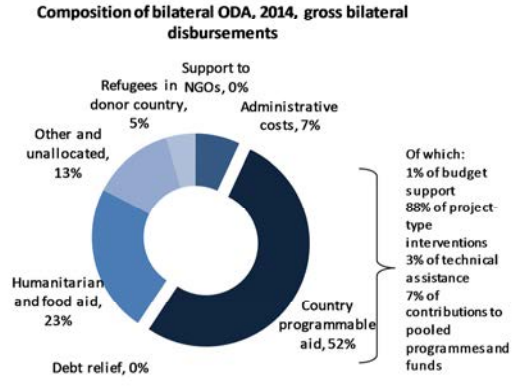


Table B.2 ODA by main categories

Disbursements

United States	Constant 2014 USD million					Per cent share of gross disbursements					Total DAC
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2014%
Gross Bilateral ODA	**28 765**	**30 100**	**27 034**	**27 706**	**28 274**	**88**	**89**	**83**	**85**	**83**	**72**
Budget support	525	522	535	966	192	2	2	2	3	1	2
of which: General budget support	175	226	391	594	177	1	1	1	2	1	1
Core contributions & pooled prog.& funds	5 065	4 850	4 883	4 976	6 399	15	14	15	15	19	14
of which: Core support to national NGOs	-	-	26	-	5	-	-	0	-	0	1
Core support to international NGOs	-	-	-	-	-	-	-	-	-	-	1
Core support to PPPs	9	8	2	2	11	0	0	0	0	0	0
Project-type interventions	19 064	19 463	17 582	17 427	17 677	58	57	54	53	52	40
of which: Investment projects	493	415	249	453	335	2	1	1	1	1	14
Experts and other technical assistance	1 249	994	864	793	738	4	3	3	2	2	4
Scholarships and student costs in donor countries	-	-	-	-	-	-	-	-	-	-	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	162	1 726	65	337	47	0	5	0	1	0	1
Administrative costs	1 886	1 775	2 245	2 214	1 974	6	5	7	7	6	4
Other in-donor expenditures	814	770	859	993	1 246	2	2	3	3	4	5
of which: refugees in donor countries	814	770	859	993	1 246						
Gross Multilateral ODA	**4 027**	**3 872**	**5 409**	**4 994**	**5 591**	**12**	**11**	**17**	**15**	**17**	**28**
UN agencies	963	844	972	913	895	3	2	3	3	3	5
EU institutions	-	-	-	-	-	-	-	-	-	-	9
World Bank group	1 356	1 297	1 663	1 578	1 598	4	4	5	5	5	6
Regional development banks	446	312	728	519	592	1	1	2	2	2	3
Other multilateral	1 263	1 419	2 046	1 983	2 506	4	4	6	6	7	6
Total gross ODA	**32 793**	**33 972**	**32 443**	**32 700**	**33 864**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	0	0	0	-	-	0	0	0	-	-	12
Bilateral	0	0	0	-	-	0	0	0	-	-	12
Multilateral	-	-	-	-	-	-	-	-	-	-	0
Repayments and debt cancellation	**- 938**	**-1 387**	**- 771**	**- 907**	**- 769**						
Total net ODA	**31 854**	**32 585**	**31 672**	**31 793**	**33 096**						
For reference:											
Free standing technical co-operation	*1 249*	*994*	*864*	*793*	*738*						
Net debt relief	*22*	*1 089*	*42*	*182*	*47*						





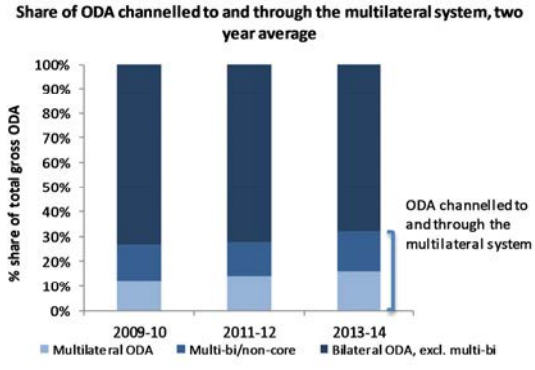
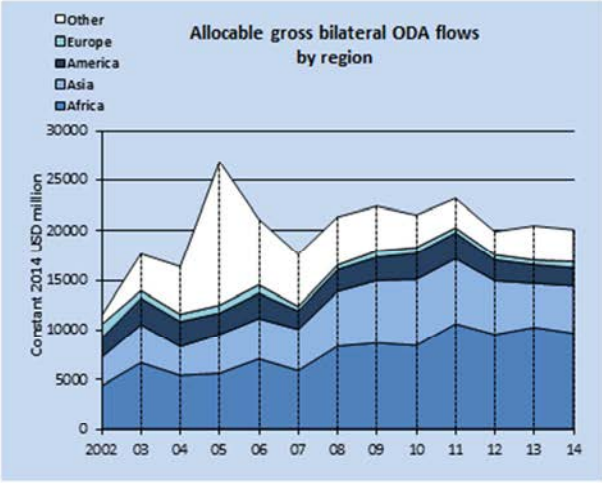
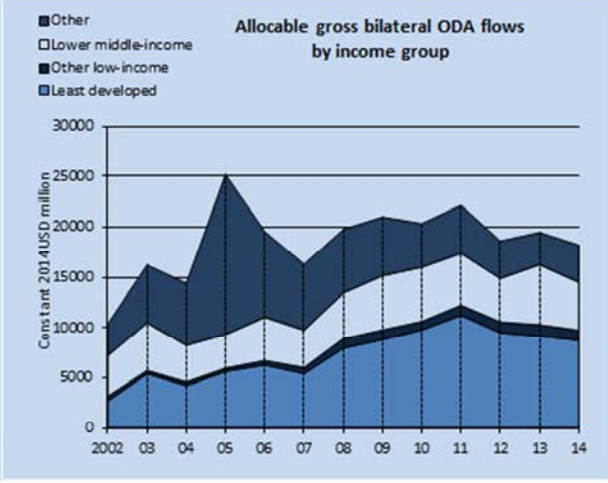


Table B.3 Bilateral ODA allocable[1] by region and income group

Gross disbursements

United States	Constant 2014 USD million					% share					Total DAC
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2014%
Africa	8 444	10 646	9 565	10 290	9 700	39	46	48	50	48	41
Sub-Saharan Africa	8 040	10 018	8 971	9 653	9 548	37	43	45	47	48	35
North Africa	404	628	594	637	153	2	3	3	3	1	4
Asia	6 639	6 532	5 385	4 394	4 743	31	28	27	21	24	33
South and Central Asia	5 657	5 540	4 456	3 408	3 733	26	24	22	17	19	19
Far East	918	938	901	952	965	4	4	5	5	5	12
America	2 646	2 602	2 095	1 877	1 801	12	11	11	9	9	10
North and Central America	2 018	1 613	1 325	1 216	1 112	9	7	7	6	6	4
South America	545	874	648	544	588	3	4	3	3	3	5
Middle East	3 095	2 659	2 124	3 210	3 030	14	11	11	16	15	10
Oceania	126	246	212	221	181	1	1	1	1	1	2
Europe	586	499	521	480	638	3	2	3	2	3	5
Total bilateral allocable by region	**21 535**	**23 184**	**19 903**	**20 472**	**20 094**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	9 786	11 248	9 500	9 150	8 741	48	51	51	47	48	40
Other low-income	826	989	1 067	1 125	1 033	4	4	6	6	6	4
Lower middle-income	5 404	5 156	4 317	5 986	4 759	27	23	23	31	26	35
Upper middle-income	4 304	4 736	3 722	3 198	3 710	21	21	20	16	20	21
More advanced developing countries	6	-	-	0	-	0	-	-	0	-	-
Total bilateral allocable by income	**20 325**	**22 128**	**18 605**	**19 459**	**18 243**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	28 765	30 100	27 034	27 706	28 274	*100*	*100*	*100*	*100*	*100*	*100*
of which: Unallocated by region	*7 230*	*6 916*	*7 132*	*7 235*	*8 179*	*25*	*23*	*26*	*26*	*29*	*27*
of which: Unallocated by income	*8 440*	*7 972*	*8 429*	*8 247*	*10 031*	*29*	*26*	*31*	*30*	*35*	*36*





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	2003-07 average			Memo:		2008-12 average			Memo:		2013-14 average			Memo:
	Current USD million	Constant 2014 USD mln	% share	*DAC countries' average %*		Current USD million	Constant 2014 USD mln	% share	*DAC countries' average %*		Current USD million	Constant 2014 USD mln	% share	*DAC countries average %*
Iraq	4 866	5 713	24		Afghanistan	2 787	2 975	11		Afghanistan	1 822	1 836	7	
Afghanistan	1 100	1 283	5		Iraq	1 714	1 848	6		Jordan	865	869	3	
Egypt	643	764	3		Pakistan	814	867	3		Kenya	854	861	3	
Sudan	552	644	3		Ethiopia	739	791	3		West Bank and Gaza Strip	752	760	3	
Democratic Republic of the Congo	545	658	3		Sudan	724	777	3		Pakistan	727	733	3	
Top 5 recipients	**7 706**	**9 063**	**38**	**31**	**Top 5 recipients**	**6 778**	**7 258**	**26**	**31**	**Top 5 recipients**	**5 020**	**5 060**	**18**	**23**
Colombia	530	629	3		Kenya	626	666	2		Syrian Arab Republic	705	712	3	
Pakistan	488	585	2		West Bank and Gaza Strip	590	633	2		Ethiopia	674	680	2	
Ethiopia	473	564	2		Democratic Republic of the Congo	561	594	2		Tanzania	623	629	2	
Jordan	457	551	2		Haiti	538	573	2		South Sudan	604	607	2	
Nigeria	269	312	1		South Africa	498	532	2		Nigeria	516	521	2	
Top 10 recipients	**9 925**	**11 704**	**49**	**41**	**Top 10 recipients**	**9 592**	**10 257**	**36**	**45**	**Top 10 recipients**	**8 141**	**8 208**	**29**	**36**
Uganda	232	272	1		Colombia	462	496	2		South Africa	497	501	2	
West Bank and Gaza Strip	213	253	1		Jordan	434	462	2		Sudan	491	497	2	
Indonesia	212	249	1		Tanzania	417	443	2		Mozambique	472	476	2	
Kenya	203	236	1		Nigeria	397	423	2		Uganda	466	470	2	
Peru	189	225	1		Uganda	368	393	1		Iraq	423	427	2	
Top 15 recipients	**10 973**	**12 939**	**54**	**46**	**Top 15 recipients**	**11 669**	**12 474**	**44**	**51**	**Top 15 recipients**	**10 490**	**10 579**	**38**	**42**
Bolivia	175	209	1		Egypt	353	381	1		Haiti	360	364	1	
Zambia	172	199	1		Mozambique	309	328	1		Democratic Republic of the Congo	352	354	1	
India	171	203	1		Zambia	253	270	1		Zambia	321	324	1	
Serbia	166	198	1		Indonesia	245	262	1		Colombia	308	311	1	
Haiti	144	169	1		Georgia	242	260	1		Senegal	238	240	1	
Top 20 recipients	**11 801**	**13 916**	**58**	**51**	**Top 20 recipients**	**13 071**	**13 975**	**50**	**56**	**Top 20 recipients**	**12 069**	**12 172**	**43**	**46**
Total (145 recipients)	**15 542**	**18 333**	**76**		**Total (146 recipients)**	**19 058**	**20 359**	**72**		**Total (137 recipients)**	**18 690**	**18 851**	**67**	
Unallocated	4 870	5 746	24	33	Unallocated	7 335	7 823	28	31	Unallocated	9 071	9 139	33	38
Total bilateral gross	**20 412**	**24 079**	**100**	**100**	**Total bilateral gross**	**26 393**	**28 183**	**100**	**100**	**Total bilateral gross**	**27 761**	**27 990**	**100**	**100**

Table B.5 Bilateral ODA by major purposes

at constant prices and exchange rates

Commitments - Two-year average

United States	2003-07 average		2008-12 average		2013-14 average		2013-14
	2014 USD million	%	2014 USD million	%	2014 USD million	%	%
Social infrastructure & services	**12 180**	**43**	**16 006**	**52**	**13 645**	**47**	**38**
Education	643	2	1 092	4	1 070	4	8
of which: basic education	457	2	721	2	787	3	2
Health	1229	4	1 527	5	1 580	5	5
of which: basic health	1129	4	1 412	5	1 436	5	3
Population & reproductive health	2898	10	5 993	20	5 623	20	7
Water supply & sanitation	771	3	537	2	411	1	4
Government & civil society	4616	16	5 480	18	4 347	15	11
of which: Conflict, peace & security	786	3	878	3	614	2	2
Other social infrastructure & services	2023	7	1 377	5	614	2	2
Economic infrastructure & services	**3221**	**11**	**2 789**	**9**	**1 748**	**6**	**19**
Transport & storage	877	3	1 161	4	375	1	8
Communications	125	0	20	0	12	0	0
Energy	1495	5	862	3	799	3	7
Banking & financial services	150	1	282	1	187	1	2
Business & other services	574	2	464	2	375	1	2
Production sectors	**1698**	**6**	**1 863**	**6**	**1 609**	**6**	**7**
Agriculture, forestry & fishing	751	3	1 493	5	1 219	4	5
Industry, mining & construction	731	3	137	0	104	0	1
Trade & tourism	216	1	233	1	286	1	1
Multisector	**1967**	**7**	**1 259**	**4**	**1 405**	**5**	**9**
Commodity and programme aid	**1 749**	**6**	**966**	**3**	**870**	**3**	**3**
Action relating to debt	**2 035**	**7**	**311**	**1**	**102**	**0**	**2**
Humanitarian aid	**3 526**	**13**	**4 788**	**16**	**6 032**	**21**	**11**
Administrative costs of donors	**1 270**	**5**	**1 869**	**6**	**2 146**	**7**	**6**
Refugees in donor countries	**466**	**2**	**753**	**2**	**1 198**	**4**	**5**
Total bilateral allocable	**28 113**	**100**	**30 604**	**100**	**28 754**	**100**	**100**
For reference:							
Total bilateral	*28 115*	*91*	*30 432*	*88*	*27 910*	*84*	*73*
of which: Unallocated	*2*	*0*	*-172*	*1*	*-844*	*3*	*1*
Total multilateral	*2 944*	*9*	*4 015*	*12*	*5 190*	*16*	*27*
Total ODA	***31 059***	***100***	***34 447***	***100***	***33 100***	***100***	***100***

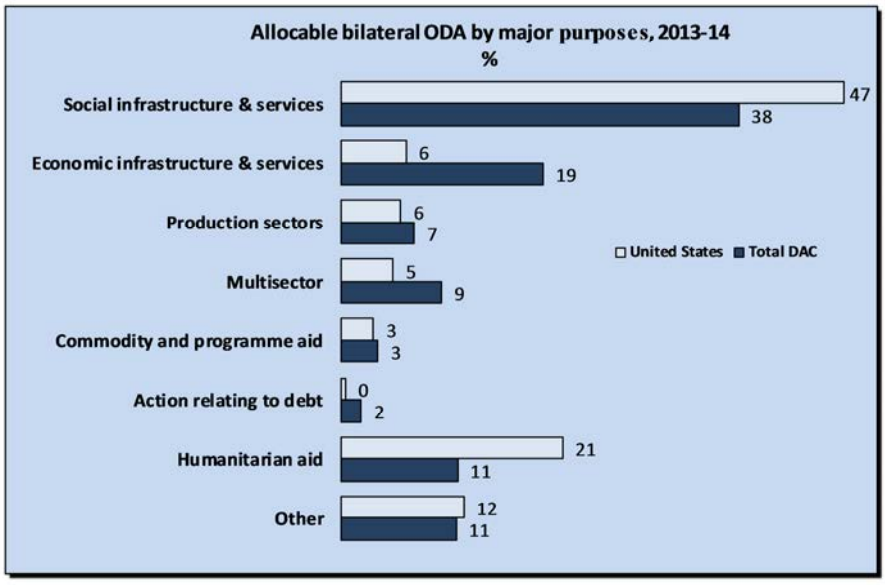


Table B.6 Comparative aid performance

	Official development assistance			Share of multilateral aid				Grant element of ODA commitments	Untied aid % of bilateral commitments
				Net disbursements					*Commitments*
	2014		2008-09 to 2013-14 Average annual % change in real terms	2014				2014	Year
				% of ODA		% of GNI			
	USD million	% of GNI		(b)	(c)	(b)	(c)	% (a)	(d)
Australia	4 382	0.31	4.5	20.2		0.06		99.9	89.1
Austria	1 235	0.28	-3.6	48.4	23.1	0.14	0.07	100.0	48.2
Belgium	2 448	0.46	-1.3	46.0	25.2	0.21	0.12	99.9	96.7
Canada	4 240	0.24	-1.6	22.7		0.05		97.2	93.0
Czech Republic	212	0.11	-0.4	70.5	10.6	0.08	0.01	100.0	32.4
Denmark	3 003	0.86	0.7	29.0	19.9	0.25	0.17	100.0	95.1
Finland	1 635	0.60	3.8	42.6	30.6	0.26	0.18	100.0	90.4
France	10 620	0.37	-0.9	38.7	16.5	0.14	0.06	85.6	92.3
Germany	16 566	0.42	3.3	30.0	12.7	0.13	0.05	83.6	83.6
Greece	247	0.11	-16.7	81.4	8.1	0.09	0.01	100.0	22.0
Iceland	37	0.22	-3.9	17.1		0.04		100.0	100.0
Ireland	816	0.38	-5.1	36.4	18.8	0.14	0.07	100.0	98.0
Italy	4 009	0.19	-1.7	65.8	24.3	0.12	0.05	99.9	93.7
Japan	9 266	0.19	3.4	35.1		0.07		87.0	78.1
Korea	1 857	0.13	13.0	24.8		0.03		95.1	53.2
Luxembourg	423	1.06	-1.1	29.0	20.9	0.31	0.22	100.0	97.5
Netherlands	5 573	0.64	-3.5	27.7	16.1	0.18	0.10	100.0	98.4
New Zealand	506	0.27	1.2	19.2		0.05		100.0	81.8
Norway	5 086	1.00	2.6	23.5		0.24		100.0	100.0
Poland	452	0.09	5.2	81.8	6.7	0.07	0.01	90.0	10.6
Portugal	430	0.19	-3.4	42.7	4.0	0.08	0.01	89.7	34.5
Slovak Republic	83	0.09	0.5	80.3	6.9	0.07	0.01	100.0	0.0
Slovenia	62	0.12	-1.7	67.1	11.5	0.08	0.01	100.0	
Spain	1 877	0.13	-19.7	75.3	20.7	0.10	0.03	100.0	83.6
Sweden	6 233	1.09	2.7	30.3	23.8	0.33	0.26	100.0	85.8
Switzerland	3 522	0.50	5.5	21.1		0.11		100.0	93.9
United Kingdom	19 306	0.70	9.0	41.8	31.9	0.29	0.22	98.9	99.9
United States	33 096	0.19	1.5	16.9		0.03		100.0	62.5
Total DAC	**137 222**	**0.30**	**1.5**	**31.0**		**0.09**		**94.2**	**80.6**
Memo: **Average country effort**		**0.39**							

Notes:

a. Excluding debt reorganisation.

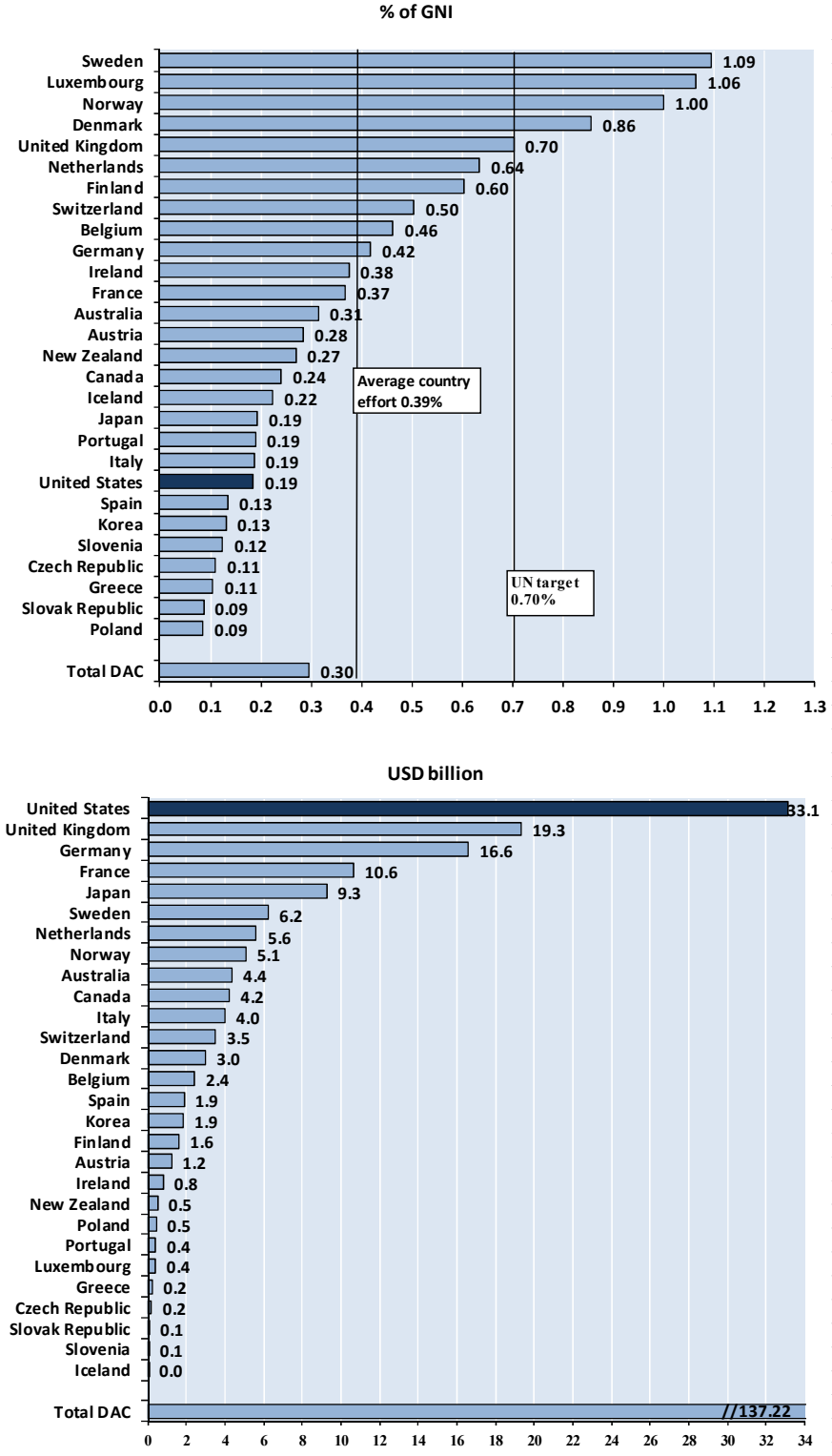
b. Including EU institutions.

c. Excluding EU institutions.

d. Excluding administrative costs and in-donor refugee costs.

.. Data not available.

Figure B.1 Net ODA from DAC countries in 2014



Annex C: Visits to Malawi and South Africa

As part of the peer review of the United States, a team of examiners from the European Union, Korea and the OECD visited Malawi and South Africa in April 2016. In both countries, the team met with US officials from the State Department, USAID and other members of the country teams; Malawian and South African government representatives and civil servants, parliamentarians and local authorities; other bilateral and multilateral partners, implementing partners and representatives of civil society and private sector organisations.

Towards a comprehensive US development effort

Aid-dependant Malawi, one of the poorest countries in the world, is losing donor trust due to corruption

Landlocked Malawi is among the world's most densely populated and least developed countries:[1] 72% of the 17.2 million Malawians live below the poverty line and 30% were in severe multi-dimensional poverty in 2015 (UNDP, 2015). Despite its political stability and good record on peaceful democratic transitions,[2] the country's economic performance has historically been constrained by macroeconomic instability, limited connectivity, and poor health and education outcomes. Food insecurity is chronic in Malawi, reflected in one of the highest stunting rates in Africa, affecting 46% of children under five. This has been perpetuated by the poor 2015 harvest, which caused a severe food crisis affecting three million Malawians. As a rural country with a predominantly agricultural economy,[3] this shock led to a severe reduction in gross domestic product growth (from 5.7% in 2014 to 2.9% in 2015; AfDB/UNDP/OECD, 2016).

At USD 1.13 billion, ODA contributed to 23% of Malawi's gross national income (GNI) in 2014, down from 30% in 2013. This decrease reflects donors' decision to freeze direct budget support, which accounted for 40% of the budget, in response to a corruption scandal. The US, World Bank, UK, Norway and the EU are the top five donors (Figure C.1).

South Africa is struggling to address persistent inequality, high unemployment and weak service delivery

As the second largest African economy, South Africa is an upper middle-income country which serves as a model for the continent of economic emergence, peaceful post-conflict transition and stable democracy. While impressive progress has been achieved to reduce poverty in the post-apartheid era, major development challenges remain. These include large and persistent pockets of poverty,[4] a high unemployment rate (25%, reaching 50% of the youth population), and one of the highest levels of inequality in the world.[5] These development challenges disproportionately affect the black population, reflecting the country's historical legacy. South Africa also has the largest HIV/AIDS epidemic in the world, with 5.7 million people living with HIV (USAID, 2013b). In a context of significantly weakened growth since 2014, reaching only 1.3% in 2015 (AfDB/OECD/UNDP, 2016), and governance challenges that constrain effective service delivery, citizen and business confidence has significantly deteriorated.

At USD 1.07 billion in 2014, ODA contributed to merely 0.3% of South Africa's GNI, the main donors being the US, France, the EU, Germany and the UK (Figure C.2). Government of South Africa principles state that the true value of ODA in South Africa is realised when it is able to provide solutions that enable the country to use its own resources more effectively.

Figure C.1: Aid in Malawi

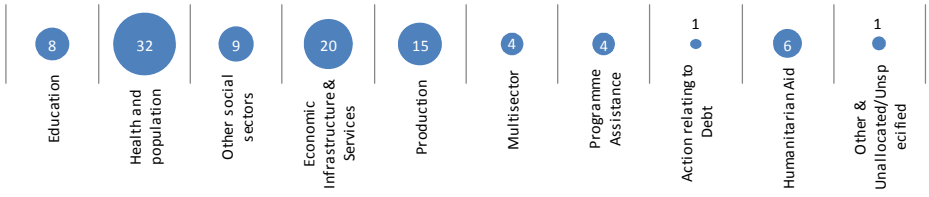
Malawi

Receipts	2012	2013	2014
Net ODA (USD million)	1 169	1 130	930
Bilateral share (gross ODA)	54%	56%	54%
Net ODA / GNI	28.5%	30.4%	22.8%
Net Private flows (USD million)	- 15	445	37

For reference	2012	2013	2014
Population (million)	15.7	16.2	16.7
GNI per capita (Atlas USD)	320	280	250

Top Ten Donors of gross ODA (2013-14 average)		(USD m)
1	United States	201
2	International Development Association [IDA]	186
3	United Kingdom	150
4	Norway	96
5	EU Institutions	94
6	Global Fund	77
7	African Development Fund [AfDF]	42
8	Japan	38
9	Germany	31
10	Ireland	26

Bilateral ODA by Sector (2013-14)



Source: OECD/DAC, World Bank; www.oecd.org/dac/stats.

Figure C.2: Aid in South Africa

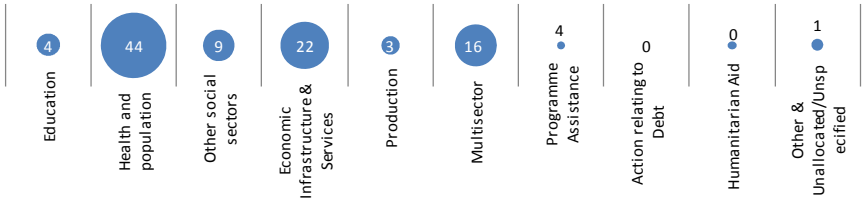
South Africa

Receipts	2012	2013	2014
Net ODA (USD million)	1 066	1 295	1 070
Bilateral share (gross ODA)	70%	80%	75%
Net ODA / GNI	0.3%	0.4%	0.3%
Net Private flows (USD million)	2 428	-2 759	4 031

For reference	2012	2013	2014
Population (million)	52.3	53.2	54.0
GNI per capita (Atlas USD)	7 640	7 410	6 800

Top Ten Donors of gross ODA (2013-14 average)		(USD m)
1	United States	497
2	France	258
3	EU Institutions	185
4	Germany	112
5	United Kingdom	93
6	Global Fund	90
7	Belgium	20
8	Norway	18
9	Climate Investment Funds [CIF]	17
10	Sweden	12

Bilateral ODA by Sector (2013-14)



Source: OECD/DAC, World Bank; www.oecd.org/dac/stats.

The US is the largest donor in Malawi and South Africa

The US is the largest donor in both these contrasting countries, and its engagement differs significantly in each. In Malawi, in the absence of a core economic or security interest for the US, its engagement is almost entirely development-driven. While the US has supported development since Independence in 1964, there has been a significant increase in effort in recent years in recognition of Malawi's stability and peaceful democratic transitions. In doing so, the US seeks to bolster positive models of stability and democracy across the continent, demonstrating the premium given to good governance in the US' Presidential Policy Directive on Global Development. As a result, Malawi has become a beneficiary of all the US Presidential Initiatives on development (see Chapter 2) and a country where the US pilots many of its new development initiatives. The US also supports the Malawian security forces, with the aim of increasing their contribution to peacekeeping efforts in Africa.

In South Africa, the multiplicity of interests at stake in the bilateral relationship makes development less central to the US engagement. The important US presence in the country, which is its second largest mission in terms of numbers of people, demonstrates the willingness of the US to deepen its relationship with South Africa. This is particularly the case for shared regional interests, from peacekeeping to food security. The main drivers of US action in South Africa are strengthening economic ties and commercial interests, making good use of South Africa as the regional hub to advance broader US diplomacy-development-defence objectives in Southern Africa and the continent at large, as well as combating the HIV/AIDS epidemic. While the overall US objective is "to create a stable and prosperous trade and investment partner", the US defends its national commercial interests. A good example was the renewal of South Africa beneficiary status to the Africa Growth and Opportunity Act, in exchange for its removal of protective tariffs on US chicken imports.

Tailored approaches to leveraging ODA demonstrate the flexibility of the US toolbox

In both Malawi and South Africa, the US is seeking ways to leverage its development assistance through tailored approaches. As the difficult macroeconomic situation in Malawi is challenging for private sector investment, US efforts focus on domestic resource mobilisation. The US Treasury's Office for Technical Assistance (OTA) is working with the Malawi Revenue Authority to strengthen their audit, risk management, and internal enforcement/investigation capacity. OTA is also supporting the Ministry of Finance's efforts to improve the management of domestic resources through improved budgeting.

In South Africa, the focus is on developing partnerships with the vibrant private sector. USAID has developed a range of tools and partnerships to engage the private sector in South Africa and the region, focused on the intersection between development and commercial objectives. These engagements are effectively unlocking capital and know-how, and delivering development innovations and solutions. Ambitious and large-scale examples of this approach include Power Africa, which is headquartered in South Africa, and the Africa Private Capital Group – a platform to mobilise US, South African, and international private sector investments in key sectors for development.

US policies, strategies and aid allocation

Innovative country strategies are broadly aligned with Malawian and South African priorities

US foreign assistance policies and strategies are also contrasting in these two countries. In Malawi, the US demonstrates the strong leadership expected as the largest bilateral donor and one with a long history of support to the country. It is widely appreciated as an engaged and active member of the development community and participates in policy dialogue at the highest level. In South Africa – a context marked by a complex bilateral relationship going back to apartheid times – the US has developed a strong and valued partnership to address the critical challenge of HIV/AIDS. It also seeks to develop synergies with technical ministries and civil society, as well as with its regional priorities in Southern Africa.

US engagement in Malawi and South Africa is framed by Integrated Country Strategies (ICS), which build on USAID Country Development Co-operation Strategies (CDCS). CDCSs were developed in both cases through in-depth analysis and consultation with multiple stakeholders, seeking broad alignment with Malawi's and South Africa's development priorities as expressed in Malawi's Development and Growth Strategy II (Government of Malawi, 2011) and South Africa's National Development Plan 2030 (National Planning Commission, 2012). USAID has been creative in these strategies. In Malawi it takes an innovative integrated approach, seeking to work locally and multi-sectorally in focus districts, while in South Africa the aim is to leverage South Africa's status and influence for the benefit of the region, which the US pursues mainly through its complementary regional strategy for Southern Africa. However, as the ICS is not public, the US lacks a single whole-of-government development strategy that captures and communicates the entire development effort of the 29 US government agencies in South Africa.

In Malawi, the 2013-18 CDCS development goal of "Malawians' quality of life improved" has three objectives: (1) social development improved, targeting health and education; (2) sustainable livelihoods increased, focusing on the agricultural sector; and (3) citizen rights and responsibilities exercised, which has a governance component (USAID, 2013a). Malawi is also home to a Millennium Challenge Corporation (MCC) compact of USD 350.7 million, targeting the critical sector of electricity. US co-operation in Malawi is marked by a tripling of ODA in 10 years, to reach USD 201 million in 2014, in order to demonstrate US support for good governance.

USAID's primary development goal in South Africa is to support its continuous transformation into an equitable, effective and exemplary nation. Resources are concentrated on three development objectives: improved health outcomes for South Africans, increased resource effectiveness in targeted sectors, and an enhanced impact on African development (USAID, 2013b). USAID programmes seek to strengthen small and medium-sized enterprises, create employment, improve learning and job skills, promote basic education, combat gender-based violence, and promote HIV/AIDS care, prevention and treatment. For FY 2014, total US foreign assistance to South Africa was USD 516 million, making it the ninth largest US beneficiary. More than 90% of its foreign assistance concentrates on health and HIV/AIDS, largely through the President's Emergency Plan for AIDS Relief (PEPFAR) programme.

Centralised aid allocation limits flexibility and ownership

Directed funding and headquarter-driven allocations limit the ability of local missions to implement the strategies described above. Indeed, as Malawi is a beneficiary of all US Presidential Initiatives and Congressional directives there is no scope for flexibility in funding. In South Africa, 93% of the programme is PEPFAR-related, and discretionary funding is very limited. These constraints make it hard for the US to respond to its partners' needs and local priorities. Good examples are the key issues of governance and gender-based violence, which are pressing issues in both countries.

Limited use of country systems undermines sustainability

Despite highly centralised decision making, some form of flexibility is possible. In response to continued need, the US government has decided to reverse the steep cuts planned to PEPFAR funding over the next two years in the 2013-2017 Partnership Framework Implementation Plan signed with South Africa. Similarly, the initial decision to phase out of Malawi five years ago given the absence of development results has been reversed and replaced instead with a three-fold increase of allocated resources. This was prompted by the change of government in 2011.

However, the US – with the exception of the Centers for Disease Control and Prevention (CDC) – is not using government-to-government channels to deliver its foreign assistance in either country. While the corruption scandal provides an explanation for Malawi, there is no clear rationale for why attempts for the US to use government-to-government channels in South Africa have not been pursued further or expanded.

Although the US holds regular, structured dialogue with the partner government in both countries, its mode of delivery through non-government partners and contractors means that programmes remain entirely dependent on continued US government resources. In addition, projects are not systematically designed to include a capacity-building component. Projects also often target very specific development challenges (e.g. HIV/AIDS), but not broader systemic issues (e.g. a quality, accessible and equitable health system).

MCC is a model of effective development co-operation

The MCC compact in Malawi bears all the hallmarks of effective development co-operation. It is focused on a critical and potentially transformative sector (electricity), has good government buy-in, is strongly performance and results-driven, seeks policy reform to complement its programmes, and is well-co-ordinated with other donors and related US initiatives. MCC also effectively managed the suspension of the compact in 2012 caused by inconsistency with the democratic governance criteria in Malawi, and its re-instalment once conditions had improved.

Organisation and management

Whole-of-government co-ordination is challenging

US whole-of-government support is well-co-ordinated in Malawi and South Africa, under the leadership of the Ambassador, with USAID's Country Director serving as their main development advisor. Yet the important US field presence in both countries – with 8 agencies and 400 staff in Malawi and 29 agencies and 1 200 staff present in South Africa – raises co-ordination challenges. While each agency has its own organisational structure and management rules, regular meetings of the country teams and a series of working groups at technical and initiative levels are necessary for effective joint decision making and to address policy trade-offs. This is particularly important for the development of the

yearly PEPFAR Country Operational Plan, in which the State Department, USAID and CDC all play key roles, but with different and sometimes competing approaches.

Decision making is increasingly occurring in Washington, causing local frustration

The implementation of PPD-6 and the multiplication of Presidential Initiatives have led to a re-concentration of decision making in Washington in recent years. Missions have had to implement a series of reforms and have seen the number of policy and guidance documents emanating from Washington significantly increase alongside strong pressure for results. While their response has been admirable – USAID's Malawi mission managed to absorb a significant scale-up – it has challenged mission absorption capacity.

The systems and procedures of US agencies are viewed as cumbersome and the cause of high transaction costs by most partners. Reporting requirements for partners and staff are complex and time consuming. As a result, they are not able to make best use of their skills and time, potentially putting overall programme quality at risk.

Lack of human resources authority can hamper USAID's operations

In both Malawi and South Africa, the US government has well-resourced offices and is widely praised by all its partners for the technical expertise of its staff. This is reinforced by the strong emphasis given at USAID to inducting and training staff, including locally hired staff.

However, US government human resource policies and systems are affecting USAID's flexibility to recruit and retain the best talent. Despite some efforts to promote local staff into more senior positions, classification of positions affects career progression for Foreign Service National staff. Opportunities are therefore missed to draw more on the local knowledge and expertise of these staff. USAID does not yet have full authority over recruitment decisions.

Partnerships, results and accountability

The US leads donors confidently but its efforts towards increased harmonisation are limited

The US plays a strong role in donor co-ordination in both Malawi and South Africa, where it is perceived as an engaged and active member of the development community (Box C.1). The US plays an active advocacy role on behalf of the overall donor community, as it did in Malawi on food security issues. It also supports initiatives for improving aid effectiveness, such as the Government of Malawi aid management platform. Efforts to increase donor harmonisation and joint funding are more limited, except on HIV/AIDS where the US seeks complementarity with the Global Funds and other donors active in this area. Other smaller-scale but encouraging examples include MCC partnerships with the African Development Bank, the signature of a standard co-financing agreement with the German technical co-operation agency (GIZ) in South Africa, the UK Department for International Development's contribution to the US education programme in Malawi and the US contribution to a multi-donor trust fund on agriculture in Malawi.

Box C.1 Donor co-ordination in Malawi and South Africa

Malawi is an active promoter of the aid effectiveness agenda, demonstrated by its current role as a co-chair of the Global Partnership for Effective Development Co-operation. In 2014, Malawi's Ministry of Finance, Economic Planning and Development issued the Development Cooperation Strategy for Malawi for 2014-18. This is the country's national framework for ensuring donors' efforts align with the Malawi Development and Growth Strategy II. The Development Cooperation Strategy sets out a results-based framework for development co-operation stakeholders in Malawi, outlines a series of guiding principles based on the Paris and Busan declaration principles, and revitalises the architecture for dialogue among development partners and the Malawi government, which consists of:

- an annual High-Level Forum for substantial and high-level dialogue, in operation since 2014
- an Aid Management Platform established by the Government of Malawi in 2008 to track development partners' efforts and facilitate government planning and budgeting processes
- a number of Sectoral Working Groups to reduce aid fragmentation and increase synergies among partners.

However, there have been considerable co-ordination challenges between donors and the government of Malawi since the 2013 corruption scandal *Cashgate*. This had a major impact on government-to-government relationships and led to a loss of confidence. Despite this challenging environment, joint donor efforts are effective in tackling the critical issue of food security: the donor co-ordination group on agriculture and food security has established a multi-donor trust fund in agriculture, identified and advocated for key policy reforms to break the food insecurity cycle and co-ordinated its response to the El Niño food security crisis.

South Africa's middle-income country status makes ODA a limited source of public finance in its national budget. As a consequence, donor co-ordination is not a high priority of the government of South Africa, except in a few strategic domains:

- On the critical issue of HIV/AIDS a solid co-ordination structure has been established under the South Africa National AIDS Commission, which hosts the South Africa Country Co-ordination Mechanism of the Global Fund. It is complemented by the ODA Co-ordination Forum convened by the Ministry of Health and the donor co-ordination group which meets every month. These structures ensure that HIV/AIDS development assistance contributes to the South Africa national plan to tackle the epidemic.
- On regional co-operation in southern Africa, the Department for International Relations participates as a donor in donor co-ordination meetings on humanitarian co-operation under the Inter-Agency Standing Committee and to support the Southern Africa Development Community (SADC) International Cooperating Partners (ICP) groups.
- In addition, the National Treasury's International Development Co-ordination Office tracks ODA spending by its development co-operation partners for its budget planning purposes.

Beyond these few areas, donor co-ordination in South Africa is not well developed. The 26 DAC members with programmes in South Africa co-operate on an ad-hoc basis and have not set-up a co-ordination mechanism to ensure harmonisation of their approaches or alignment with the government of South Africa's development priorities. There are for instance no formal co-ordination groups on education and trilateral assistance, and the co-ordination mechanisms in place on governance and sustainable growth are not particularly active.

The US could strengthen its local partnerships	The US is striving to further develop partnerships with local non-governmental organisations, the private sector, the research community and local authorities in line with its local solutions initiative. In South Africa this is being delivered through a series of innovative instruments and is supporting a broad-based concept of country ownership. It draws on the strong capacity of partners in the country, the history of PEPFAR implementation, and its focus on the private sector. In Malawi, the US' low risk-appetite and its complex systems limit its use of local partners as implementers. US efforts to train local partners through its programme "Supporting Efforts of Partners" is good practice, as is its move to work more closely with local governments through its strategy to focus on a few local districts, though it has some way to go.
The US is implementing data-driven results management	In both Malawi and South Africa, the US has improved its results management approach through efforts to streamline plans and indicators, to assess the quality of data, and to build local capacities in monitoring and evaluation. The data-driven approach is evident, notably for the PEPFAR programme, with rigorous performance and portfolio reviews, and regular data quality assessments. However, the large number of indicators, ambitious targets and frequency of reporting create a resource-intensive and parallel system, and may affect the value and use of results information for decision making. US government evaluation policies are being followed in the two countries. Both USAID and MCC invest heavily in reviews and evaluations. The on-going impact assessment of the country strategy in Malawi – incorporating timely baseline and stakeholder analysis studies – will enable the US and other partners to learn from, and demonstrate the effectiveness of, the integrated approach. The next step will be to systematically capture and share lessons and good practice, and to improve the evidence base, in line with USAID's collaborating, learning and adapting (CLA) approach. This will be facilitated by the roll out and improved awareness of USAID's central knowledge management tools, which often are not well-known or accessible in the field.
Efforts to improve transparency and predictability are insufficient	The US government is making efforts to increase transparency. In Malawi, the US reports to the Malawi Aid Management Platform. USAID has also co-signed agreements with the government of Malawi that commit funds annually, including funds that are off-budget. However, comprehensive and forward-looking information is not yet shared in a timely manner. This is similar in South Africa where the National Treasury lacks a comprehensive view of US development efforts, despite the existence of mutual accountability mechanisms, such as the holding of an annual bilateral forum to discuss the relationship, including issues related to development, or the invitation to Treasury to participate in USAID's internal portfolio review. Greater transparency would help inform the country's own budget allocations, strengthen mutual accountability, and increase predictability for all partners.

Notes

1. Ranking 173 out of 187 in the Human Development Index (UNDP, 2015).
2. The country has seen four consecutive democratic transitions.
3. About 80% of the population live in rural areas, and agriculture contributes about one-third of GDP and 90% of export revenues (AfDB/OECD/UNDP, 2016).
4. About 10.3% of South Africa's 55 million people are considered multi-dimensionally poor and an additional 17.1% live close to multi-dimensional poverty (OECD, 2015).
5. The Gini coefficient was 0.69 in 2015, one of the highest in the world.

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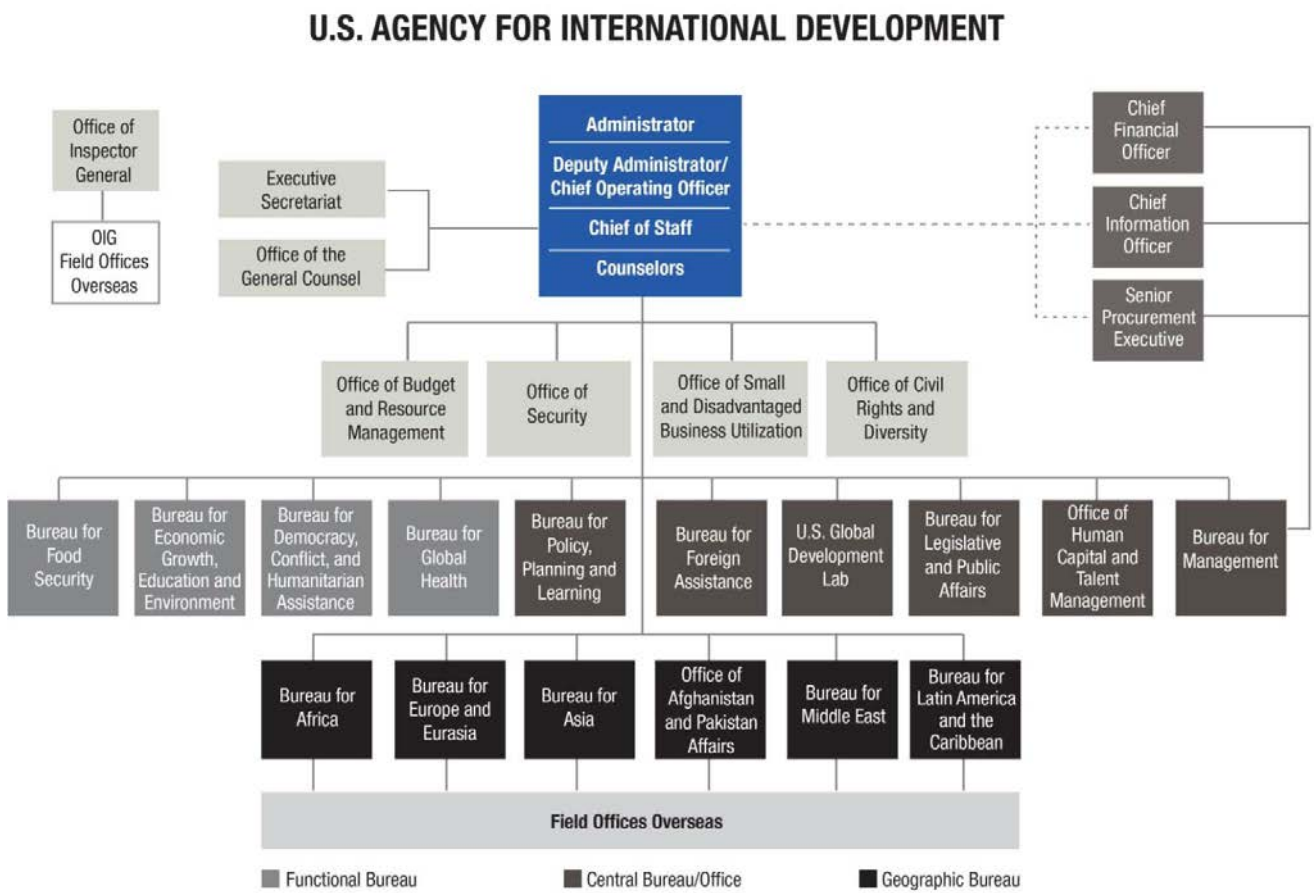
Annex D: Organisational structure

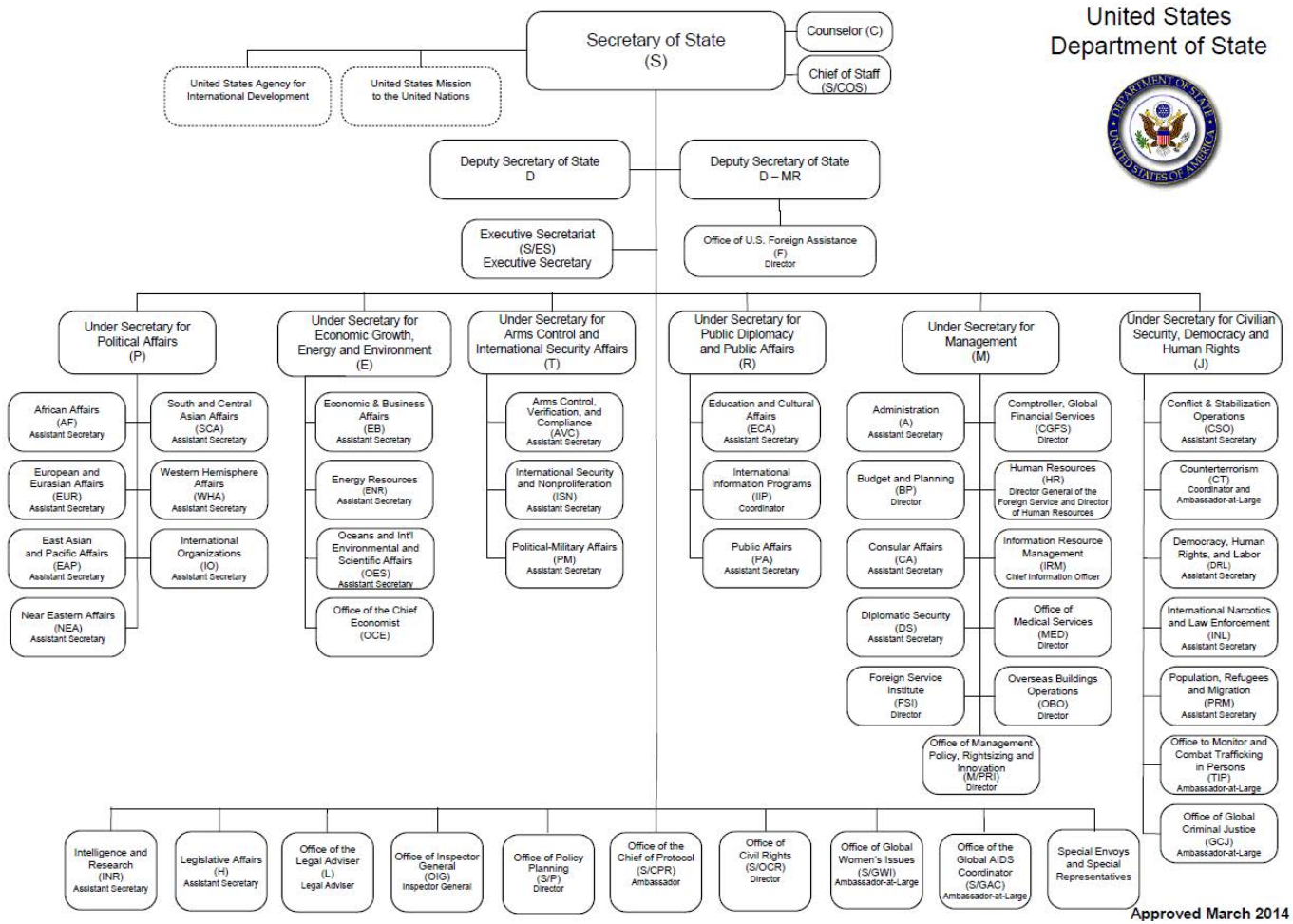
Figure D.1 Organisation of the United States Agency for International Development



As of 06/10/2014

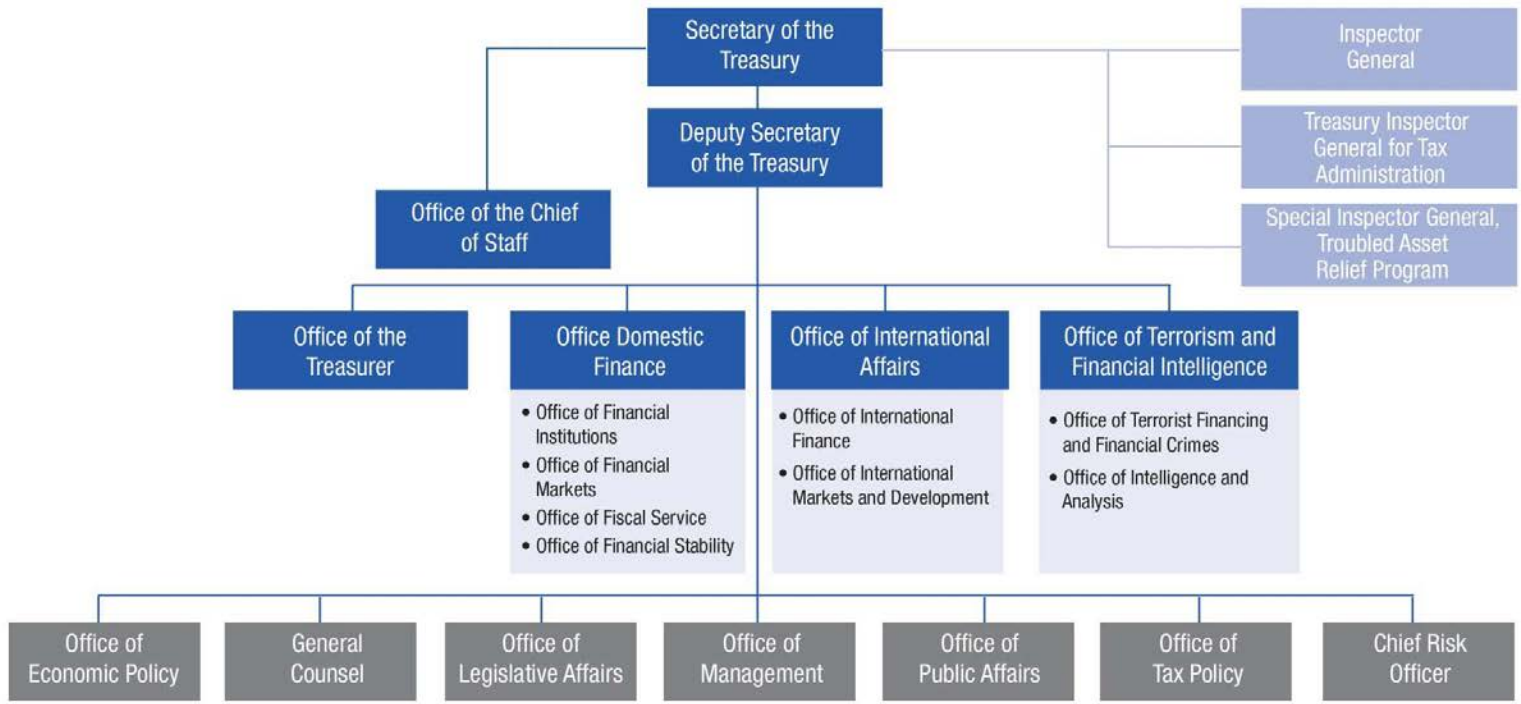
Source: https://www.usaid.gov/who-we-are/organization.

Figure D.2 Organisation of the United States Department of State



Source: http://www.state.gov/r/pa/ei/rls/dos/99494.htm.

Figure D.3 Organisation of the United States Department of the Treasury



Source: https://www.treasury.gov/about/organizational-structure/Pages/default.aspx.

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