

**Evaluation of the Implementation of the
Paris Declaration:
United States Government
Synthesis Report**

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This is an independent evaluation report prepared by a private contractor. It was developed as part of the larger international evaluation of the Paris Declaration and is one of 48 country reports which are the basis for the international evaluation. As such it followed the protocols of the international evaluation. This report synthesizes the reports from seven major US government agencies who work on US foreign assistance. The report was made possible by the support of the American people through the Office of the Director of U.S. Foreign Assistance and the United States Agency for International Development (USAID). The contents are the responsibility of Social Impact, Inc. and do not necessarily reflect the views of the Office of the Director of U.S. Foreign Assistance, USAID or the United States government.

The data collection period for this evaluation began in March 2010 and was completed in early January, 2011. Since that time, the reports have been reviewed and revised based on additional information received from agency reviewers and accepted by the independent evaluation team.

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PREFACE

The purpose of this paper is to review and assess implementation by the U.S. government (USG) of the principles of the Paris Declaration on Aid Effectiveness (PD). The evidence for this paper is from the seven case studies of US Departments that manage aspects of US foreign assistance. The paper is one of almost twenty donor studies prepared for the overall Evaluation of Implementation of the Paris Declaration.

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John “Jack” Sullivan and Kelly Heindel, for the DOL (Department of Labor, Bureau of International Labor Affairs) case study

Richard Blue and Kelly Heindel, for the DOS (Department of State) case study

Please refer to Annex E for brief biographies on each case study author.

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Abbreviations and Acronyms

AAA	Accra Agenda for Action
ADS	Automated Directives System
AE	Aid Effectiveness
APCC-AE	Agency Policy Coordinating Committee on Aid Effectiveness (USAID)
CDC	Centers for Disease Control and Prevention (HHS)
DA	Development Assistance Appropriation
DAC	Development Assistance Committee (OECD)
DCM	Deputy Chief of Mission
DHS	Department of Homeland Security
DOD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
DOS/F	Office of the Director of Foreign Assistance in the Department of State
EU	European Union
FAR	Federal Acquisition Regulations
FSI	Food Security Initiative
FtF	Feed the Future
GAO	Government Accountability Office
GCCI	Global Climate Change Initiative
GHI	Global Health Initiative
GNP	Gross National Product
GPRA	Government Performance and Results Act of 1993
HHS	Department of Health and Human Services
IG	Inspectors General
ILAB	Bureau of International Labor Affairs (DOL)
ILO	International Labor Organization
IMF	International Monetary Fund
IP	Implementing partner
KI	Key Informant
M&E	Monitoring and Evaluation
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MEPI	Middle East Partnership Initiative
MfR	Managing for Results
NGO	Non-governmental Organization
NSC	National Security Council
ODA	Overseas Development Assistance
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OTA	Office of Technical Assistance (Department of Treasury)
PART	Program Assessment Rating Tool
PD	Paris Declaration on Aid Effectiveness
PDE	Paris Declaration Evaluation

PEPFAR	US President's Emergency Plan for AIDS Relief
PIU	Project Implementation Unit
PPD	Presidential Policy Directive
PPL	Policy Planning and Learning Bureau (USAID)
PSD	Presidential Study Directive
QDDR	Quadrennial Diplomacy and Development Review
RFP	Request for Proposals
SI	Social Impact
SOW	Scope of Work
TOR	Terms of Reference
TREAS	Department of Treasury
UN	United Nations
UNHCR	Office of the United Nations High Commissioner for Refugees
UNOCHA	UN Office for the Coordination of Humanitarian Affairs
USAID	United States Agency for International Development
USDA	United States Department of Agricultural
USG	United States Government

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EXECUTIVE SUMMARY

The purpose of this study is to review and assess implementation by the U.S. government (USG) of the principles of the Paris Declaration on Aid Effectiveness. The study is one of almost twenty donor studies prepared for the global evaluation of Paris Declaration (PD) implementation. The methodology included an examination of relevant documents from each of seven U.S. government agencies that manage official development assistance (ODA), key informant interviews at the headquarters levels of each of the agencies, a questionnaire survey of overseas staff of four agencies, and selected interviews of staff in cross-cutting “apex” entities in executive and legislative branches that play important roles regarding development assistance policy and resource allocation.¹ This synthesis report brings together the main findings from these sources, grouped by the factors or conditions identified by the framework for the PD evaluation as enabling donor implementation of the commitments and principles of the PD.² These enabling factors are: Leadership, Awareness and Commitment; Capacity; Incentives and Disincentives; and Coherence. Report findings and conclusions include both policy changes influenced by the PD and enabling factors related to the implementation of foreign assistance by those responsible for program management. The report then draws relevant conclusions and sets out matters for consideration by the USG. Section 7 discusses some issues raised by the findings regarding the PD principles.

The report uses the term “USG” to refer collectively to those policies and actions which influence or affect U.S. foreign assistance programs, processes and procedures in general. It is important to note that there is no single USG agency with authority over all seven agencies included in this assessment, although the President with the advice of the National Security Council (NSC) does set overall policy. However, the U.S. Congress plays a major role through the appropriations process, frequently mandating agency programs as well as setting specific limitations and conditions on how and for what purposes foreign assistance is to be provided.

Main Findings

Leadership, Awareness and Commitment

After endorsing the PD in March 2005, the USG continued to participate in the process, including considerable staff work to monitor and report on USG PD implementation and prepare US officials for subsequent meetings. The United States Agency for International Development’s (USAID) initial guidance to the field was issued in March 2006. An Interagency Working Group on Aid Effectiveness (IWG-AE), succeeded by the Aid Effectiveness Sub-Policy Coordinating Committee (AE-PCC) met as an interagency committee under the aegis of the Policy Coordination Committee on Development and Humanitarian Assistance in subsequent years to

¹ Interviews were conducted with selected staff in the National Security Council (NSC) and the Office of Management and Budget (OMB) in the executive branch and the Government Accountability Office (GAO), the Committee on Foreign Affairs and the Committee on Appropriations of the U.S. House of Representatives, and the Committee on Foreign Relations of the U.S. Senate, in the legislative branch. The names of the seven case study agencies and the study authors are given in the Preface to this report.

² See “Generic Terms of Reference (ToR) for Donor/Agency HQ Studies for Phase II of the PD Evaluation,” December 7, 2009.

marshal USG support for PD actions, including a USG Action Plan (2007), the monitoring surveys of PD implementation and preparing for USG participation in the Third High Level Forum in Accra in September 2008. However, its efforts to raise awareness of and commitment to the PD principles among program management staff were not very effective, according to the case studies. With the exception of Millennium Challenge Corporation (MCC) and Department of Treasury Office of Technical Assistance (TREAS-OTA) respondents, the case studies revealed that very few program managers in other USG departments—Department of State (DOS), Health and Human Services (HHS), Departments of Agriculture (USDA), and Labor (DOL), and USAID—had an intimate understanding or knowledge of the PD or the Accra Agenda for Action (AAA).

Beginning in 2008, a new USAID Administrator actively began to support the PD and AAA, taking steps to expand awareness and examine constraints. The current USAID administration has accelerated this process by issuing specific guidance for strategic planning, undertaking a serious examination of how to improve aid effectiveness, and identifying constraints that can be relaxed without congressional action as well as those that will require new statutory authorities. The new U.S. Global Development Policy (also referred to as the Presidential Policy Directive on Global Development) focuses on policy and structural reforms necessary to increasing the effectiveness of USG assistance. This, and the just released Quadrennial Diplomacy and Development Review (QDDR) prepared by DOS and USAID represent the results of nearly two years of intensive study and discussion by senior staff and policy makers in the NSC, DOS and USAID. Both documents are informed by PD principles, and the QDDR specifically cites the PD and the AAA as the source for its development assistance principles.³ The guidance provided by these policies give management structure to three previously announced initiatives: Food Security (Feed the Future), Global Health and Climate Change.

The seven U.S. government agency case studies may be organized into three groups:

- *Agencies expressly committed, with policies specifically aligned with PD principles.* In our case studies, MCC and TREAS–OTA come closest to this standard.
- *Agencies that follow practices highly consistent with PD principles.* Among our case studies, HHS comes closest to this standard.
- *Agencies within which some practices conform to PD principles, but for which the constraints imposed by external and internal factors, such as organizational mandates, USG accountability and contracting procedures and agency practices, or competing organizational cultures present severe disincentives or constrain movement towards greater compliance with the PD.* DOS, USAID, Department of Labor, Bureau for International Labor Affairs (DOL–ILAB), and USDA make up this grouping of our study cases. As demonstrated in the USAID case study, DOS and USAID leadership is directly confronting many of these constraints, especially through the USAID Forward reforms and to some extent the three major program initiatives—Feed the Future (FtF), the Global Health Initiative (GHI) and the Global Climate Change Initiative (GCCCI).

³ The Quadrennial Diplomacy and Development Review is available on line at: <www.state.gov/qddr>.

Evidence for seven cases studies and this synthesis paper was collected over a seven-month period, during which USG promotion and discussion of PD principles increased considerably. Thus, interviews conducted toward the end of the data collection phase may reflect this. Clearly, respondents at higher levels of the professional staff were better informed than most program managers. Comments received by DOS and USAID case study reviewers requested that the report give greater attention to the accelerated progress toward greater policy compliance with PD-like aid effectiveness principles, as noted above. Additional interviews have provided some evidence that implementation of these policies is just underway, especially with regard to the FtF initiative.

Efforts by USG leadership to raise awareness notwithstanding, levels of awareness of the specific language of the PD on Aid Effectiveness and its principles were low among DOS mid-level managers, but higher in USAID, MCC, and TREAS–OTA. On the other hand, officials in the DOL–ILAB, HHS, and the USDA at higher management levels were not well informed. Respondents to an electronic survey of USG Missions abroad in four agencies showed greater awareness and understanding of the implications of PD principles.

However, as noted in all the case studies, the majority of key informants are conversant with aid effectiveness principles, in general, and can describe efforts to improve their own program’s effectiveness (though not labeling the construct PD, as such).

Capacity

The capacity required in the reviewed agencies to implement the PD principles effectively tended to be underestimated in almost every case, with the exception of some MCC and USAID respondents. As a corollary, only a few agencies mentioned the need to acquire or develop improved capacity in order to help strengthen host country capacities in areas such as financial management, procurement management, and monitoring and evaluation. Instead, as noted above, agency capacity strengthening tended to focus on meeting USG requirements rather than strengthening host country capacities.⁴ HHS and TREAS–OTA are notable exceptions to this finding. Both agency case studies noted that interviewed officials pointed out that strengthening host government capacity is a prime objective of their programs.⁵

Incentives and Disincentives

Efforts to find evidence of PD-like foreign assistance processes yielded positive results, especially for the HHS and MCC case studies, and to some extent, mid-level program managers in DOS. No specific incentives for implementing PD principles were mentioned in any of the case studies. Instead, respondents referred to their professional commitment to improve the effectiveness and impact of the programs they managed. Disincentives derived from the

⁴ Both the PD and the AAA give considerable emphasis to the need for donors to strengthen host country development capacities (six PD commitments and nine AAA commitments). These statements also recognize the need for donors to strengthen their own capacities. Commitment 14 (a) of the AAA states that “Donors will strengthen their own capacities and skills to be more responsive to developing country needs.”

⁵ While not a prime objective, capacity building has received increased attention in MCC Compacts and implementing entity agreements. It is implicit in the smaller MCC threshold programs, to the extent that capacity strengthening is required for a country to meet compact eligibility criteria. See Section 4 for further discussion.

constraints embedded in USG procedures for doing business and for being accountable for how public funds are used. However, the lens through which respondents viewed their compliance varied. Generally, compliance was more influenced by the general laws, policies and regulations of the U.S. Government, like the Government Performance and Results Act (GPRA) or Federal Acquisition Regulations (FAR), than by an understanding of the PD principles. This was especially the case for procedures related to managing for results (MfR) and mutual accountability. Respondents in nearly all agencies framed their responses in terms of U.S. Government requirements to manage for results and to improve monitoring, evaluation and reporting to the U.S. Congress and to the executive branch, as opposed to working with host countries to strengthen their capacities in these areas. The PD principles of mutual accountability and country ownership were largely missing from these discussions. The commitments under the principles, if followed, would impose a very different set of procedural requirements and practices on U.S. government foreign assistance managers. On the other hand, in HHS the PD-like assistance was influenced more by a long-standing culture of public health officers that emphasized partnership-like technical assistance whose goal was sustainability of public health systems improvements.

Efforts to implement the harmonization principle were also constrained. The agency case studies did not say much about the PD principle of harmonization. Perhaps this is because little need is seen for it, as in the case of the financial and economic advisors fielded by TREAS–OTA—but a more significant reason is that risk-averse cultures in agencies like USAID and DOS militate against joint efforts with other donors to reduce the aid delivery transaction costs imposed on host countries, or to work toward a division of labor among donors.⁶ Another factor militating against harmonization, as suggested in Section 5, is the felt need, expressed by both HHS and DOS staff, to attribute their success in MfR to USG efforts and resources, rather than to a harmonized approach with other donors. The USAID case study found similar views among USAID respondents. An unusual view expressed by one USAID Mission director was that some host countries questioned the effort and cost of harmonization.⁷ At the same time, the relatively large field presence of USAID and DOS staff has facilitated informal coordination with other donors.⁸ Explicit priority is given to harmonization by the new, “Presidential Policy Directive on Global Development” (PPD) as well as by the new initiatives at USAID, including in the guidance, “Building Local Development Leadership” and “Country Development Cooperation Strategies.”⁹

Coherence

While coherence is not mentioned in the PD or AAA, it was noted as a significant enabling factor for Declaration implementation by several donor case studies in Phase I of the evaluation, with coherence flagged several times for consideration as an enabling factor for assessment in

⁶ For example, the USAID case study suggests that perceived ceding of responsibility by a USAID staff member to another donor would expose the staff member to prosecution and punitive action. See G. Hyman and M. Kjaer, *op. cit.*, pp.33.

⁷ *Op. cit.*, p. 22. Note: One agency stated that these views are contrary to their written directives. The views were expressed by respondents from DOS and HHS, as well as USAID.

⁸ *Op. cit.*, pp. 9 and 36.

⁹ Issued by the USAID administrator’s office in August 2010.

the “Generic Terms of Reference (ToR) for Donor/Agency HQ Studies” for Phase II of the PD Evaluation.¹⁰

U.S. foreign assistance has expanded, both in dollars and in the number of issue areas and objectives, over the last twenty years, in large part due to the emergence of a variety of global issues, negative externalities, and the concomitant expansion of America's global engagement after the end of the Cold War. USG commitment to providing humanitarian assistance has remained strong, but the combined increase in the severity of natural disasters and the persistence of internal conflict in many states has resulted in the engagement of the US military with other USG departments, in association with the international non-governmental organizations (NGO) community, in providing relief. The oft-congressionally-mandated efforts to “do something about...” has created a complex web of foreign assistance programs, agencies and earmarked funding. These factors have strengthened the interdependence between development, diplomacy and defense originally articulated in the last Bush administration, and substantially expanded by President Obama's Global Development Policy, the just released QDDR and Secretary Clinton's references to a "whole-of-government" approach to dealing with the global agenda. However, many DOS officials who manage foreign assistance did not consider their programs to be “development assistance,” and did not see how the PD principles would apply. These officials explained that they were doing diplomacy work or pursuing foreign policy objectives, not development strategies.

The Scope of Work (SOW) directed the SI team to prepare case studies on each of seven U.S. departments because both the PD and AAA were endorsed on a whole-of-government basis. On average, nearly half of the funds administered by the DOS are classified as ODA. Other US departments' overseas programs' are at least partially classified as ODA.

The U.S. government has elevated development to an equal status with defense and diplomacy, but tensions remain among the three objectives, as well as with the economic and trade interests of the several of the US domestic agencies now involved in the development process. Each of the case studies noted examples of where specific amendments to the US Foreign Assistance Authorization and related appropriations bills placed limitations on the foreign assistance programs, most notably in the promotion of agricultural products that compete with US agricultural exports, or in "source/nationality/origin" provisions which may raise the costs of assistance in some countries. Less explicit sources of tension also arise from what we have termed "values-based" program objectives such as support for human rights advocacy groups and the desire to have alliance relationships with important countries for security or diplomatic objectives, especially when some of these alliances are with regimes that have a poor record of protecting human rights or for tolerating political dissent.

Implementation

Respondents across the board, but especially in USAID, were somewhat skeptical of the U.S. Government ever moving toward full compliance with the PD principles—in large part due to

¹⁰ Coherence is mentioned four times under “Contextual Factors” and twice under “Incentives and Disincentives” in the Generic Terms of Reference, December 7, 2009.

the perceived weakness of, and incidence of corruption in, host government institutions, but also because of the very detailed legal responsibilities imposed on USG managers by FAR and other U.S. statutes. Managers are simply unable to take the risk of losing control of funds or of the procurement/contracting process.

Key Conclusions

The conclusions presented below are based on the research conducted mainly in the period of March to September 2010. As repeatedly noted in the Findings section, by late September the administration's ongoing efforts to develop a new global development policy, to address the issue of policy and operational coherence, and especially to reform and rebuild USAID began to bear fruit. The release of policy and reform related documents accelerated, and with the GHI and FtF Initiatives, implementation protocols and practices are being tested. While much of this effort has been driven by a more general recognition that, to serve U.S. interests, U.S. foreign assistance has to become more effective and focused, there is little doubt that the PD, AAA and the Rome Principles (with regard to food security) have had a major impact on the direction of U.S. aid effectiveness reforms. However, as any student of organizational behavior well knows, the transformation of reform policies into reformed implementation procedures and practices is not automatic. For this reason, many of our conclusions focus on the operational constraints that must be overcome if the new policies are to produce the desired results.

- 1) U.S. foreign assistance has lacked an overall conceptual and organizational architecture, in spite of efforts to give it conceptual unity under the "Three D" mantra: Defense, Diplomacy and Development. It involves many federal agencies and is heavily earmarked and influenced by the U.S. Congress and a variety of interest groups. It is therefore difficult to develop generalizations about the degree of PD and AAA compliance. Several agencies, such as MCC, TREAS-OTA, and HHS, claim a high degree of consistency with PD/AAA principles and accords, but the reasons for whatever consistency that does exist are different for each agency. Among the larger programs—USAID, DOS, HHS and MCC—MCC enjoys a degree of greater freedom with regard to source of procurement, multi-year funding (up to five years) and more flexibility in personnel decisions afforded by its status as a government corporation. MCC's capacity building focuses primarily on the Millennium Challenge Account (MCA), a parastatal organization responsible to the host government and to the MCC for implementation of compact projects. Capacity building also takes place through implementing entity agreements that MCAs hold with line ministries that implement compacts. TREAS-OTA has a very specific mandate, does not manage grants or contracts, and is fully embedded in the host government's agencies, such as ministries of finance, central banks and banking superintendencies. HHS, via the Centers for Disease Control (CDC), uses funds transferred to it from the DOS and develops close working relationships with host-government institutions, with building institutional capacity the primary objective, but does not use host government systems for budget management or procurement. USAID and DOS programs are also shaped by congressional mandates and earmarks, behind each of which is a vocal and well-organized domestic community. The recently issued White House "Policy on Global Development" (fact sheet found in Annex F) does address this issue through several means, including vesting USG coordination responsibility with the NSC and strengthening both DOS and USAID.

- 2) Respondents in U.S. government agencies that did follow assistance management practices consistent with the PD tended to stress principles and practices, including country alignment, engagement with host country institutions, capacity building through extended technical assistance, and efforts to gradually shift program implementation responsibility to host country institutions. The HHS case study perhaps shows the greatest responsiveness in this regard. One of the reasons for this degree of alignment is an already-extant global network of public health professionals, as well as a close affiliation between public health development experts and the larger health research and scientific community. Health programs, insofar as their technology is concerned, usually are well grounded in existing evidence and practice, and therefore represent known solutions, the efficacy of which, if properly administered, is not in doubt. Another factor is that health programs do not challenge political arrangements in a host country, unlike economic and, in particular, democratic development programs. Efforts to improve the rule of law generally are not appreciated by kleptocratic or authoritarian regimes.
- 3) Within DOS, the Office of the U.S. Global AIDS Coordinator is responsible for coordinating the major USG commitment to fighting HIV/AIDS, and other major global health threats. The oldest and largest commitment has been the President's Emergency Plan for AIDS Relief (PEPFAR) program, which since 2009 has made significant progress in developing operational and strategic guidance for moving PEPFAR towards explicit adherence to PD principles, including country ownership and harmonization with other donors, although it is too early to tell whether this new approach will produce desired improvements in aid effectiveness.
- 4) The findings on coherence lead to the conclusion that inherent tensions exist between the three major strategic purposes of U.S. government foreign policy—diplomacy, defense and development—that affect the ability of aid effectiveness policies to be internally consistent and coherent. Some of this tension arises from the pressure to produce results in a relatively short time period, as in the MCC case wherein significant measurable impact on poverty must be demonstrated within the framework of the 5 year Compact period. Most observers would agree, for example, that capacity building is a long-term process, especially with regard to the establishment of effective, transparent, and accountable institutions of democratic governance. Political and statutory pressure to report positive outcomes on a yearly basis works against the kinds of time frames and long-term efforts most likely to be effective, making “the long run” simply too long. Good development practice may end up subsumed under short-term diplomatic and defense objectives.

Another source of incoherence lies in the potential tension between helping to develop a country's comparative advantage through development investments and free-trade regimes, and the objectives of American producers and exporters, especially America's farm sector, which may face stiff competition from abroad, now or in the future. In addition, a tension exists between the moral basis for development—including advancing democracy and human rights, protecting women and children from trafficking, and protecting endangered species—on the one hand, and on the other, the USG's need to develop alliances and cooperative security relationships with regimes that show little interest in U.S. values-based objectives.

- 5) The considerations that follow this section demonstrate the importance of analyzing the conditions under which certain PD principles, or aspects of them, may not fully apply. For example, aspects of country ownership and alignment may not apply in situations of fragility, lack of accountable governance, or immediate post-conflict situations. In particular, alignment with country systems is not likely to be feasible under these conditions. Even aspects of harmonization, managing for results, and mutual accountability may be difficult. For example, some joint donor efforts and a division of labor among donors may be difficult to achieve. Nevertheless, close coordination among donors at the information-sharing level and some kinds of joint efforts, such as fact-finding missions, will be essential in post-conflict situations. MfR and mutual accountability in these circumstances may need to be multilateral with the donor, rather than joint with the country.¹¹ As demonstrated in the DOS and the USAID case studies, the USG experience in post-earthquake Haiti represents an effort to apply PD principles of country ownership, alignment, and harmonization with other donors in a real-time, worst case scenario of a natural disaster and a fragile and weakened government. If this is successful, the USG and other donors will gain much needed confidence and experience in the application of PD principles.
- 6) A key conceptual issue for many respondents and case study analysts is whether “host country” means host government (especially those without credible representative claims), or whether it applies more broadly to all sectors, including civil society, the private for-profit sector, universities, and more.¹² Moreover, are assistance programs that work directly with civil society or the private business sectors, without host government involvement, permissible under the PD principle of host country ownership, or is some direct involvement of the host government a necessary requirement of country ownership? The recent “U.S. Global Development Policy” clearly anticipates working with host governments by stating: “Investing in systemic solutions for service delivery, public administration, and other government functions where sufficient capacity exists; a focus on sustainability and public sector capacity will be central to how the United States approaches humanitarian assistance and our pursuit of Millennium Development Goals (MDGs),”¹³ bringing back into balance a U.S. assistance approach that had moved too far toward circumvention of the state and use of intermediaries, as recognized by the managers’ report of the 2010 DOS-Foreign Operations legislation.

¹¹ This conclusion is generally consistent with the thematic paper on fragile situations prepared for Phase I of the PD evaluation. The authors emphasize the continued importance of harmonization in a fragile situation, but recognize the possibly limited applicability of the other PD principles in these circumstances. Jones, Stephen and Katrina Kotoglou, Oxford Policy Management, and Taylor Brown, IDL Group, “The Applicability of the PD in Fragile and Conflict-affected Situations,” Oxford, UK, August 2008.

¹² One agency stated that this is a settled issue in the PD/AAA, that country means more than just government. However, discussions with the U.S. international NGO member organization, InterAction, raised this issue as a major concern. Country government participants at the Third Meeting of the International Reference Group of the Evaluation of the PD, December 7–10, 2010, expressed the view that civil society organizations needed to conform to the government's strategic plan—a view that worries many local and international NGOs who perform advocacy roles with respect to social, rule of law, and other human rights issues. However, the Reference Group is not a policy-making body.

¹³ Find the “Fact Sheet” on the U.S. Global Development Policy in Annex F

- 7) It is unlikely that the U.S. government will ever achieve full compliance with the PD and AAA. To do so would require a sea change in the way U.S. interests influence both domestic and foreign assistance policy and practices. Full compliance would also require a profound change in the behavior and capacity of the regimes now in place in some partner countries in the developing world. However, the present US administration clearly is motivated by the normative challenge presented by the USG's commitment to the PD, and appears determined to continue to take specific steps to move toward PD-like aid effectiveness.

Matters for Consideration

The findings and conclusions presented generate ideas and suggestions for improvement and raise additional questions and issues that require further review. These matters for consideration, outlined below, are based on the enabling factors laid out in the SOW and identified in the paper.

Overarching considerations for U.S. Government executive and political leaders

The operational and procurement reforms already under way in USAID should be monitored for success and their applicability to other agencies.

Leadership, Awareness and Commitment

- 1) The frequent references to the PD principles in emerging USG policy directives and other documents relevant to DOS and USAID, by reflecting top level leadership commitment, have begun to have a positive impact on awareness and commitment by agency senior and middle managers. However, given the large number of USG agencies involved in managing US foreign assistance, and the recognition that this is a "whole of government" effort, more needs to be done to raise the level of leadership, awareness and commitment to PD among other USG agencies as well.
- 2) Awareness is not the same as commitment. USG agencies involved in foreign assistance need to strengthen the level of commitment by program managers with the responsibility for day to day implementation of US foreign assistance programs. Issuing directives and guidance documents is a necessary step, but more needs to be done to address the constraints and lack of positive incentives that are more powerful influences on the behavior of implementing managers.(see below)

Capacity

As part of the USAID Forward reform process, USAID is analyzing and developing guidance to address a variety of operational constraints to improving aid effectiveness. This effort should be broadened to require all agencies to prepare an inventory of their substantive capacities and skills in order to assess training, recruitment, placement, orientation, mentoring and other approaches required to adequately implement the PD principles. This should include assessing the capacity required to provide effective capacity-strengthening assistance to enable host countries to carry out the PD principles, including planning and/or implementing fiduciary systems, donor coordination, and monitoring and evaluation for MfR. Once the key capacity constraints are identified, agencies can begin to develop targeted capacity building programs relevant to each agencies' mandate and responsibilities in the 'whole of government' process.

Incentives and Disincentives

- 1) All USG agencies managing foreign assistance accounts need very specific guidance on acceptable conditions and arrangements for promoting host country ownership, alignment and greater donor harmonization. Agency officials should be provided with the appropriate means and incentives to ensure appropriate risk taking in developing host-country capacity, while being protected from legal or bureaucratic repercussions if problems of accountability or mismanagement do arise.
- 2) The administration, on behalf of USG agencies managing foreign assistance accounts, should ask Congress to eliminate or ameliorate those requirements that inhibit implementation of PD principles.
- 3) U.S. government agencies managing foreign assistance accounts should ask Congress to eliminate or ameliorate those requirements that inhibit implementation of PD principles.
- 4) Officials responsible for managing U.S. assistance need specific guidance on strategic approaches for advancing country ownership through greater involvement of partner country government and non-governmental institutions in the design, implementation and monitoring and evaluation processes used for foreign assistance programs. This goes beyond reducing risks associated with U.S. accountability and procurement rules.
- 5) Detailed PD guidance should include an analysis of favorable and unfavorable conditions for implementation of the different components of PD principles. USAID currently is preparing guidance for the use of country systems under the alignment principle of the PD. Guidance should also address the role of capacity strengthening in helping to improve conditions for PD implementation. It should be made clear, however, that these detailed considerations are part of a serious USG effort to move toward compliance with the PD principles.

Coherence

- 1) Building on the PD and the Presidential Policy Directive on Global Development, agencies should establish a continuing mechanism to ensure the greatest degree of coherence possible among policies and programs affecting the developing countries.
- 2) The USG executive should dialogue with the US Congress on the potential incoherence among legislative restrictions, trade protection amendments, mandates, and earmarks and the need for greater policy coherence as a critical part of the overall aid effectiveness reform effort. As noted in the QDDR, some of the degrees of freedom afforded the MCC legislatively should be provided to USAID and other implementing agencies. The U.S. Government should resolve the definitional confusion about what kind of foreign assistance is included in the effort to strengthen its aid effectiveness, consistent with Paris Declaration principles. Many respondents, especially in the DOS, questioned whether their assistance programs were truly development programs, and whether it was appropriate to apply PD principles to assistance programs that had other foreign policy or security aims at their core. They did not believe that Paris Declaration principles were particularly relevant. However, evolving concepts of the whole-of-government approach to U.S. Government assistance suggests that all foreign assistance should be provided in a manner consistent with PD principles.

1 INTRODUCTION

The purpose of this study is to review and assess implementation by the United States Government (USG) of the principles of the Paris Declaration on Aid Effectiveness (PD). This is one of almost twenty donor studies prepared for the global evaluation of PD implementation. Study methodology included examination of relevant documents from each of seven¹⁴ of the twenty-seven USG agencies that manage overseas development assistance (ODA); key informant interviews at the headquarters level of each of the agencies; a questionnaire survey of overseas staff of four agencies; and selected interviews of staff in cross-cutting “apex” entities in the executive and legislative branches that play important roles regarding development assistance policy and resource allocation.¹⁵ This synthesis report brings together the main findings from these sources, grouped by four enabling factors, then analyzes findings and identifies some important issues, draws relevant conclusions and sets out matters for consideration by the U.S. Government.

1.1 General evaluation context

1.1.1 The Paris Declaration and the Accra Agenda for Action

The PD on Aid Effectiveness was endorsed in Paris at the Second High Level Forum on Aid Effectiveness in March 2005 by ninety developing and donor countries. In addition, twenty-six multilateral and intergovernmental organizations participated. Fourteen civil society organizations were present, but were not involved in the negotiations of the PD, nor were they signatories. Since March 2005, a number of additional countries have endorsed the PD.¹⁶ Intended to address growing donor and partner-country concerns about the quality and effectiveness of development assistance, the PD is a distillation of the development cooperation experience of a half a century.¹⁷ It brings together key principles and conclusions that have emerged from international development conferences and research over the last decade.

¹⁴ The case study agencies were selected by the U.S. Government and provided to Social Impact in their ToR.

¹⁵ The names of the seven case study agencies and the study authors are given in the Preface to this report. “Apex” interviews were conducted with selected staff in the National Security Council (NSC) and the Office of Management and Budget (OMB) in the executive branch and in the U.S. Government Accountability Office (GAO), the Committee on Foreign Affairs and the Committee on Appropriations of the U.S. House of Representatives, and the Committee on Foreign Relations of the U.S. Senate in the legislative branch.

¹⁶ The original list of signatory countries and other organizations is given at the end of the PD (see <<http://www.oecd.org/dataoecd/11/41/34428351.pdf>>). According to the *Feed the Future Guide* cited below (p. 31), 193 countries at the 2009 Rome World Summit on Food Security endorsed the PD and Accra principles.

¹⁷ The antecedents and evolution of the PD, its conceptual underpinnings, the Accra Agenda for Action, and the overall evaluation of implementation of the PD are described in more detail in Annex B.

The PD remains a dominant statement on aid relationships; its initial “Statement of Resolve” of twelve points is followed by fifty-six commitments, organized around five key PD principles (described in the text box to the right).¹⁸

The *Accra Agenda for Action (AAA)* issued by the Third High Level Forum, held in Ghana in September 2008, reaffirmed the PD and gave particular emphasis to:

- *Country ownership over development*, including commitment by developing countries to strengthen their capacity to manage development and for donors to strengthen and use developing country systems to the maximum extent possible.
- *Building more effective and inclusive partnerships for development*, including a commitment by donors to reduce fragmentation of aid and for countries and donors to deepen engagement with civil society organizations.
- *Delivering and accounting for development results*, including a commitment by countries and donors to be more accountable to their publics for results and to increase the medium-term predictability of aid.

Paris Declaration Principles*

Ownership - Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.

Alignment - Donor countries align behind these objectives and use local systems.

Harmonization - Donor countries coordinate, simplify procedures and share information to avoid duplication.

Results - Developing countries and donors shift focus to development results and results get measured.

Mutual Accountability - Donors and partners are accountable for development results.

*www.oecd.org

1.1.2 The Evaluation of Progress under the Paris Declaration

The PD highlights the importance of independent evaluation as well as monitoring PD implementation. It states that the evaluation process should provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives. The evaluation has been conducted in two phases; Phase I included eight partner-country, and eleven donor, case studies that reviewed the experience of implementing the PD.¹⁹ Conclusions, lessons and recommendations were presented in a Synthesis Report, submitted to the September

¹⁸ The complete text of the PD can be found at:
<<http://www.oecd.org/dataoecd/11/41/34428351.pdf>>.

¹⁹ Four crosscutting, thematic studies were also completed: (1) “Statistical Capacity Building;” (2) “Untying of Aid and the PD;” (3) “Applicability of the PD in Fragile and Conflict-affected Situations;” and (4) “The PD, Aid Effectiveness, and Development Effectiveness”. See
<http://www.oecd.org/document/60/0,3343,en_21571361_34047972_38242748_1_1_1_1,00.html>.

2008 High Level Forum in Accra. The second phase, presently underway, includes over twenty partner-country case studies and seven donor case studies, including a USG case study.

The donor case studies assess leadership and commitment, capacity, incentives and disincentives, and coherence as factors influencing PD implementation. The developing-country case studies are assessing the effect of PD implementation on development outcomes and impact, as well as progress and constraints in implementing the PD. The results of all case studies will be incorporated into a Synthesis Report to be completed in the summer of 2011 and presented to the Fourth High Level Forum on Aid Effectiveness in December 2011 in Korea.

1.1.3 Conceptual Underpinnings of the Paris Declaration

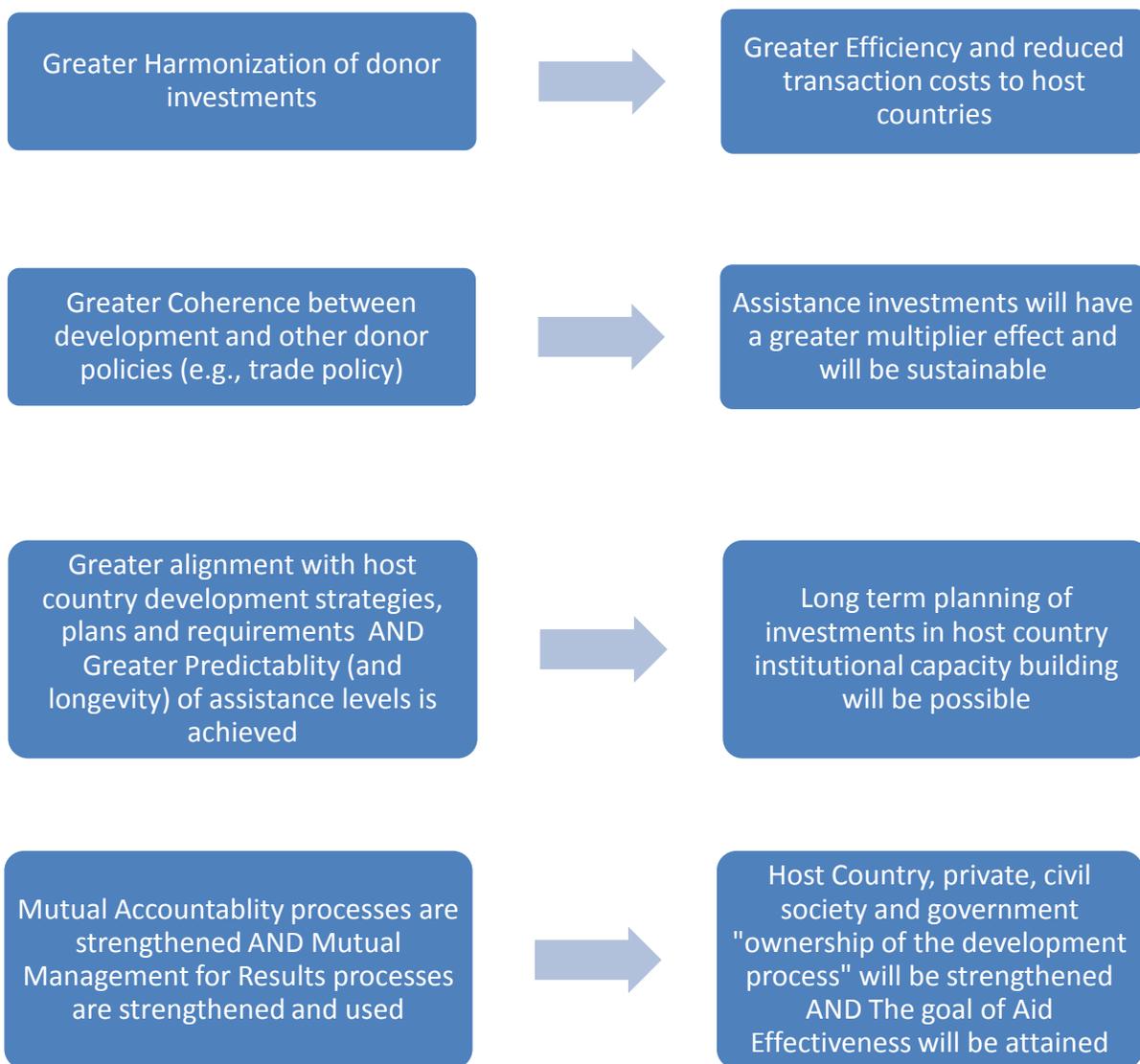
Each of the five PD principles and their underlying commitments are intended to correct policies, procedures and practices that evidence shows to have reduced the effectiveness and impact of aid. It is important to recognize that these principles and commitments do not apply solely to donors. A number are intended expressly for partner (developing) countries, and some are for joint action by countries and donors.

The PD principles taken together have not been subjected to rigorous empirical verification and it is not the purpose of this donor case study to do so.²⁰ However, this study, along with the other donor and country case studies, should provide empirical evidence regarding the conditions under which PD principles and commitments can be applied in the U.S. case and under which they can be expected to contribute to aid effectiveness and development effectiveness. The global PD Evaluation Synthesis Report, drawing on all the partner country and donor case studies, will look for credible generalizations and crosscutting recommendations that can be made about the applicability and impact of the PD principles and commitments.

The PD focuses on the first of two sets of linkages between development assistance and sustained economic and social development on the ground. The first set deals with the linkages between development on the ground and the behavior of partner countries and donors and their respective policies, or *development effectiveness*, on the one hand, and the *efficiency* with which aid is managed and delivered, on the other. This latter set of linkages relates to *aid effectiveness* and deals largely with *aid processes*.

The following IF–THEN set of hypotheses shows the conceptual relationships between some of the PD principles and expected results in terms of aid effectiveness and, to a certain extent, development effectiveness. It is important to note that each of the relationships is interconnected and can lead to different results (e.g., greater coherence can also lead to greater efficiencies).

²⁰ Aspects of the PD principles have been the subject of research. For example, the empirical relationship between development assistance; strong country support for stable, market-oriented economic policies, and economic growth.



1.2 U.S.-Specific Context

1.2.1 U.S. Participation in Development of the Paris Declaration

With some exceptions and until recently, USG participation in development and implementation of the PD primarily existed at the staff level and had not involved explicit measures intended to implement PD principles. Involvement by senior officials at the leadership level has varied. Staff members of the main agencies responsible for the administration of U.S. bilateral development assistance took part in preparatory meetings and negotiations leading up to and including the Second High-Level Forum on Aid Effectiveness in Paris. The then-USAID administrator led an interagency delegation comprised of USAID, DOS, Treasury and MCC to the forum and, with

delegation concurrence, endorsed the PD on behalf of the U.S. and authorized a brief cable to field posts informing them of USG endorsement.²¹

During the negotiation of the AAA, three drafts circulated for comment among all members of the interagency Policy Coordination Committee (PCC) on Development and Humanitarian Assistance, chaired by Director of Foreign Assistance (DFA) Henrietta Holsman Fore.²² The committee, comprised of all departmental agencies managing U.S. foreign assistance, approved a briefing memorandum giving DFA Fore parameters and authority for final negotiation on behalf of the U.S. government. DFA Fore led an interagency U.S. delegation (comprised of DOS, MCC, Treasury and USAID) to the Third High Level Forum in Accra. Subsequent to the Accra Forum, the PCC and a PCC subcommittee on Aid Effectiveness (PCC-AE) issued several follow-up communications on aid effectiveness in line with the PD and AAA. In spite of these actions, as described by the case studies, the PD principles, with some exceptions, such as MCC and TREAS-OTA, were not internalized or applied by many agency staff, particularly at the mid-level manager level,

While implementation of the PD was less central to the overall mission of USG agencies than to the predominantly foreign affairs agencies, one major exception to the case studies' general finding is MCC, which, as the case study observes, was founded in 2004 on several principles, particularly managing for results (MfR), which anticipated the PD.²³ Relevant staff of other agencies, such as HHS, learned about the PD from USAID staff and/or felt they were practicing one or more of the PD principles without labeling them as such (also in the USDA). In TREAS-OTA, two officials were involved in preparation for, or participation in, the Second High-Level Forum.²⁴

1.2.2 The U.S. Governmental and Political Context for Aid Effectiveness

The PD is directed at the effectiveness of development aid, and specifically at ODA²⁵, as the signatories to the PD are governments and official agencies. This may include humanitarian and emergency assistance and other aid in fragile situations.²⁶ The international management team's guidance provided to the evaluation team stated that this should also include the "vertical funds"

²¹ Relevant staff of other agencies, such as HHS, learned about the PD from USAID staff and/or felt they were practicing one or more of the PD principles without labeling them as such (also in the Department of Agriculture, USDA). In the Department of Treasury OTA, two officials were involved in preparation for, or participation in, the Second High-Level Forum. Fox, James. "PD: U.S. Treasury Technical Assistance Case Study," August 2010, p. 6.

²² During this period The Director of Foreign Assistance was also the Administrator of USAID.

²³ Fox, James. "PD: U.S. Millennium Challenge Corporation Case Study," December 2010, p.5.

²⁴ Fox, James. "PD: U.S. Treasury Technical Assistance Case Study," August 2010, p. 6.

²⁵ ODA, as defined by the OECD-DAC: "Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element (q.v.) of at least 25 per cent]. In addition to financial flows, Technical Co-operation (q.v.) is included in aid. Grants, Loans and credits for military purposes are excluded. For the treatment of the forgiveness of Loans originally extended for military purposes, see Notes on Definitions and Measurement below. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted."

²⁶ The general principles of the Declaration are expected to apply in "challenging and complex situations" to these forms of aid, with some special requirements for adaptation. (See PD para. 7) In the main, however, humanitarian assistance is excluded from coverage under the PD and AAA.

that combine resources from several types of donors (bilateral, multilateral, private, corporations, etc.).

The guidance continued, “at the same time, the PD and AAA are also explicitly and repeatedly concerned with ‘other development resources’ and their inter-relations with the aid flows most targeted by the Declaration . . . The Evaluation design aims to place aid in its proper context. For this reason, the substantial domestic and external resources available for development other than ODA will be given major attention in the contextual analysis. Beyond their contextual importance, moreover, the Evaluation approach recognizes that other providers of development aid and finance are concerned with ensuring and improving the effectiveness of their own contributions. Even if they have not been so directly targeted by the Declaration, they have nevertheless been participating or taking account of global reform initiatives.”

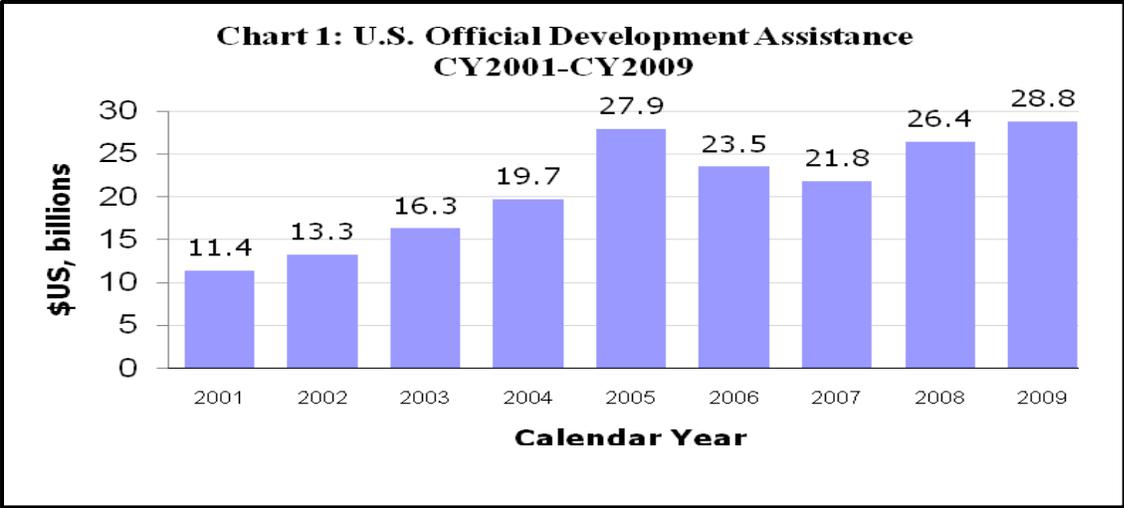
Our approach to this distinction is further described in Section 2.0, Methodology, of this report, but it is important to note that this report uses information collected from agencies managing ODA and other forms of foreign assistance funds. We feel it is important to describe the full context of USG foreign assistance as the international evaluation team guidance recommends; therefore, we discuss ODA and total foreign assistance or aid numbers. In our findings section we do attempt to highlight instances in which the PD principles would not apply.

The U.S. government delivers bilateral foreign assistance to 191 countries.²⁷ Chart 1 below shows the amounts reported as official ODA from FY 2001 to FY 2009. Although the U.S. has never come close to appropriating in ODA the 0.7 percent of GNP espoused by the OECD, and met by some countries, the sheer size of the U.S. economy serves to make the U.S. the leading bilateral donor country in total dollars.²⁸ In addition to USG assistance, the US community of international development and relief non-governmental organizations (NGOs) provide a significant amount of private philanthropic aid annually from the American people and US based foundations. The exact figure is difficult to measure, but in 2008 it was estimated that \$33.7 billion in private development aid was given by the U.S in cash and in-kind donations.²⁹

²⁷ U.S. Annual Submission to the OECD–DAC via USAID’s Foreign Assistance Database (FADB)

²⁸ DOS commentators offered an explanation to this statement: “The U.S. feels numerical aid targets are arbitrary and focus more on aid volume rather than results. As such, it has not appropriated the 0.7 percent of GNP to ODA espoused by the OECD.”

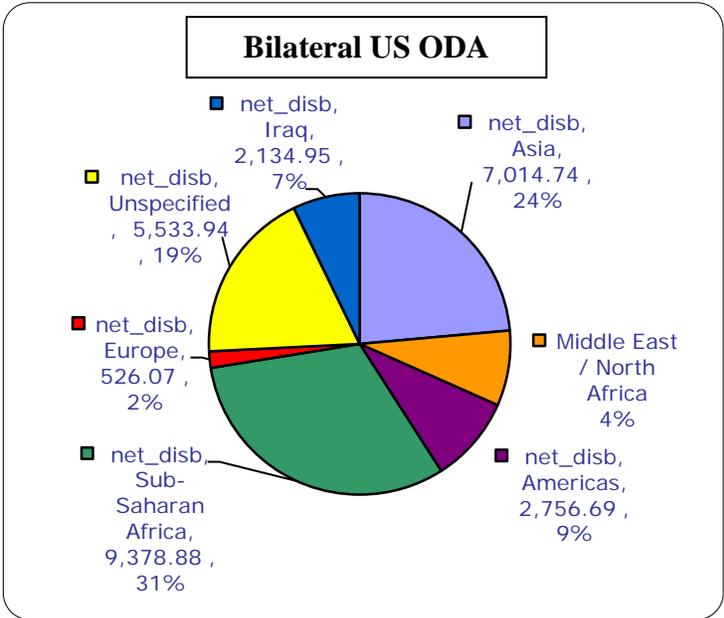
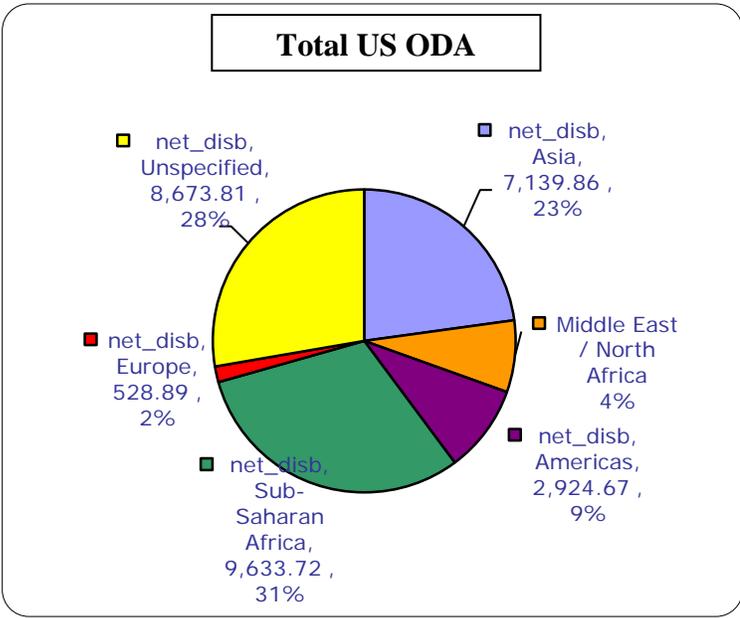
²⁹ Figures obtained from Worthington, Samuel and Pipa, Tony, “Private Development Assistance: The Essential Role of INGOs and Foundations in a 21st Century Aid Architecture.” *Catalyzing Development: A New Vision for Aid project*. Ed. Homi Kharas. Brookings Institution. Washington DC, final version forthcoming. 4-6. Print. Worthington and Pipa added a footnote to this \$33.7 billion figure: “The Hudson Institute assigns a value to volunteer labor and includes it in their estimation of US PDA. To focus specifically on financial flows, we have deducted this amount, which totaled \$3.6 billion in 2008. Nation-states and the OECD DAC often question the total amount of PDA. While there are grounds for further analysis, the total private resource raised by international NGOs continues to grow. For InterAction members, private donations currently stands around \$8 billion per year.”



Source: U.S. Annual Submission to the OECD–DAC via USAID's Foreign Assistance Database (FADB)

Prepared by USAID Economic Analysis and Data Services on November 10, 2010

Chart 2: CY 2009 Total and Bilateral U.S. ODA by Geographic Region



Source: USAID Economic Analysis and Data Services Oct 27, 2010

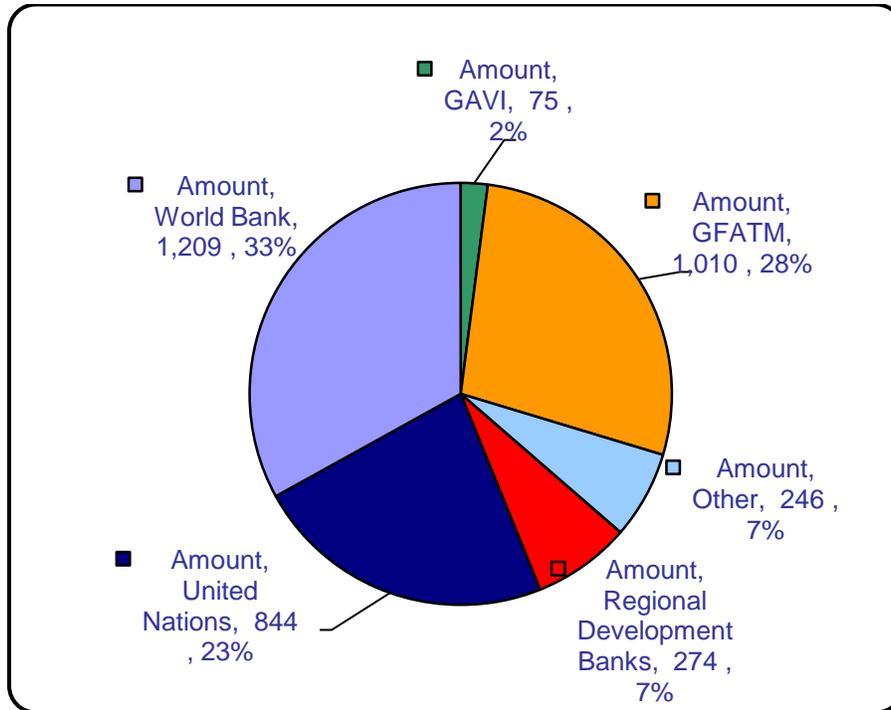
While the number of countries receiving foreign assistance funds in general was expected to have reached 191 in 2009, it should also be noted that total U.S. bilateral assistance is and always has been concentrated on a much smaller set of high priority countries, as determined by U.S. policy leaders. Table 1 shows the leading recipients of ODA funds in 2009. The leading recipient of total foreign aid money was Israel, however—the significant difference being that total foreign aid funds includes funds, such as foreign military financing (FMF), that do not meet ODA criteria.

Table 1: Leading Recipients of U.S. ODA (Numbers in USD\$ millions)	
Afghanistan	\$2979.9
Iraq	\$2346.3
Sudan	\$954.6
Palestinian Admin. Areas	\$844.3
Ethiopia	\$726
Colombia	\$652.9
Pakistan	\$614.2
Kenya	\$591.3
South of Sahara Regional	\$539.6
South Africa	\$523.7

U.S. assistance to international financial institutions is also substantial. Chart 3 shows the FY 2009 contributions to the World Bank, Regional Development Banks, UN agencies, European Union (EU), and other multilateral organizations.

Chart 3: Distribution of US ODA to Multilateral Organizations

Multilateral ODA \$3,568 USD millions



Source: U.S. Annual Submission to the OECD-DAC via USAID's Foreign Assistance Database (FADB)

A more recent development is the emergence of specialized global funds to which the U.S. is a major contributor. World Bank administered trust funds, shown in Table 2, include most major global funds. Among the largest are the Global Vaccine Initiative and the Global Fund for AIDS, Tuberculosis and Malaria.

Table 2: Top Donor Contributions to World Bank Administered Trust Funds, FY 2001-09*

Rank	Sovereign Donors (total=89)	USD Million
1.	United States	6,156.43
2.	United Kingdom	5,487.63
3.	European Union	4,329.59
4.	Netherlands	4,180.27
5.	Japan	3,606.28
	Top 5	23,760.19

*World Bank Fiscal Years run from July 1 to June 30

U.S. assistance programs have a wide variety of objectives and delivery channels that change based on the current political climate, nationally and internationally. Table 3 lists the FY 2008 aid program composition and provides the dollar value of assistance provided for each objective or delivery channel.

Table 3: USG Foreign Aid Budget Composition 2008

Aid Program	\$ (Billions)	% of total aid
Bilateral Development	\$10.298	35.5%
Humanitarian	\$4.169	14.4%
Multilateral Development	\$1.594	5.5%
Economic Political/Security	\$7.840	27.1%
Military Assistance	\$5.068	17.5%
Total	\$28.969	100%

Source: Congressional Research Service

The means by which U.S. assistance is delivered is complex and, to many observers, fragmented by the participation of twenty-one U.S. departments or agencies. Table 4 illustrates the various USG agencies that provide some form of assistance, either directly or through intermediary organizations, and the amount of ODA funds they control.

Table 4: CY2009 ODA Totals by Agency – Gross Disbursements (in \$U.S., Millions)

Agency	Bilateral	Multilateral
African Development Foundation	29	
Department of Agriculture	381	
Department of Commerce	12	
Department of Defense	2,222	
Department of Energy	195	
Department of Health and Human Services	2,510	301
Department of Homeland Security	5	
Department of Justice	11	
Department of Labor	69	
Department of State	4,181	935
Department of Transportation	4	
Department of the Interior	205	
Department of the Treasury	52	1,590
Environmental Protection Agency	23	
Export-Import Bank of the United States	86	
Federal Trade Commission	0	
Inter-American Foundation	17	
Millennium Challenge Corporation	932	
Peace Corps	281	
Trade and Development Agency	49	
U.S. Agency for International Development	14,727	841
Bilateral and Multilateral Totals	25,992	3,667
TOTAL ODA	29,659	

'0' represents values less than \$500,000

Source: U.S. Annual Submission to the OECD–DAC via USAID's Foreign Assistance Database (FADB)

Prepared by USAID Economic Analysis and Data Services on October 25, 2010

From the perspective of a policy analyst seeking a rational, coherent, and conceptually well-grounded U.S. foreign assistance policy and program, the present array of programs, implementing agencies, and often competing or contradictory objectives, interests and processes must appear bewildering and rather difficult to understand, let alone explain.

The case study evidence synthesized in this report reflects the diversity and complexity of the USG foreign assistance program. This diversity and complexity presents major challenges and issues for USG compliance with the principles of the PD. We briefly examine some of the causal factors that make the USG foreign assistance program unique and difficult to bring into alignment with the PD.

At the outset, it is important to understand that U.S. foreign assistance from the European Recovery Act (the Marshall Plan), through Point 4, and the creation of USAID by President Kennedy, has always been linked to U.S. security and defense interests as much as to

development and the eradication of poverty as “moral goods” to be supported for their own sake.³⁰ The Marshall Plan was clearly a product of the concern in the early phases of the Cold War that Soviet-backed communist ideology (and Soviet alliances) might emerge in Western Europe. The Latin American-focused Alliance for Progress was one U.S. response, primarily to the success of the Cuban Revolution and Cuba’s subsequent alignment with the Soviet Union. The extraordinary flow of foreign assistance to Egypt and to other Middle East states initially was driven by the fear that the Arab world, with its vital oil resources, would end up in the Soviet camp because of U.S. support for Israel. More recently, the massive flow of assistance to Iraq and Afghanistan and other nations, like Pakistan, has been justified by awareness that these countries have been or could become the platform for terrorist groups to launch attacks against the interests of the U.S. and its allies.

In the post-Cold War era, U.S. foreign assistance goals, objectives, programs and organizational responsibilities and mandates have expanded many times, leading to a far more diverse—and some argue fragmented—effort that defies easy categorization and resists reform and consolidation. Much of this expansion and diversification is a product of post-Cold War forces.

We identify and discuss five major dynamics that have shaped the objectives, institutional arrangements and processes by which U.S. foreign assistance programs are organized and implemented.

First, the end of the Soviet regime, the collapse of the bipolar system and the demise of the threat of mutual deterrence/mutual destruction led to a multipolar, international environment and a much more complex set of threats and issues facing U.S. foreign policy. With this multipolar world have emerged an increasingly interconnected global economy and a set of global “bads”, including nuclear proliferation and global crime syndicates fueled by illicit trades in narcotics and trafficking in persons, and increasingly linked to terrorist movements and groupings. Issues, such as the rapid spread of communicable diseases, environmental pollution, the destruction of forests in the Amazon and Indonesia, the pollution of already scarce water resources, create still another set of issues. USG interests in the strengthening of democratic regimes and human rights protections accelerated greatly after 1990. Although the number of democratic regimes has increased, it is also true that the number of weak, fragile and often corrupt regimes also has increased. Powerful criminal cartels and terrorist organizations have taken advantage of weak states as bases or “marketing” channels for trade in narcotics, weapons, money and people, as well as for establishing training bases by terrorist organizations.

Second, a main feature of these threats and concerns is that they are global in nature. As the single global power remaining, the USG took a leadership role and assumed the risk of trying to manage an increasingly complex agenda of issues. Controlling, managing, or coping with these threats cannot be accomplished through bi-lateral diplomatic and defense relationships formed on the backbone of traditional diplomacy. Each of these threats requires U.S. investment in efforts to reform other countries’ policies, strengthen government and civil society capacities,

³⁰ This review of some of the causal factors driving USG foreign assistance objectives and programs is an analysis by Dr. Richard Blue, the co-author of this synthesis report. We do not present this as evidence from the case studies, but the analysis is informed by that evidence. It is not meant to be exhaustive or a scholarly treatise. Its purpose is to advance an understanding of the role that US national interest considerations have and continue to play in the allocation and management of US bi-lateral assistance.

and help countries transform old political and bureaucratic cultures into ones more supportive of a rule of law and a democratic polity. For the USG, lack of economic development and the prevalence of weak, often corrupt regimes have elevated "Development" to a plane equal with "Defense" and "Diplomacy" as foreign policy goals. With this, the USG no longer views—if it ever did—its bilateral development objectives as the means to another higher goal, i.e., the reduction of global poverty as an end in itself. Development has become one of the three legs on the U.S. national security stool. The goal is to increase U.S. security by expanding the number of responsible nation-state partners in maintaining global stability, a necessary condition for the continued expansion of global trade, wealth and well-being. Effective foreign assistance that contributes to economic, social, political development and good governance is a key component of U.S. security policy.

Successful achievement of these goals also requires greater coordination and cooperation with other bilateral donors and multilateral institutions. As noted in the HHS, DOS and DOL–ILAB case studies, a significant portion of the overall funding is transferred to United Nations (UN)-affiliated organizations like the UN Development Program (UNDP), UNICEF, and the International Labor Organization (ILO), or to other domestic agencies, such as from DOS to the HHS–Center for Disease Control (CDC) for program implementation or assistance with implementation. When discussing the PD principle of harmonization, many case study respondents identified problems of coordination among USG entities as their primary concern. Harmonization with other donors, based on the case studies, varies with the type of program, the manner in which it is implemented, and the extent to which other donors have program foci similar to those of the USG. Beyond efforts to learn about other programs and to coordinate by sharing information, there were few examples of USG participation in joint programming or multi-donor monitoring and evaluation efforts.

Third, each of these issues has generated a number of domestic and international stakeholders and committed activists, organized as NGOs and business advocacy groups. In the U.S. political system, public policy, especially legislation, tends to be the aggregation of the efforts of interest groups who effectively put pressure on and find supporters among elected representatives and their staff, as well as in the class of political appointees in the Executive Branch. This process leads in turn to authorizations and appropriations giving mandates and funding to the executive branch to "do something about" human rights in the Sudan, or trafficking in persons in Eastern Europe, or the threat of theft of nuclear materials in Russia, or the shockingly high rates of HIV/AIDS in Uganda and maternal mortality in Cambodia—the list is endless. Faced with congressional mandates and appropriations, the entire federal apparatus increasingly has become engaged in the effort to address this wide array of problems. This has given rise to the phrase, "whole-of-government approach."³¹ In turn, the organizational map of U.S. assistance has become increasingly complex, with many federal departments or bureaus developing their own offices for delivering international technical assistance, backed by mandates and earmarked funds from the U.S. Congress. The result is that many program managers feel that their primary responsibility is to the U.S. Congress, as much as to the Secretary of State or the Secretary of Labor.

³¹ "Council on Foreign Relations Address" by Secretary of State Hillary Clinton Washington, D.C., July 15, 2009. <http://www.cfr.org/publication/19840/council_on_foreign_relations_address_by_secretary_of_state_hillary_clinton.html>.

Fourth, a long period of institutional decline in USAID has left it lacking the technical resources and experience for this kind of work. From the end of the Cold War to the present, USAID has lost professional staff, especially in technical areas. Congressional earmarks (funds specifically appropriated for purposes identified by the Congress) further restricted USAID's ability to fashion development assistance strategies on a country-by-country basis. Lacking technical personnel, USAID, and the USG more generally, increasingly turned to outsourcing the delivery of foreign assistance to private agencies and U.S. NGOs. The idea of development assistance independent of U.S. foreign policy was unpopular with conservative elements in the Congress, eventually leading to USAID coming under greater policy control from DOS. The USG enlisted many other agencies in the management of global interests in addition to USAID, including many specialized offices in the DOS, DOJ, HHS–CDC, DOL, TREAS, DHS, USDA and others, transferring or requesting appropriation of funds to other USG departments to gain access to the necessary expertise and experience.

Following the 9/11 attack on the U.S., the Department of Defense (DOD) mandate broadened considerably to cover issues

such as counter-insurgency and infrastructure development, in an effort to accelerate development as a solution to halting terrorist organizations' ability to recruit disaffected (and unemployed) young people to the terrorist cause. Official estimates have DOD providing approximately eight percent of bilateral and multilateral ODA in 2009, but some recent estimates cite DOD managing close to twenty percent, mainly in Iraq and Afghanistan, either directly or through budget transfers to other U.S. departments, like DOS.³² In turn, some of these federal departments have received direct mandates and funding from Congress for their own international programs, as in the case of the DOL–ILAB. Obviously, this process has created a wide array of foreign assistance actors in the U.S. government system, with the inevitable growth in multiple, and sometimes overlapping, mandates and objectives; problems of coordination; lack of focus; and bureaucratic competition for “turf” and “credit” (see box on “USDA and Foreign Assistance” above for an example of the issues faced by USDA when implementing foreign assistance programs).

The fifth dynamic comes more from the domestic side of the American polity. Faced with growing public disenchantment and frustration, fueled by the inability of even well-informed people to grasp the size and complexity of the American government, successive administration efforts to manage a gargantuan budget, increase governmental accountability and reduce waste, fraud and abuse substantially have increased the power of the Office of Management and Budget (OMB), the Inspectors General (IG), the Government Accountability Office (GAO) and

USDA and Foreign Assistance

USDA's role in foreign assistance is at the center of a complex set of issues that include domestic agriculture and shipping issues; varying foreign policy goals and objectives; multiple funding streams and acts of Congress; overlapping federal bureaucracy; and ever emerging food crises in multiple parts of the world. Legislative constraints on food aid, expectations of the department's domestic constituency, the requirement of reimbursable tied aid, and the overall structure of the USG foreign assistance bureaucracy that keeps USDA in a supporting role combine to limit implementation of PD principles.

³² Patrick, Stewart, and Kaysie Brown. “The Pentagon and Global Development: Making Sense of the DOD's Expanding Role,” Center for Global Development, 2007. <http://www.cgdev.org/files/14815_file_PentagonandDevelopment.pdf>.

especially the critical importance of the Federal Acquisition Regulations (FAR) governing USG purchases of all manner of goods and services. Every federal bureaucrat responsible for managing public funds must pay strict attention to FAR, or risk getting into serious trouble. This includes managers of U.S. foreign assistance. For the bureaus and offices engaged in foreign assistance, many would say that the efforts to improve accountability have had the effect of shifting attention away from management for results to a system of “management for compliance”.³³

The emergence of this sometimes fragmented, disjointed, and increasingly difficult to manage system has created multiple actors, multiple funding streams, and multiple programs. This system defies efforts by some in the Congress, and more frequently in the executive branch, to reform foreign assistance by reducing objectives, establishing priorities and focus, simplifying procedures, and strengthening accountability and evaluation-based learning and decision-making. Almost all of these efforts have failed, or been less than successful. Faced with the political difficulty of imposing rationality and order on this system, past presidents have tended to circumnavigate the problem by establishing special “initiatives,” or new structures, the most recent examples of which are the F (Foreign Assistance) office in DOS, the President's Emergency Plan for AIDS Relief (PEPFAR), and the Millennium Challenge Account (MCA) and Corporation (MCC); the latter two have enjoyed considerable success and support in Congress, but have also added to the complexity of the U.S. foreign assistance delivery system.

In the current administration, President Obama signed a “Presidential Policy Directive on Global Development” in September 2010 that sets out a number of tenets paralleling the PD principles.

The administration has addressed issues of coherence by (1) establishing a requirement for a U.S. Global Development Strategy every four years, (2) restarting the Interagency Policy Committee on Global Development led by the National Security Council (NSC) (3) reaffirming the lead role of DOS, which together with USAID, has recently issued the report of their *Quadrennial Diplomacy and Development Review (QDDR)*, which draws explicitly on the PD, and (4) creating a U.S. Global Development Council comprised of leading members of the philanthropic sector, private sector, academia and civil society. The administration has taken direct action by establishing three new initiatives: Feed the Future (FtF), the Global Health Initiative (GHI), and the Global Climate Change Initiative (GCCCI). All three have been framed to be identified much more closely with PD principles and with the DOS/USAID institutions. FtF frequently was discussed, especially during interviews at DOS and USDA.

The United States is uniquely blessed with a highly productive agriculture sector, making it possible for the USG to be a major supplier of food aid. The issue of food aid is an important one that is typically seen as supporting both the USG's economic interests in the desire to reduce the surplus of food stocks from subsidized American agriculture, and social interests to demonstrate a commitment to helping the less fortunate. At issue is how food aid fits into a development agenda and whether these dual interests can coexist or are inherently competing. As the USDA case study notes, great domestic support for food aid exists and it receives a large amount of money from Congress; however, many economists argue that when food aid becomes

³³ See Andrew Natsios' detailed history and analysis of the growth of the “counter-culture” in the U.S. foreign assistance community: <<http://www.cgdev.org/content/publications/detail/1424271>>.

institutionalized, it has a negative effect on agriculture in the recipient countries (see the USAID, USDA, HHS and DOS case studies for a more detailed description of these important initiatives).

The PD and AAA will be shown in this report to have knowledgeable and enthusiastic supporters among current policy leaders interested in improving aid effectiveness. We will also demonstrate that important policy and procedural efforts are underway to bring the USG into closer alignment with the principles, but the effort must be viewed against the backdrop of a foreign assistance system that, on the one hand, has grown increasingly complex and fragmented in a post-Cold War world, and on the other, has become increasingly controlled by accountability and procurement systems set up largely to reduce waste and fraud in government contracts and agreements in the American domestic environment, or for DOD procurement of weapons and other support systems for the U.S. military. The implications of these two characteristics—increasing fragmentation and complexity and increasing efforts to gain procedural and financial control—have confounded reform efforts in the past, and do confront those people in the current U.S. administration who want to move toward a different, and more effective, U.S. system for delivering foreign assistance and achieving positive results.

2 METHODOLOGY

The scope of work (SOW) for this study focused on three main questions addressed in subsequent sections, namely:

- Leadership, Awareness and Commitment;
- Capacity to Implement;
- Incentives and Disincentives; and in addition, an issue raised by the global PD Evaluation Generic Terms of Reference for Donor Studies:

This study also addresses a fourth main question posed by the "Generic Terms of Reference for Donor Studies" issued by the PD Evaluation Management Group. Namely:

- Coherence of policy and practice.

A complete description of the research design and methodologies used to prepare the overall assessment may be found in Annex A of this report.

Seven case studies³⁴, using document analysis and key informant interviews, were prepared by different analysts. The team worked closely together to incorporate data and ensure qualitative information comparability at the outset of the study, although flexibility was necessary to accommodate the unique features of each of the seven USG agencies included. Over the course of the evaluation over 120 middle managers and policy level officials were interviewed and survey questionnaires were completed by ninety field staff.

An important consideration in the data collection process was to address the extent to which USG foreign assistance agencies practiced “PD-like” practices, even where those practices were

³⁴ Case study agencies, DOS, USAID, MCC, TREAS-OTA, HHS, DOL, and USDA, were determined in the SOW provided by the report commissioners.

not branded as PD principles. Key informants (KI) were given a short summary of the main PD principles and a list of eleven key commitments underlying the principles, and were asked to compare agency policies and procedures to them. This proved to be an important stimulus to gathering detailed information on how foreign assistance is managed, permitting the analysts to develop findings and conclusions about the extent to which USG practices were more or less compliant with PD principles.

Following the completion of the case studies, this synthesis paper was prepared, using case study reports and augmented by survey data from an electronic survey sent to USG missions in the field. With the cooperation of the Office of the Director of Foreign Assistance or “F” in DOS, SI developed a shorter version of the KI questionnaire. This was sent electronically to 140 USG missions,³⁵ responsible for one or more of the relevant USG foreign assistance programs. We received ninety responses, overall. The USG agencies in the field responding to this questionnaire were USAID, DOS, TREAS-OTA, and to a lesser extent, MCC.

Finally, additional key informant and group interviews were conducted with senior officials from the NSC, the OMB and knowledgeable staff in the U.S. Congress, as well as with representatives of U.S. international development NGOs. This allowed for greater triangulation of the data from our KI interviews and document review, and helped the team clear up any discrepancies between what KIs said and what the policies, procedures and legislation state.

The selection of individuals for interviews attempted to achieve balance between senior and mid-level officials, and included a high degree of representativeness of the kinds of programs being implemented. Respondents were selected because they were considered knowledgeable and responsible managers or policy leaders, rather than on a random-sample basis.

It is also important to note that the agencies evaluated for this report manage a wide variety of foreign assistance funds and mandates, which made assessing the USG foreign assistance program as a single entity quite difficult. The agencies discussed in this report are representative of this varied mix and none of the offices are solely responsible for ODA funds for which the PD principles and AAA directly apply.³⁶ The seven agencies evaluated for this synthesis report are still striving towards the basic aid effectiveness principles that the PD outlines, whether or not all the funds involved are labeled as ODA. In addition, the evaluation team found no evidence that the overall management of ODA funds differs significantly from the management of other foreign assistance funds. In cases in which it does differ, this is noted in the report, including reasons for the difference.³⁷ Therefore, this report uses information collected from interviews with this range of offices and bureaus to more fully describe the context in which the USG implements its ODA and total foreign assistance budget. We also attempt to highlight instances in which the PD principles would not apply.

³⁵ Missions with only a military mandate were excluded.

³⁶ Definition given in Section 1.2.2. of this report.

³⁷ DOS comments on its agency case study report also outline the difference they see between all foreign assistance and ODA: “In some cases, the principles of the PD cannot apply in a rigid sense to all foreign assistance programs. We would still argue that flexibility in these nuanced situations is the key. There are offices that have mandates that do not necessarily have economic development/ODA at their core. We believe that the application of PD principles needs to be more flexible in these cases as the programs conducted by these offices often have limited development goals and restricted ability to fully implement the precepts of the PD.”

The data-gathering phase extended over several months, during which USG aid effectiveness policies and pronouncements emerged at an ever-increasing pace, including references to the PD principles in the new Senate foreign assistance draft bill and the new foreign assistance global initiatives, including FtF and the GHI. This made for a very dynamic period during which information collected at the beginning of the process may well have evolved by the end of the data collection phase, rather like trying to provide a conclusive picture of a hurricane forming in the Atlantic Ocean.

3 LEADERSHIP, AWARENESS AND COMMITMENT

3.1 Some Key Concepts

The donor case studies and synthesis report for Phase I of the PD evaluation found the enabling factor (or condition) of *leadership, awareness and commitment* to be essential for donor implementation of the PD. This section will assess the extent to which implementation of the PD principles has been supported by this enabling factor.

While each of the other PD enabling factors—capacity, incentives and disincentives, and coherence—has distinctive aspects, they can all be influenced by leadership and commitment. The experience of large U.S. development assistance programs demonstrate this (large both in absolute terms and relative to the size of their agency’s budget like those managed by USAID, DOS, and the MCC). Where leadership has been visibly committed to Aid Effectiveness (AE) and/or PD principles, steps have been initiated to broaden awareness and strengthen capacity. While not sufficient by itself, agency or unit leadership has been essential for implementation of all five of the PD principles.

Leadership, awareness and commitment can be manifested in a number of ways, ranging from relatively passive measures, such as attending meetings with other agencies or donors... to transmitting PD or PD-like documents to staff for information... to issuance of detailed staff guidance... to in-person discussions by managers with their staffs... to seeking changes in relevant policies promulgated by executive or legislative bodies that control development assistance resources or mandate operating procedures, like procurement.

3.2 Findings

In general, higher-level leadership in each agency or unit seems to know about the PD and uses aid effectiveness terminology often, keeping in mind that in some Departments the relevant entity is an administration, bureau, or office. While some entities, such as USAID and DOS, have issued guidance and directives and (at USAID) held meetings between the administrator and senior management, their impact on staff, especially in the field, has varied, with greater impact on USAID field staff than on DOS field staff (see questionnaire survey results presented below in Section 5). Other entities, including HHS, DOL, TREAS-OTA, and USDA have not issued directives related to the PD. The exception is the MCC, which has issued and widely disseminated four policy documents explicitly addressing or related closely to different aspects of the PD.

The following discussion is in two sections: the first, organized by entity, covers the period from the endorsement of the PD in March 2005 through 2009. The second part covers January through September 2010. The significance of this demarcation will become apparent in that section.

3.2.1 Role of U.S. Government Leadership in PD Implementation before 2010

As noted in section 1.2.1 U.S. Participation in the Development of PD, in the individual agencies reviewed, USG participation in development and implementation of the PD has been primarily at the staff level and has not involved explicit measures intended to implement PD principles. Involvement by senior officials at the leadership level varies. Staff members of the main agencies responsible for the administration of U.S. bilateral development assistance took part in preparatory meetings and negotiations leading up to and including the Second High-Level Forum on Aid Effectiveness in Paris in March 2005. The then-USAID administrator led an interagency delegation comprised of USAID, DOS, TREAS and MCC officials to the Second High-Level Forum and, with delegation concurrence, endorsed the PD on behalf of the U.S. and authorized a brief cable to field posts informing them of USG endorsement.

While implementation of the PD was less central to the overall mission of USG agencies than to that of USAID, one major exception is MCC, which, as the case study observes, was founded in 2004 on several principles, particularly MfR, that anticipated the PD. Relevant staff of other agencies, such as HHS and USDA, learned about the PD from USAID staff and/or felt they were practicing one or more of the PD principles without labeling them as such. In TREAS-OTA, two officials were involved in preparation for, or participation in, the Second High-Level Forum.

During the negotiation of the AAA, three drafts circulated for comment among all members of the interagency Policy Coordination Committee (PCC) on Development and Humanitarian Assistance, chaired by Director of Foreign Assistance (DFA) Henrietta Holsman Fore. The committee, comprised of all departmental agencies managing U.S. foreign assistance, approved a briefing memorandum giving DFA Fore parameters and authority for final negotiation on behalf of the U.S. government. DFA Fore led an interagency U.S. delegation (comprised of DOS, MCC, TREAS-OTA and USAID) to the Third High Level Forum in Accra. Subsequent to the Accra Forum, the PCC and a PCC subcommittee on Aid Effectiveness (PCC-AE) issued several follow-up communications on aid effectiveness in line with the PD and AAA. In spite of these actions, as described by the case studies, the PD principles, with some exceptions, such as MCC and TREAS-OTA, were not internalized or applied by many agency staff, particularly at the mid-manager level.

USAID

USAID manages approximately half of U.S. ODA (depending on the year), accounting for over \$15 billion in the total U.S. ODA of over \$28 billion, in CY 2009.³⁸ Usually, USAID is viewed as designing and implementing, as well as managing, development and humanitarian assistance.³⁹ Definitions of these functions, of where the role of the donor ends and that of the

³⁸ ODA figures reported to the OECD. The proportion managed by USAID has varied from forty-five to fifty-four percent over the 2000 to 2009 period. Data are preliminary.

³⁹ For example, the USAID case study prepared for this review finds that USAID “still *designs, manages, and implements* by far the largest amount of U.S. official development assistance,” (italics added). See Gerald “Jerry”

country begins, can vary. Nevertheless, they do raise issues related to the PD principles, particularly to those of country ownership and alignment, issues that will be examined in more depth later in this report.

Responses to a survey administered to USAID field missions by the evaluation team suggest a high level of awareness of the PD or its principles among USAID respondents (thirty-six of forty), and a correspondingly high proportion reported that the respondent's office had taken specific steps to adjust or implement program responsibilities in accordance with one or more PD or AE principles (thirty-three of forty). At the same time, the USAID case study also reports that headquarters staff identifies a number of serious challenges that militate against implementation of these principles.⁴⁰ As detailed in subsequent sections of this report, severe constraints imposed by external entities, including Congress, the IG and OMB, have created a risk-averse culture within USAID that in turn has impeded adherence to the PD principles in practice.

MCC

The creation of the MCC in 2004 reflected current thinking about aid effectiveness, including aspects of the PD principles of country ownership, alignment, managing for results, and mutual accountability. The MCC's core concept is a five-year assistance program or compact with partner countries based upon a proposal submitted by the country and approved by the MCC. The country must also meet certain eligibility criteria. Twenty countries have received MCC compacts for a total \$7.4 billion so far, at an average of \$370 million per compact. They have tended to be concentrated in agriculture and infrastructure. MCC has provided another \$500 million to twenty one countries, at an average of \$25 million per country, for threshold activities intended to prepare countries for later compact eligibility.

The MCC mid-level staff and senior officers interviewed by the evaluation team were found to be highly aware of the PD principles. MCC has issued four policy documents that relate closely or deal explicitly with PD principles and their relevance to MCC: "MCC and Country Ownership", "MCC and the PD: Managing for Results," "Guidelines for the Use of Country Systems in the Implementation of MCC Compacts," and "Aid Effectiveness: Putting Results at the Forefront."

In sum, there exists a high degree of awareness of PD principles among MCC management and staff, reflected in MCC policy statements and practice framed in PD terms or related to PD principles.⁴¹

Treasury

TREAS-OTA, with an annual budget of \$30-40 million, administers the provision of technical advisors to fifty to sixty countries. The level of awareness of the PD principles among program leadership and mid-level and program staff interviewed is high.⁴² The evaluation team survey of

Hyman and Mathias Kjaer, "USG PD Evaluation: Case Study: United States Agency for International Development (USAID)," p. 5.

⁴⁰ Ibid.

⁴¹ See James Fox, "USG PD Evaluation Case Study: Millennium Challenge Corporation," pp. 12.

⁴² The deputy assistant secretary responsible for OTA and the OTA director were involved in the formation of the PD, either as a member of the U.S. team or as an OECD staff member at the time. Fox, James W. "USG PD Assessment Case Study: U.S. Treasury Technical Assistance," p. 6.

TREAS field advisors confirms this. Of the fifteen who responded, twelve said they had received an official communication from headquarters about the PD or its principles. Ten of fourteen reported that their unit had taken specific steps to adjust or implement one or more PD principles.

HHS

The Department of Health and Human Services administers substantial international assistance programs through five entities.⁴³ The largest by far are the Centers for Disease Control and Prevention (about \$1.9 billion in FY 2009) and the Health Resources and Services Agency (\$0.25 billion in FY 2009). Despite the lack of any written document referring to the PD, 13 of 21 respondents were found to be moderately or highly aware of the PD. Seven of the respondents were at the senior policy level and all were highly aware in general terms of the PD. These individuals expressed strong commitment to the principles of country ownership, alignment and harmonization where feasible, but expressed strong reservations about the practical aspects of harmonization, reliance on country systems, and mutual accountability.⁴⁴

⁴³ The Office of Global Health Affairs, Centers for Disease Control and Prevention, National Institutes of Health, Food and Drug Administration, and Health Resources and Services Administration. For details, see George F. Grob, "Implementation of the PD in the U.S. Department of Health and Human Services," p.4-5.

⁴⁴ See *op. cit.*, pp. 15-16, for further discussion of these findings. The source of PD awareness for these respondents was reported to be outside meetings, including with the World Health Organization (WHO) and USAID.

The President's Emergency Plan for AIDS Relief (PEPFAR)

PEPFAR is the lead program under the more comprehensive Global Health Initiative, coordinated by the Department of State in the Office of the U.S. Global AIDS Coordinator. PEPFAR was created in 2003 by President Bush and the U.S. Congress and has programmed \$18 billion in HIV/AIDS prevention and relief efforts through FY 2008. The Office of the Coordinator was included in the DOS case study, and therefore may not have received the attention it deserved as the coordinator of a massive, inter-governmental US effort to combat HIV/AIDS.

Findings: Although PEPFAR leaders recognized the importance of the PD principles in a document issue in 2005, criticism of PEPFAR's lack of investment in country ownership and capacity building mounted in the early years of implementation. In 2008, the US Congress re-authorized the PEPFAR program in Public Law 110-293. PEPFAR was told to strengthen its' approach to capacity building and sustainability. PEPFAR responded with the Partnership Framework guidance document September 2009 and a 5 year strategy in December 2009. Both documents were based on an explicit recognition of and commitment to PD principles. A Government Accountability Office report published in September 2010 gave PEPFAR good marks for making progress in implementing the new strategy.

The implementation of PEPFAR requires coordination among USG agencies, most notably USAID and HHS. The HHS commitment to PD like principles was given high marks in the HHS case study, as was the health sector programming implemented by USAID. DOS is the point of coordination of all USG agencies involved, as well as coordination with the Global Fund to which the USG is a major contributor. The DOS case study found that middle managers in the Coordinator's Office, interviewed in the summer of 2010, were not well informed about PD principles. Subsequent interviews with high level officials demonstrated much greater awareness and commitment, as is reflected in the documents released in 2009.

Conclusion: the Office of the U.S. Global AIDS Coordinator and PEPFAR stands out among USG assistance programs in its commitment and initial progress towards implementing PD principles, although PEPFAR middle managers lack specific knowledge of PD. This new approach is still in its initial stages in 2010, so it is too early to assess whether this commitment achieves the desired improvements in aid effectiveness as envisioned in the PD.

DOS

The State Department administers a substantial volume of U.S. foreign assistance, accounting for ODA of nearly \$5 billion dollars in 2009 and again in 2010, managed through thirteen major programs.⁴⁵ Until recently, leadership for and commitment to PD principles has been mixed. Awareness at senior levels was higher among those involved in preparation for and participation in the Paris High Level Forum. With the support given by President Obama to the Food Security Initiative (now Feed the Future) in July 2009 at the G8 "plus" meeting in L'Aquila, Italy, the PD principles gained some visibility and interest at DOS policy and leadership levels and were reinforced in 2010, as explained in the next section. Senior level respondents, however, said that policy reform discussions have been framed in terms of aid effectiveness rather than the PD

⁴⁵ For further details, see Richard Blue and Kelly Heindel, "U.S. Government PD Assessment Case Study: Department of State," pp. 4-5.

principles. Respondents involved in food security initiatives referenced the Rome Principles, described to be similar to the PD.⁴⁶

Based on the observation of one policy level respondent, it would appear that DOS field staff has received less guidance about the PD or AE than USAID field staff. The respondent said she had first learned about the PD in 2004, but that “the Aid Effectiveness debate had no roots in the field missions” and that “up to now, there has been no effort to transform Washington’s commitment into guidance.”⁴⁷ This observation tends to be confirmed by the field mission survey administered by the evaluation team. Of the twenty-four DOS field officers who responded, only six said they had received an official communication from headquarters about the PD or its principles. Seven of twenty-six reported that their office had taken specific steps to adjust or implement one or more PD principles.

While DOS has not issued comprehensive guidance on PD principles, the Office of Policy and Planning included a section on aid effectiveness in its guidance to U.S. overseas missions for preparing a “Mission Strategic Resources Plan”, and the overall 2007–2012 Department of State and USAID Strategic Plan states: “We seek to improve the quality and impact of aid through such measures as commitments in the Paris Declaration on Aid Effectiveness and focusing on development results.”⁴⁸ While the six senior-level DOS headquarters interviewees, with some variation, showed a fairly sophisticated grasp of the PD and its principles, this was less true for the mid-level managers interviewed.⁴⁹ While two of twelve respondents in the latter group were highly aware, four were modestly aware, six displayed limited awareness, and two were not at all aware of the PD. Responses were even more limited regarding awareness of leadership plans to incorporate PD principles (e.g. through the FtF initiative). While two respondents were highly aware and two were modestly aware, seven had limited awareness, and three were not aware at all.⁵⁰

USDA

The main entity for administering foreign assistance managed by the USDA is the Foreign Agricultural Service (FAS). Both food aid and technical assistance are provided, including about \$3 billion in food aid, managed in seven programs in FY 2008. Roughly two-thirds of the FAS staff is concerned only with agricultural trade issues. Yet respondents reported that leadership demonstrated high awareness and spoken commitment to the PD principles. Increased visibility and emphasis given by leadership to FtF in 2010 appears to have been a significant factor in generating this awareness and commitment (as discussed further in the next section). Mid-level staff interviewed by the evaluation team had modest to limited awareness of PD principles. Respondents also reported limited field staff awareness. This may in part reflect the fact that most FAS field staff is located in countries that do not receive foreign assistance. Two FAS field

⁴⁶ Emanating from the 2009 Rome World Summit on Food Security.

⁴⁷ “*Op. cit.*, p. 16.

⁴⁸ *Op. cit.*, p. 16.

⁴⁹ DOS commentators added that “this disparity in awareness may be due in part to the aforementioned difficulty in applying PD principles to certain types of foreign assistance programs.”

⁵⁰ *OP. cit.*, pp. 18-19.

staff members in developing countries, who responded to questions by e-mail, were in fact highly informed about the PD.⁵¹

Labor- The Bureau of International Labor Affairs

DOL-ILAB and its constituent offices manage programs of technical assistance that have ranged from about \$70 million to \$100 million annually over the last five years.

Awareness of the PD and its principles may be just beginning at the DOL-ILAB. At the most senior levels, awareness was portrayed as virtually non-existent. Awareness in ILAB varies from none to a limited awareness for the majority of respondents, the latter mainly due to attendance at international meetings where the PD was broached. Moreover, according to the evaluation case study "...no 'culture' of awareness currently exists within DOL. No strategy documents, public statements, policy papers or best practice notifications have been distributed in DOL-ILAB that relate to PD principles."⁵²

At the same time, virtually all DOL-ILAB KIs emphasized that they believed many of the principles are already being implemented in their programs, but not within a PD rationale. Congruent activities were emphasized particularly in alignment with country strategies and MfR.

3.2.2 The Role of U.S. Government Leadership in Paris Declaration Implementation in 2009/2010

The confluence of several initiatives marks 2009 as a possible watershed in U.S. government leadership awareness and commitment to PD principles. Manifestations of this support are not always labeled "PD" as such, but their principles have a very close relationship to the PD principles. Three presidential initiatives related to international development issues have gained prominence in 2009 and 2010: FtF, the GHI, and GCCI. These initiatives, viewed as whole-of-government approaches, cut across several departments, including DOS and USAID.⁵³ The new leadership of USAID has launched a policy to elevate formulation of country assistance strategies that are consistent with host country priorities and an initiative to deepen collaboration with host countries and strengthen their capacities, so that greater use can be made of host-country systems. Finally, high-level interagency efforts are expected to produce government-wide guidance on development assistance, consistent with the PD principles for implementing the PPD.

Presidential Policy Directive on Global Development

U.S. President Barack Obama capped these efforts by announcing a new "U.S. Global Development Policy" at the Millennium Development Goals Summit at the United Nations (UN) in New York on September 22, 2010, simultaneously signing a "Presidential Policy Directive on

⁵¹For further discussion, see Cynthia Clapp-Wincek (with the assistance of Morgan Holmes), "USG PD Evaluation Case Study: United States Department of Agriculture (USDA)," pp. 7-8.

⁵²Reportedly, the situation may change soon. PD requirements were raised by developing country participants at a meeting in West Africa that caught ILAB participants unaware. The results of this meeting were to be circulated to staff. For more detail please see J. Sullivan and K. Heindel "PD Case Study: Department of Labor", pg 5-6.

⁵³For a useful, more detailed treatment of the three Presidential initiatives, see Hyman and Kjaer, *op. cit.*, pp. 18-28.

Global Development” (PPD). While not naming the PD as such, the PPD sets out tenets that relate to aid effectiveness and parallel the PD principles, some very closely:

- The policy is focused on sustainable development outcomes.
- The importance of country ownership and responsibility is underscored. The U.S. will:
 - Respond directly to country priorities, making new investments in line with established national strategies and country development plans, based on broad consultation.
 - Empower *responsible governments* to drive development and sustain outcomes by working through national institutions rather than around them.
- Place greater emphasis on building sustainable capacity in partners’ public sectors at their national and community levels to provide basic services over the long-term.
- Work with bilateral donors, the multilateral development banks and other international organizations to ensure complementarity and coordination of efforts.
- Undertake a more substantial investment of resources in monitoring and evaluation, with a focus on rigorous and high-quality impact evaluation.
- Establish mechanisms for ensuring coherence in U.S. development policy across the U.S. government, including an Interagency Policy Committee on Global Development, led by the National Security Staff, and a U.S. Global Development Council, comprised of leading members of the philanthropic sector, private sector, academia, and civil society, to provide high-level input relevant to the work of government agencies.
- Forge a new partnership with Congress, including seeking greater flexibilities, such as a reduction in earmarks and the ability to reallocate funding from less effective to more effective programs while committing departments and agencies to a much higher standard of accountability for results.

The USG, PD and the Millennium Development Goals

In 2008, USAID released a document titled *The United States Commitment to the Millennium Development Goals*. The document outlines the USG’s commitment to meeting the MDGs by 2015 and the need for a development strategy based on aid effectiveness principles outlined in the PD. “The United States is a strong supporter of the *Monterrey Consensus* and *The PD on Aid Effectiveness* which recognize that countries are ultimately responsible for their own development, and those that manage their own development resources well will also use aid well. When assistance is aligned with country plans and harmonized with domestic resources, it draws upon the respective strengths — the “value added” — of all actors in development. Effectively implementing the *Monterrey Consensus* and *The PD* allows us to plan more strategically and manage more effectively, while holding both donor and recipient nations accountable...The United States is committed to further aid effectiveness efforts at country level under country leadership as a key means of reaching the MDGs by 2015.”

Full Document : http://pdf.usaid.gov/pdf_docs/PDACL239.pdf

Quadrennial Diplomacy and Development Review

Prepared in the same time frame as the Presidential Policy Directive, the *Quadrennial Diplomacy and Development Review (QDDR)* was issued in latter 2010. The review, led by DOS and USAID, emphasized such PD and PD-like principles as managing for results, partnership, cooperation, transparency and predictability. Both organizations made the following commitments:

*To enhance the effectiveness of our assistance programs, USAID and State will recommit to and institutionalize the following principles to guide all aspects of our development assistance: partnership, sustainability, cooperation, results, and gender equality. We have adapted these principles from the PD, the Accra Agenda, and the L’Aquila Joint Statement on Food Security, and formulated them to facilitate implementation and highlight some of the key priorities of the President, the Secretary and the Administrator. USAID and State will integrate them into our operational methods and institutionalize them across assistance programs, including, where feasible, assistance aimed at advancing security and stability.*⁵⁴

The PD-relevant highlights of the three sectorally oriented presidential initiatives—Feed the Future, Global Health, and Climate Change—are summarized below.

Feed the Future Initiative

At the G8 “plus” meeting in L’Aquila Italy in July 2009, President Obama pledged \$3.5 billion over three years for an agreed Food Security Initiative, to which G8 leaders had pledged a total of \$20 billion. In September 2010, the U.S. Secretary of State announced the “U.S. Global Food and Hunger Initiative,” that later became the Feed the Future initiative, as the U.S. contribution to its L’Aquila commitments.

Of the three initiatives, FtF is the one most rooted in PD principles and the one most explicit about them. The executive summary of the guide to FtF states:

“The five principles of a common approach, first articulated at L’Aquila, embrace the PD on Aid Effectiveness and the Accra Agenda for Action, and were endorsed unanimously as the Rome Principles for Sustainable Food Security by 193 countries at the 2009 World Summit on Food Security.”⁵⁵

In particular, FtF emphasizes the PD principles of ownership, alignment, and managing for results. Evaluation team interviews have confirmed that the principles of FtF already have captured, or will capture soon, the attention of senior officers in USAID, DOS, and USDA.

Global Health Initiative

The U.S. Global Health Initiative (GHI) was launched by President Barack Obama in 2009. It works to save the lives of mothers, children, and families through programs that address infectious disease, maternal and child health, nutrition, and safe water, sanitation, and hygiene.

⁵⁴ Department of State, *The First Quadrennial Diplomacy and Development Review: Leading Through Civilian Power*. 2010. P. 106.

⁵⁵ “Feed the Future Guide,” at pp iv, 1. <http://www.feedthefuture.gov/FTF_Guide.pdf> .

PD principles are clear in the initial description of the GHI:

“Through the Global Health Initiative (GHI), the U.S. government is pursuing a comprehensive whole-of-government approach to global health. The Initiative promotes a new business model to deliver its dual objectives of achieving significant health improvements and creating an effective, efficient and country-led platform for the sustainable delivery of essential health care and public health programs.”⁵⁶

The PD principles of country ownership, alignment, and managing for results are even more explicit in subsequent guidance. Both HHS and USAID will share lead management roles.

Global Climate Change Initiative (GCCCI)

The GCCCI is the least developed of the three recent, presidential development-related initiatives. It represents the U.S. “commitment to the full implementation of the Copenhagen Accord... [and to] mainstreaming climate considerations into development activities.”⁵⁷ It will be managed between USAID, DOS, and TREAS.⁵⁸ Initial funding of \$1.4 billion has been requested for FY 2011.

Recent Developments at USAID

The new administrator of USAID, Rajiv Shah, took office at the end of Calendar Year (CY) 2009. He has issued or approved new policies that convey support for PD-like principles and a willingness to tackle some of the severe constraints that have inhibited staff from pursuing some principles, particularly the principle of alignment. As will be seen in the passages quoted below, these initiatives address all the PD principles in one way or another.

In August 2010 the administrator circulated a draft entitled, “Building Local Development Leadership: USAID’s Operational and Procurement Improvement Plan.” The procurement function is a primary focus of this document, but its implications are much broader. The central messages, explicitly referring to the PD and the AAA, are stated very clearly in the introduction:

Our goal at USAID is to create the conditions whereby, one day, aid will no longer be necessary in the countries where we work. That goal can only be realized if the assistance we deliver strengthens the local actors and institutions that are ultimately responsible for transforming their countries. USAID’s Procurement Reform Group was charged with exploring ways to make significant changes in how USAID’s assistance is designed and delivered in order to build local leadership and capacity.

The recommendations outlined below are intended to increase the impact of USAID’s foreign assistance efforts in accordance with the strategic

⁵⁶ “Implementation of the Global Health Initiative: Consultation Document,” p. 3 (italics and bold, original) <<http://www.pepfar.gov/documents/organization/136504.pdf>> .

⁵⁷ Department of State; “U.S. International Climate Change Finance,” <<http://www.state.gov/documents/organization/140689.pdf>>.

⁵⁸ The Environmental Protection Agency is also expected to play a role in overall governance of the GCCCI.

guidance of President Obama and Secretary Clinton, as well as the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The recommendations provide guidance on how USAID can enhance competition, broaden its partner base and achieve greater long term sustainable impact, cost effectively. The Agency will need the appropriate policies, staffing and tools to achieve these goals in the coming years. Not all these improvements will proceed easily or without needed course corrections. Modifications will be made as needed along the way. Open and frequent communication by everyone is encouraged as it will be the only way to create the best possible result.”

The PD and contemporary best practices call for focused, country-led strategies for development and humanitarian assistance as well as robust, transparent evaluations.⁵⁹

The plan has six objectives, of which the first and fifth are particularly relevant:

Objective 1– Strengthen partner country capacity to improve aid effectiveness and sustainability.

- Increase use of reliable partner country systems and institutions that meet certain minimum standards; and
- Enhance USAID governance programs in order to provide further support to partner countries in strengthening public accountability, including public financial management and procurement systems.

Objective 5– Strengthen collaboration and partnership with bilateral donors, multilateral and international organizations to increase synergies and avoid duplication.

- Strengthen USAID’s ability to collaborate with and leverage benefits from other bilateral donors, multilateral organizations and international organizations, where comparative advantage and expertise can be brought together to deliver effective and efficient foreign assistance; and
- Strengthen USAID’s ability to focus its development efforts in particular sectors or areas and avoid duplication with development activities carried out by other donors.

Revived Commitment to Country Development Cooperation Strategies

Following up on issuance of the plan for *Building Local Development Leadership*, the newly constituted Policy, Planning and Learning Bureau (PPL) of USAID issued a draft plan calling for the revived commitment of country development cooperation strategies (CDCS), to be prepared by the USAID Mission, under the overall authority of the Chief of Mission (ambassador), but to seek the input of, among others, host-country governments and local civil society stakeholders, and to support country priorities. Division of labor with other donors is also mentioned. These

⁵⁹ USAID. “Building Local Development Leadership: USAID’s Operational and Procurement Improvement Plan,” internal document, August 2010.

comprise a significant departure from recent years, as described in the USAID case study. The following is taken from this guidance (italics added):

The CDCS builds upon the strategic planning processes regularly conducted by USAID missions. We now seek to institutionalize these processes under Chief of Mission authority and with input from USG agencies, *host-country governments*, others in the international community, and *local civil society stakeholders*. Through the CDCS process, we seek a *division of labor with other donors* while focusing our own development resources to ensure that critical development needs are met in the most efficient manner.

The CDCS will identify development challenges that: *support country priorities*; focus on key integrated development objectives based on rigorous analysis; prioritize specific programs and Presidential initiatives; and target assistance and related policy dialogue to obtain the greatest development impact and sustainability. The CDCS will serve as an important tool for USAID to hold ourselves accountable for the resources we implement and will provide a crucial means for mission to communicate with Washington about the opportunities and constraints they experience and the types of support they need to fulfill in-country commitments.

4 CAPACITY

The second important enabling factor is *capacity*, namely, the organizational and staff capacities of a donor to implement PD principles. As noted in the previous section, building adequate capacity may therefore require new strategic and operational guidance, staff orientation and training, interaction with other donors and stakeholders, etc. Furthermore, as highlighted in a previous donor study, there is also an important systems, or systemic, dimension, in addition to the common institutional dimension of capacity. Aspects of both dimensions can support or constrain the implementation of the PD principles.

- *Institutional capacity*, such as information, knowledge, resources, training procedures and guidance, institutional set up, including decentralization.
- *Systemic capacity*, i.e., factors that extend beyond the individual organization or organizations responsible for the donor country's aid program (for example, the status of an organization or the fact that a large number of agencies are involved).⁶⁰

Both dimensions of capacity *strengthening* pose challenges for USG implementation of the PD principles. A major aspect of the systemic-capacity challenge is the fact that a large number of agencies and organizations are charged with administering U.S. official assistance—more than a dozen others beyond the seven reviewed in these U.S. case studies and this report. Most of these

⁶⁰ “The PD: Evaluation of the Implementation of the PD: Case Study of Germany,” p. 56, <http://www.diis.dk/graphics/Subweb/paris_evaluation_web/files/pdf/original/BMZ-Ev032e_print_0508.pdf>

additional programs are relatively small, but effective coordination among them requires adequate capacity at higher levels of the government, with the designated requisite leadership authority and responsibility. This systemic challenge will be discussed further in Section 5 and 6, under the headings of “Incentives and Disincentives,” and “Coherence,” respectively.

Capacity strengthening implies a third important PD dimension for donors: the need to assist partner countries in strengthening their capacities to achieve development effectiveness along with aid effectiveness. Under the PD ownership principle, donors commit to “[r]espect partner country leadership and help strengthen their capacity to exercise it.”⁶¹

This commitment implies donor support for both the country ownership PD principle and the donor-capacity enabling factor. A donor requires relevant capacity to help a partner country strengthen its capacity to implement the PD principles. It should be noted that reference here is to capacity to implement specific aspects related to PD principles where strengthened country capacity is needed, such as procurement, aid coordination and monitoring and evaluation. USAID and other USG agencies and donors do make and have made considerable efforts to build capacity in a wide range of areas in recipient countries, especially in civil society, the private sector, and in government. The issue is whether the USG possesses and has devoted sufficient capacity to strengthen areas related to the PD, or, as in the case of the MCC, uses *ex ante* assessment of capacity and performance to determine where reliance upon host country systems can occur.

4.1 Findings

Donor capacity

Lack of donor organizational capacity—institutional or systemic—was rarely identified explicitly as a constraint on PD implementation in the case studies interviewing *headquarters* staff, with one exception: USAID. That case study reports that, even as it doubts the will and capacity of host country governments, USAID staff recognized lack of capacity in their own agency to manage, for example, the transfer of a function like procurement to host country systems.

Surveyed *field* staff from four organizations (DOS, USAID, MCC, and TREAS-OTA) was asked in the questionnaire survey whether they felt they had the expertise and resources to help strengthen the host government’s M&E capacity. While the findings vary somewhat from organization to organization, only slightly more than half of all respondents (thirty-eight of seventy-three) answered in the affirmative. However, eleven of thirteen TREAS-OTA respondents—all of whom are expert technical advisors—said they had adequate expertise to strengthen the host government’s M&E capacity. In fact, the sole purpose of the TREAS-OTA program is to strengthen the macroeconomic policy and practice capacities of partner country governments.⁶²

⁶¹ Commitment no. 15, PD, *op. cit.*

⁶² J. Fox OTA, *op. cit.*, p. 6.

In the USDA FAS, there exists an increased appreciation of the significance of the PD, because of the FtF initiative. A majority of senior and mid-level staff interviewed thought there was sufficient capacity and guidance to implement the PD (seven of twelve respondents). Somewhat at odds with this finding, there is also a keen awareness of the capacity constraint in FAS to provide more assistance consistent with PD principles in low-income countries where there are very few FAS staff.⁶³

The capacity to implement a new PD-based strategy would require considerable readjustment of processes and procedures within DOL-ILAB. The case study team's assessment is that DOL-ILAB officials would be willing and able to make the needed adjustments.⁶⁴

More often, lack of *host country capacity* was identified as a constraint to the donor's ability to implement the PD. Lack of host country capacity was in fact identified most frequently in field survey responses to be the *main constraint* to implementation of the PD principles (fourteen of fifty-seven total respondents). One respondent added:

Partner national development strategies are often not fully developed or do not have sufficient staff or resources to effectively direct or coordinate donor programs.

However, few interviewees and respondents mentioned assisting partner countries to strengthen their capacities to implement the PD as an objective. Both the PD and the AAA give considerable emphasis to this objective: six PD commitments and nine AAA commitments relate to this need. These statements also recognize the need for donors to strengthen their own capacities to implement the PD and to help recipient countries strengthen theirs. For example, Commitment 14 (a) of the AAA states, "Donors will strengthen their own capacities and skills to be more responsive to developing country needs."

There was some evidence to support the conclusion that DOS units were beginning to build capacity in host country civil society partners, but almost no effort was apparent with regard to building host government M&E capacity.⁶⁵ However, the managers of a very large DOS program considered MfR to be part of their overall effort to improve host government and host country capacity, which they see as a necessary component in the success of their efforts: "We also try to build capacity to do M&E and this effort is incorporated into all of our programs."⁶⁶

The DOS case study nonetheless concludes that the renewed emphasis on MfR, with corresponding efforts to improve M&E practices, falls short of what the PD envisions. With a few exceptions, the MfR renewal is focused on improving DOS program management practices, not necessarily on including a major effort to build M&E and other PD-related capacities in host country institutions, including government. One DOS policy-level KI observed, "Building capacity of government is not high on the agenda of Missions. They don't have the capacity to do it themselves." This is an important shortcoming with respect to strengthening government ownership and mutual accountability as well.⁶⁷

⁶³ C. Clapp-Wincek, *op. cit.*, pp. 10-12.

⁶⁴ J. Sullivan and K. Heindel, *op. cit.*, p. 15.

⁶⁵ R. Blue and K. Heindel, *op. cit.*, p.29-30.

⁶⁶ *Op. cit.*, p.24.

⁶⁷ *Op. cit.*, p.25.

The findings of the HHS case study indicate that capacity building is an important element in HHS programs, but offer mixed views about host country capacity strengthening by the various development assistance programs. Those whose careers that were almost exclusively in HHS were positive about their ability to foster capacity building in the countries they assisted. However, those who also had foreign assistance experience in agencies other than HHS were less positive about capacity building efforts throughout the government.⁶⁸

MCC compacts are limited to five years, so longer-term capacity building support is not possible. With the exception of the smaller threshold programs that average about \$25–30 million per country, MCC has, until recently, not set capacity building as an explicit program objective, though has tried to build it in to program implementation wherever possible. Capacity building also takes place through implementing entity agreements that MCC has with line ministries that implement compacts. What country capacity is being built or strengthened—formally or informally—as a result of the compacts or the threshold activities is not known at this point.

In a rare admission that donors such as USAID should invest in the skills needed to effectively help host countries strengthen their capacities, one respondent observed that while contracting through host-country institutions is “incredibly time-consuming,” “USAID has *not invested in the capacity or in developing the skills to do so*,” (italics added). USAID has not invested enough in building host-country capacity, said another respondent.⁶⁹

The recent paper issued by the USAID administrator, “Building Local Development Leadership” (cited in the previous section 3.2.2), suggests that change is in the offing. The paper makes the following relevant points:

“USAID is losing an opportunity to strengthen local capacity in our partner countries. . . . The Paris Declaration and contemporary best practices call for focused, country-led strategies for development and humanitarian assistance. . . .” The paper stipulates the following as the first of six objectives: Strengthen partner country capacity to improve aid effectiveness and sustainability.⁷⁰

Organizational Culture and Institutional Capacity

The USAID case study suggests increasing recognition among senior staff that some of the impediment to implementation of PD principles is the result of the culture of the organization, the inertia of decades of attitudes and doing things in certain ways and resistance to change. One quote from the new task force on procurement reform makes this point very clearly:

⁶⁸ G. Grob, *op. cit.*, p. 32-33.

⁶⁹ G. Hyman and M. Kjaer, *op. cit.*, p. 14.

⁷⁰ *Op. cit.*, first page, as cited in G. Hyman and M. Kjaer, *op. cit.*, pp. 19.

“But, even under the current legal, regulatory and policy structures, missions can use host-country systems and can do host-country procurement under the right conditions. We need to identify weaknesses in the host country and build their capacities. We need to take measured risks with policies and guidelines. We need to reduce eligibility requirements. And we need more staff and more training. We need to train the USAID staff on PD principles and why they are good for development, even though they are hard. Right now there probably are no staff incentives for PD implementation, but there will be under the new procurement reforms. We understand the need for legal and policy reform, but we also understand the need for reform of USAID’s culture, which will be even more difficult.”⁷¹

There is an emerging view among USG leadership that, to be effective, U.S. foreign assistance must do more to build capacity for ownership rather than simply going in and fixing things,⁷² or, as the PPD states, exercise selectivity to assure that assistance goes to countries that are best positioned to make good use of it. Oxfam America recently released a policy brief to this effect (see text box to the right).

5 INCENTIVES, DISINCENTIVES AND CONSTRAINTS

The seven USG agency case studies may be organized into three groups:

1. *Agencies expressly committed with policies specifically aligned with PD principles.* In our case studies, the MCC and the TREAS–OTA come closest to this standard.
2. *Agencies that follow practices highly consistent with PD principles.* Among our case studies, HHS comes closest to this standard.
3. *Agencies within which some practices conform with PD principles, but for which the constraints imposed by external factors, such as organizational mandates, USG accountability and contracting procedures and agency practices, or competing assistance organizational cultures present severe disincentives or constrain movement towards greater compliance with the PD.* DOS, USAID, DOL–ILAB, and USDA make up this grouping of our study cases. As demonstrated in the USAID case study, USAID

Ownership in Practice: Oxfam America Policy Briefs

In March 2010, Oxfam America led a discussion with 35 representatives from USG agencies, Congress, think tanks, NGOs, contractors and recipient countries to discuss foreign aid reform and, specifically, capacity building and its role in country ownership. They found that the benefits of a country led plan are not in dispute, but the means to this end are debatable. The report acknowledges the new strategies for implementation and procurement being introduced at USAID “as a way of embodying the ownership principles of the PD on Aid Effectiveness,” but argues that legislative actions are needed to jump start a new paradigm and operational shift. The report recommends a more demand driven, risk-taking approach to assistance which makes greater utilization of country systems, including budgetary support when possible.

The full brief is available at:
<http://www.oxfamamerica.org/files/Capacity%20policy%20brief-lowres-singlepages.pdf> >

⁷¹ *Op. cit.*, pp. 28-29.

⁷² R. Blue and K. Heindel, *op. cit.*, epilogue.

leadership is confronting directly many of these constraints, especially through the three major program initiatives FtF, GHI and GCCI, as well as other reform efforts.

5.1 Findings

The evidence for positive incentives related to the implementation of USG foreign assistance programs compliant with the PD is, on the whole, outweighed by evidence of disincentives, or what we term constraints. No case study reports the existence of positive incentives *directly* related to adherence to PD principles, but at least one agency, TREAS-OTA, is so closely aligned that whatever incentives exist may be said to be PD-positive.

As with most other dimensions of this report, the evidence varies across the seven case studies. We will present data reflecting the case study findings⁷³ first, followed by evidence from the field survey. The findings, it must be remembered, reflect the attitudes and opinions of USG officials engaged in managing foreign assistance programs already in place. In our analysis and conclusions, we will critically examine the extent to which the USG respondents' perception of their agency's compliance is consistent, or not, with the principles as stated in the PD and subsequent AAA. To date, with the possible exception of MCC, no major USG foreign assistance program has been set in place explicitly built on adherence to PD principles, although as already stated, that will soon change as the Obama administration begins to implement its new initiatives.

5.1.1 Incentives

If the issuance of guidance documents, strategy proclamations, and the content of speeches were considered evidence of an incentive structure promoting adherence to the PD, the U.S. foreign assistance cadre should be highly motivated to conform. As early as March 2006, USAID issued guidance on implementing the PD on Aid Effectiveness, stating that "USAID played an active role in the negotiations, with USG interagency agreement, and the USG strongly supports its implementation."⁷⁴ The US PEPFAR program combating the HIV/AIDS virus uses a Partnership Framework in working with partner countries, the principles of which include "country ownership" as well as other PD principles to be applied to the implementation of PEPFAR programs.⁷⁵ However, no respondents from any of the seven case studies reported that their agency had put in place incentives associated with the PD. A typical finding from the DOL-ILAB report states: "Given the scant knowledge of the PD principles in DOL, formal incentives do not exist." Similarly, the USAID case study notes: "USAID has created no official or

⁷³ Case study findings based on document review and key informant interviews.

⁷⁴ USAID: PPC GUIDANCE FOR USAID MISSIONS ON IMPLEMENTING THE PD ON AID EFFECTIVENESS, MARCH 2006. The guidance also notes the areas where USAID does not agree with the PD, especially those "...relating to country public financial management and procurement systems." p.1.

⁷⁵ U.S. Department of State: Draft Guidance for PEPFAR Partnership Frameworks and Partnership Framework Implementation, Version 2, <http://www.pepfar.gov/guidance/framework/120514.htm>. p 1 and 2/6

systematic incentives to support the PD or its principles.”⁷⁶ The USDA finding is even broader. “At USDA, there are currently neither incentives nor disincentives specific to the PD itself.”⁷⁷ However, among the three agencies whose mandate and practices are most consistent with PD principles—MCC, TREAS–OTA and HHS—this finding from the HHS case study is relevant:

Individuals working directly on global health programs told us that their organization's missions . . . are powerful incentives for them to ‘opt for principles similar to those of the PD.’ They do not receive bonuses, favorable performance ratings, or formal awards or recognition for abiding by the PD, nor do they see any need for such formal incentives.⁷⁸

Much the same may be said about all the other USG agency respondents interviewed for the seven case studies. They are motivated by the desire to provide assistance as effectively as possible in order to achieve their objectives within the boundaries of their mandates and of the management and acquisition protocols and rules by which the USG operates and is held accountable. With the recent issuance of the U.S. Global Development Policy, a key informant interviewed in December 2010 asserted that this directive, along with the QDDR for USAID and DOS, were sufficient incentives to get the attention of foreign assistance program managers in all U.S. departments.

Moreover, respondents in all agencies were very much aware of government-wide efforts to improve performance through management for results and more rigorous M&E practices. The drive for better performance and accountability accelerated during the administration of President Clinton and Vice President Gore, when “Reinventing Government” was the slogan. The U.S. Congress passed the Government Performance and Results Act (GPRA), requiring all federal agencies to submit annual performance reports.⁷⁹ The OMB developed a performance-rating process called the Program Assessment Rating Tool (PART) and has continued to press for more rigorous program monitoring and evaluation systems in federal agencies.⁸⁰ The pressure to improve performance has been felt by agencies responsible for implementing foreign assistance programs, as well.

While these efforts to improve effectiveness pre-date the PD, they do have the effect of opening up possibilities of greater USG alignment with the PD principles, especially those relating to accountability and results management. There is one major caveat to this, however, the movement toward improved performance and accountability is, for the most part, internally focused. Thus, better M&E means hiring experts, increasing staff training, and improving monitoring and reporting to USG officials. Increasing the number of evaluation reports that are, one hopes, read and used by USG foreign assistance managers does not necessarily involve participation from partner countries, except as information sources. Devising better, more informative effectiveness reports for the U.S. Congress and the American public is important, but few of these efforts have much in common with the PD principle of *mutual* accountability and

⁷⁶ G. Hyman and M. Kjaer, *op. cit.*, p. 12. One commenter argues that the USAID ADS (Automated Directives System) provides incentives to support the PD principles.

⁷⁷ C. Clapp-Wincek, *op. cit.*, pp. 12-13.

⁷⁸ G. Grob, *op. cit.*, p. 23

⁷⁹ GPRA Guidelines <<http://www.whitehouse.gov/omb/mgmt-gpra/index-gpra>>.

⁸⁰ OMB PART <<http://nihperformance.nih.gov/OMBPART2.htm>>.

MfR. Yet, as noted in the USAID case study, “[m]any USAID officials see the PD principles as the foundations, even the guiding tenets, of a partnership. From their perspective, that imposes *mutual* roles and obligations. It does not lay out a different path *only* for the donors.”⁸¹ Unless there is mutuality of effort, the aid effectiveness efforts, however useful, will not be consistent with a fundamental PD concept of mutuality and partnership.

There are many factors that affect the ability of the USG foreign assistance agencies to move toward full compliance with PD principles. It is to some of these contextual factors inhibiting compliance with the PD that we now turn.

5.1.2 Disincentives (Constraints)

We treat “disincentives” as the product of system constraints that produce strong incentives to operate in ways that are not consistent with or in compliance with PD principles. Put another way, strong disincentives are working against such compliance. There are two major contextual sources for system constraints: first, the objective conditions of the institutional arrangements and practices in the partner countries; second, the policies and procedures arising from the U.S. political and governmental system. Both sources contain a number of factors that serve to constrain adherence to PD principles.

Constraints arising from partner-country capabilities and context

The common theme among respondents in all case studies was that they would be reluctant to use partner country systems for project, procurement and/or financial management. Also, respondents reported that their host country partners either lacked capacity, or were unwilling to take responsibility for results or for transparent M&E. Two interrelated concerns emerge frequently from the case studies and from the field survey. The first is the general weakness of financial systems and relevant ministries. The second is the prevalence of institutionalized corruption. Among the seven USG departments studied, TREAS–OTA can be considered the most authoritative because it places its technical assistance staff directly inside finance ministries and related entities. The case study report summarized the general concern expressed by TREAS–OTA respondents about host country institutional weakness. Although many commented on the general lack of sophistication and technical competence in partner country ministries, one OTA respondent’s viewpoint on this issue is worth reading:

Although the OTA staff is directly involved in strengthening the ability of developing country governments to manage government finance, OTA staff members expressed concerns about the capacity of many ministries of finance to manage expenditures in a transparent and accountable fashion. They suggested that ministries of finance in many low-income countries would not have the capacity to manage donor assistance programs in a fashion that would assure proper use of the funds. Where ministries of finance are weak, other ministries are typically considerably weaker, and less capable of managing funding, assessing the effectiveness of programs, or preventing corruption or special dealing.

⁸¹ G. Hyman and M. Kjaer, op. cit., p. 16.

Corruption in partner governments was a second concern for many respondents. Even if USG officers were not legally accountable for the proper expenditure of public funds, as development professionals they find the idea of handing over financial accounting and procurement control to governments that rank in the lowest quartile of Transparency International's Corruption Index morally and professionally repugnant and unacceptable.

Another factor mentioned by some respondents was their perception of host governments' reluctance to take on ownership responsibilities for use of USG funds. Two reasons were advanced for this reluctance: (1) host government officials would rather not have to take responsibility for complying with onerous USG rules, and (2) they are aware that their own financial and project management systems are "leaky" and they do not want to assume the risk of having USG funds siphoned off by "transaction" fees and other forms of rent-seeking by lower level bureaucrats.

Field Survey responses

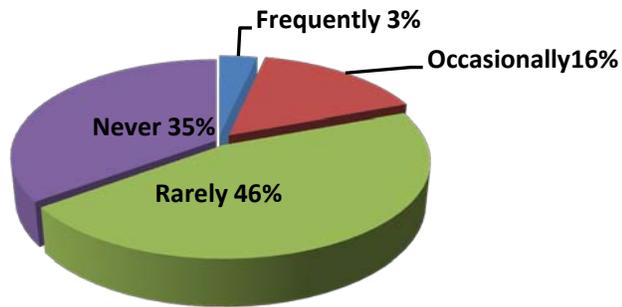
Turning to the responses from our field survey, we separate responses from USAID and DOS respondents from those submitted by TREAS-OTA and the three responses from MCC. USAID and DOS respondents come from departments that manage the largest share of U.S. ODA and therefore are most concerned about financial and managerial accountability.

We focus on two important institutional behaviors relating to compliance with the PD. First, use of host-country, and especially host-government, organizations and systems and, second, MfR and mutual accountability. When asked, "How common is it to use the recipient country's own systems for Procurement?" (of goods and services relevant to development projects), only five percent of DOS/USAID respondents said "Frequently", while seventy-nine percent replied "Rarely" or "Never" (see Chart 4).⁸²

Even for TREAS-OTA and MCC respondents, whose own assessment brought them much closer to compliance with PD principles, sixty-seven percent replied "Never" or "Rarely" to using host government procurement processes.

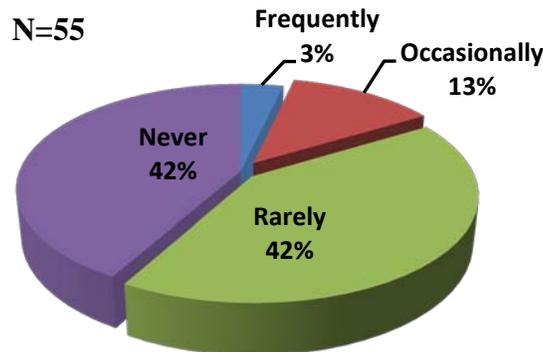
⁸² These findings are also highly consistent with the PD Monitoring Survey of 2008. (Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). "Better Aid: 2008 Survey on Monitoring the PD: Making Aid More Effective by 2010." 2008)

Chart 4: USAID/State: "How common is it to use the recipient country's own systems for Procurement (of goods and services relevant to development projects)?" N=58



Turning to use of host government accounting and financial management systems, 84 percent of USAID and State respondents replied “Never” or “Rarely” as illustrated in Chart 5.

Chart 5: USAID/State: "How common is it to use the recipient country's own accounting and financial management systems?"



With regard to using host government systems for project management, fifty-five percent of USAID and State respondents answered “Never” or “Rarely”. Respondents were asked if they would be prepared to give more budgetary control of development programs to partner (host) governments: fifty-one percent said “No”, while twenty-seven percent were “Unsure”.

M&E of USG foreign assistance projects has received increasing attention in recent years, and will accelerate under the current Obama administration. We asked our field survey respondents several questions regarding host country M&E capacity. Although the majority of our survey respondents (52.8%) said they had the expertise and resources to strengthen the host government's M&E capacity (Chart 6 below), nearly sixty-three percent indicated their programs “Never”, “Rarely” or “Only Occasionally” helped to strengthen host government capacity for M&E (Chart 7).

In addition, when asked, “Are your host country's M&E systems sufficiently strong for you to rely on them for your monitoring and reporting needs?” 70.3 percent answered “No” (Chart 8 below).

Clearly, the USG requirements for monitoring are perceived to be well beyond the current capacity of most host country governments.

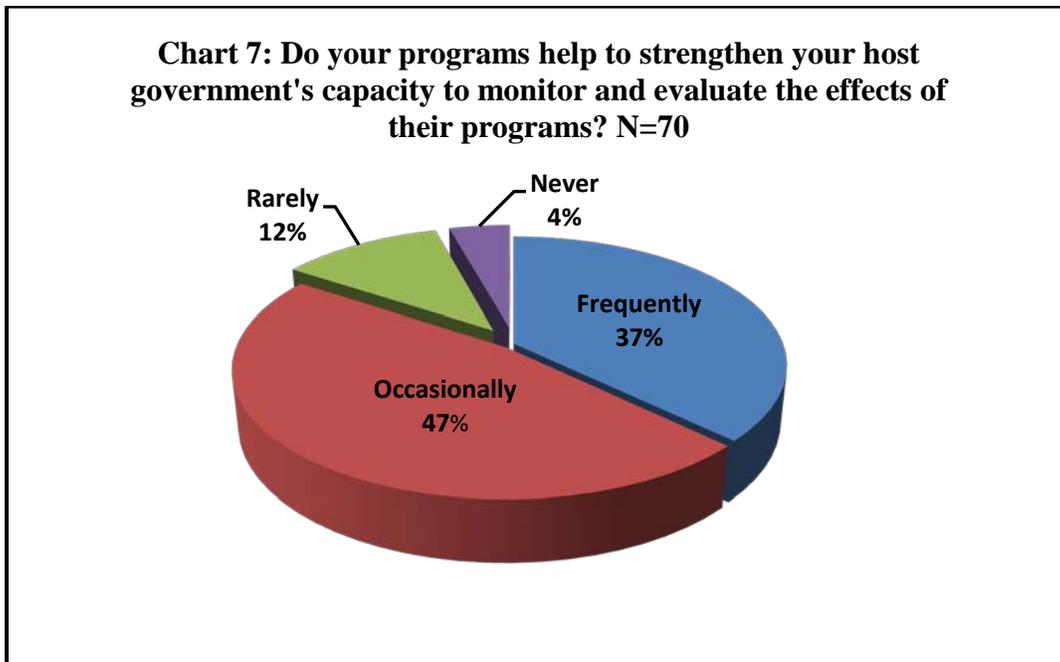
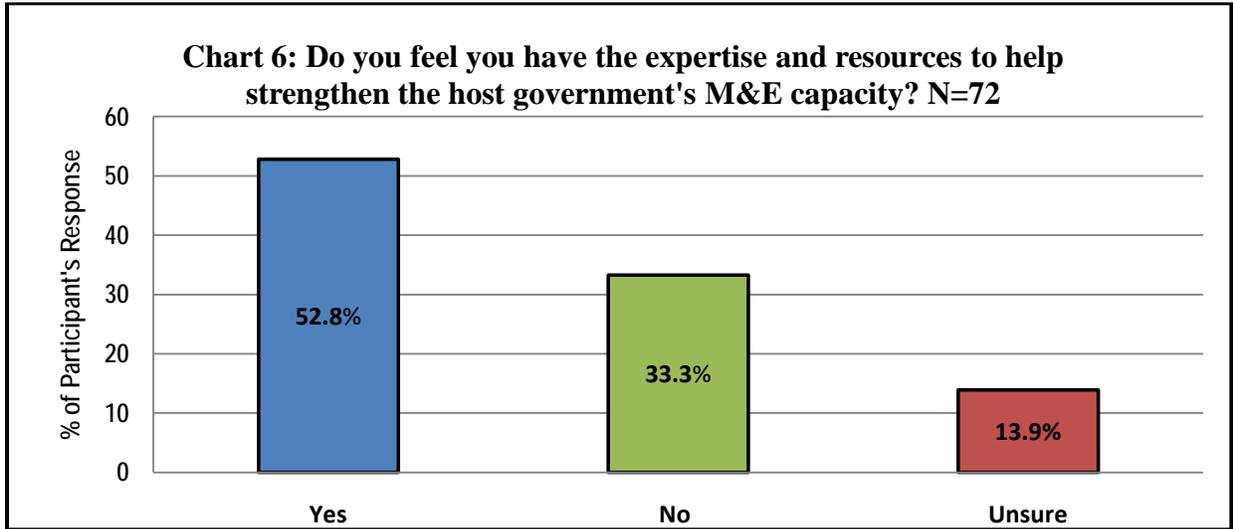
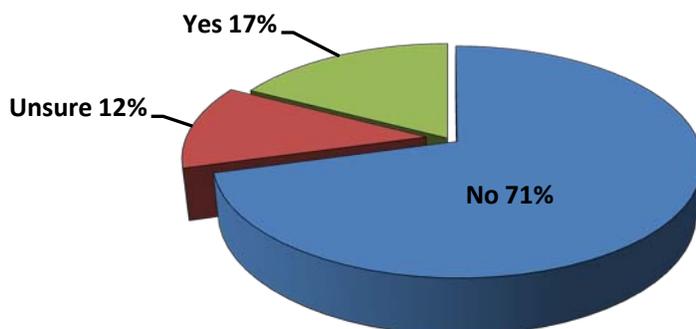


Chart 8: Are your host country's M&E systems sufficiently strong enough for you to rely on them for your monitoring and reporting needs? N=75



Among the USG agencies most closely aligned with PD principles, the MCC, which prides itself on following PD principles, does not use partner government systems for financial, procurement or M&E functions.⁸³ In most countries, the financial and procurement functions are conducted by independent fiscal or procurement agents. In some countries, existing government entities play these roles, such as in Jordan, where both the fiscal and procurement agents are existing government entities. In many countries, MCA partner with national statistical agencies for data for MCC program M&E. MCC relies on countries' own environmental, health and safety laws where these meet or exceed MCC standards. As stated in the MCC case study:

For the MCC, the biggest disincentive to compliance with features of the PD lies in areas of country ownership, especially in countries afflicted with significant corruption. By exercising greater control over the use of MCC funds, the MCC is able to diminish many forms of corruption at least within the Compact programs it funds.⁸⁴

The other U.S. agency directly aligned with PD principles is TREAS-OTA. TREAS-OTA's mandate is to build capacity in partner country institutions through the use of technical experts vetted by both sides and embedded in the partner country ministry or agency. OTA advisors do not manage USG foreign assistance funds; hence they are not affected by USG financial management and procurement rules. The TREAS-OTA case study explains that "[g]enerally OTA operates below the radar" of foreign assistance politics. Its work is so technical that political operatives in the partner countries might not become aware of the fact of this assistance. . . . OTA advisors are in the bowels of government ministries."⁸⁵ TREAS-OTA has developed protocols and procedures that are substantially compliant with PD principles of country ownership, alignment, MfR and mutual accountability although it does not manage funded

⁸³ However, MCC reports that it is now using some elements of government systems in seven compacts.

⁸⁴ J. Fox, MCC, *op. cit.*, p. 19.

⁸⁵ J. Fox, OTA, *op. cit.*, p. 9

programs. Respondents indicate that OTA advisors contribute to harmonization through information sharing with other donors but may be less likely to participate in such activities as joint missions, owing to their roles as government advisors.

The HHS case study found that although its operating practices were strongly consistent with PD principles, several respondents expressed frustration with the length of time it took to get anything done when working so closely with their host country counterparts. References to “hard work” and “takes time” are associated with the collaborative process followed by HHS.

Constraints associated with the USG system

The USG system for the development, implementation, and financial management of development programs—as well as for substantive M&E of development programs—is rigorous, complex, and exceptionally burdensome, especially within the context of a task environment of weak governments, political instability, natural and man-made disasters, and violent insurgencies and civil conflicts that characterize many of the countries where USG assistance is being implemented. The MCC as a public corporation enjoys a degree of greater freedom with regard to source of procurement, multi-year funding (up to five years) and more flexibility in personnel decisions afforded by its status as a government corporation. MCC scores well on PD-like standards of predictability, alignment with government strategies, and untied assistance.

However, even when the partner country passes the stringent tests applied by the MCC to establish evidence of just and effective governance to determine a country’s eligibility for an MCC Compact, the MCC has typically not used host government institutions to manage projects (however, MCC reports that it is now using some elements of government procurement systems in at least eight compacts, and of government financial management in several others). A separate, parastatal structure, the MCA entity, is established and is considered by the MCC to be “part of government.” MCA staff members are competitively recruited through what MCC describes as a transparent hiring process. They are, however, answerable to a board of directors, comprised of a majority of government members. Though the formal apparatus of government ownership appears to be in place, and is clearly stated as desirable in MCC policy documents cited in the case study, MCC is also accountable to its own board of directors and to the U.S. Congress, which appropriates the funds for MCC investments. The MCC caveat for the use of host government systems is as stated in an MCC policy paper:

[T]he use of country systems **for elements** of compact implementation can deepen country ownership. However, MCC recognizes that the desirable goal of country ownership achieved through the use of country systems **should not be pursued at the expense of program results or fiscal responsibility and accountability.**⁸⁶

In this respect, MCC is further constrained by the pressure to finish projects and obtain measurable results within the five-year time frame of a compact. If host government inefficiency, lack of experience, or outright corruption weakens MCC's ability to finish the job, MCC chooses to take greater control of the implementation process.

⁸⁶ Emphasis added. See J. Fox, *op. cit.*, p. 15.

For USAID and DOS, reluctance to use country systems is compounded further by other constraints from which MCC is exempted; for example, MCC is not constrained to using only U.S. sources for contract bidding, but has the authority to use international or local sources, as well. We turn now to an examination of USAID and DOS assistance programs, with regard to constraints and disincentives.

To frame the issue, the USAID case study states:

Perhaps the greatest constraints to PD implementation, at least as experienced by ordinary USAID officials, are the priorities of the President, the Administrator, or even the Congress. Those priorities may express what to do, but USAID's legal and regulatory regime constraints prescribe or limit how they should be done. Moreover, the laws and regulations are more than admonitions. They carry penalties for non-compliance.⁸⁷

The major constraints identified by both USAID and DOS are identified below. We do not intend a detailed discussion of these constraints, only a sense of the extent to which the budgetary, financial and procurement rules by which the USG operates affect the ability of U.S. agencies responsible for funds appropriated for foreign assistance to comply with PD principles.

- Foreign Affairs appropriations are substantially earmarked, either directly or through ‘soft’ earmarks,⁸⁸ by the Congress. This means that funds must be spent for the specific purposes (and sometimes specific NGOs or firms are recommended or specified) designated by Congress, rather than in ways determined by the implementing agency. This constrains USG agencies from entering into partnership with host governments, except insofar as the host institutions agree that the earmarked funds are consistent with their own country development priorities.
- The FAR stipulate the rules for procurement, competitive bidding, and many other procedures that must be followed by USG agencies managing foreign assistance appropriations, unless a specific waiver or exception is provided by Congress. As noted by several USAID former Mission directors, “We need some kind of certification procedure to be able to ensure that the host country can receive and manage funds securely.” This would reduce the risk to USG officials, but there is a larger risk, as well. As noted by one respondent: “We need systems to ensure that taxpayer dollars are used wisely, that funds will be managed appropriately, and that procurement is done honestly.”⁸⁹ According to both the USAID and the DOS case study reports, the necessity to adhere to the rules inculcates a risk-averse culture in USAID and DOS.
- Budgetary regulations or policies promulgated by the OMB, and supported by the Congress, limit federal budgets to an annual basis. While USG foreign assistance agencies generally plan for three- to five-year programs with the concurrence of host

⁸⁷ G. Hyman and M. Kjaer, *op. cit.*, p. 12

⁸⁸ Hard earmarks are binding and are upheld by law, while soft earmarks do not have the effect of law but are usually enforced as if they were binding.

⁸⁹ *Op cit.*, p. 17

countries, there can be no guarantee that funds will be available except on a year-by-year basis. MCC is unique in that it has legislative authority to enter into five-year compacts and its funds do not “expire” at the end of the fiscal year if they have not been obligated into a compact. Although the Foreign Assistance Act (FAA) does provide USAID and other agencies the authority to do something similar, USAID has chosen not to exercise this authority. Foreign affairs activities authorized by legislation other than the FAA (e.g., DOD) may have the authority to fully finance multi-year agreements. For example, many agencies make multi-year grants to multilateral organizations with their foreign assistance funds.

- Related to the annual budget cycle is the factor of “time”. For many development objectives, especially those having to do with institutional development, democracy, good governance and rule of law, development practitioners understand that the process of change takes time and is rarely linear in nature. Even MCC, which can enter into five-year compacts, recognizes that taking on long term “soft” development such as host country capacity building as primary compact programs might well impede its ability to achieve the desired investment impacts within the five-year compact timeline, though capacity building and institutional strengthening is built in to complement these investments in many cases. This tends to skew MCC projects toward “hard” development, such as infrastructure or agricultural productivity projects. On the other hand, the HIV/AIDs and other disease vector assistance programs operated by CDC benefit from the long-term commitment by the USG to combating global epidemics, and seem less constrained by the time factor, insofar as its capacity building efforts are concerned. Nevertheless, the USG annual budgeting and reporting process puts an emphasis on results reporting, which often is shorthand for coming up with success stories.
- Paradoxically, the USG emphasis on MfR may constrain U.S. ability to comply with several PD principles, especially country ownership and harmonization. U.S. respondents make two arguments: (1) focusing on results means a corresponding high level of management control by the USG agency, and (2) the USG agency must make a plausible case that “Its Project” produced the result. Sharing the success with another donor or with the host government does not sell well when reporting to the U.S. Congress. Harmonization of efforts among donors is desirable in the abstract, but the USG agency must demonstrate that its programs produced the intended results.
- Several respondents argued that if the USG were to do everything in close alignment, in cooperation with other donors, and through host country systems, the necessary room or space for trying out new approaches, for being innovative and experimental, for taking on controversial programs like child labor protection (DOL–ILAB) or human rights (USAID and DOS) would be lost. Respondents from the American NGO community working closely with USAID and DOS to implement programs worry that too narrow adherence to PD principles by donors would foreclose host-country support for civil society-led development programs, whether in areas such as democracy and rule of law, or in service delivery sectors such as health and education. They have expressed concern that many host governments barely tolerate criticism and advocacy, preferring at best to see civil society as an adjunct to government for the delivery of health and other services.

Adherence to the views of these regimes might well spell the end of USAID's partnership with American NGOs that contribute to civil-society capacity building.⁹⁰

The remarkable degree of consensus across USG agencies about the disincentives and constraints on PD compliance is not surprising, as with hardly any exceptions, all must work within USG rules. Even when there are specific legislative exceptions like those for MCC, political oversight of the implementing agencies continues, making officials very conscious of the need to avoid political battles that might threaten their programs. HHS-CDC officials are no exception, in spite of the fact that operationally, HHS-CDC operational systems align closely with PD principles. Still, as the HHS case study notes, “[t]hey almost never adopt or rely on country systems.”⁹¹

There are two methods by which our case study respondents were able to reduce or avoid some constraints. One approach, most notable in the TREAS–OTA program, simply is to avoid managing USG foreign assistance funds other than those necessary to support embedded technical assistance advisors in host country ministries. Another approach is to obligate cooperative agreements with international organizations, as is done by DOL–ILAB in its collaboration with ILO, or transfer funds to these organizations, as is done in some of the DOS programs. This method, also employed by USAID in some cases, eliminates neither USG oversight responsibilities, nor their involvement in the projects, but it does reduce the risks associated with the direct implementation of projects.

The current administration is keenly aware of the ways in which USG rules and oversight processes create a risk-averse, very conservative operating culture in many of its foreign assistance agencies. USAID especially has charged itself with identifying ways to reform procurement systems to allow for greater congruence with PD principles and thereby promote a more “risk assessment and management” approach to working with host countries.

6 COHERENCE⁹²

The aid effectiveness argument for coherence in foreign assistance policies and programs is straightforward. To be effective, every donor country’s foreign (and domestic) policies for promoting security, trade, and development should all be mutually consistent, efficient, cost effective, and reinforcing of the goal of sustainable development. Donor trade policies should not impose restrictions that undermine efficiency and effectiveness in promoting development in foreign assistance programs.

U.S. foreign policy objectives cover a wide range of issues, reflecting U.S. interests and values. USG interests are concerned with maintaining a strong defense posture against a variety of threats—most recently threats from terrorist organizations, but also from weapons of mass destruction, nuclear proliferation, the narcotics trade, as well as longer-term threats arising from environmental degradation and exploitation. The U.S. seeks to advance its economic interests by

⁹⁰ This concern was voiced in interviews and meetings with the U.S. international NGO community, as well as by several country NGO representatives attending the Third Meeting of the International Reference Group for the Evaluation of the PD, December 7–10, 2010.

⁹¹ G. Grob, *op. cit.*, p. 24

⁹² See Executive Summary, Main Findings of this document for a statement of the rationale for including coherence as a donor enabling factor for implementation of the PD.

expanding U.S. exports through a global network of free-trade associations, as well as selected protections and subsidies to American domestic sectors, especially in agriculture. As noted in the introduction, recent U.S. development objectives have been linked closely to security objectives, on the assumption that promoting development reduces political instability and promotes effective democratic governance and economic growth, thereby reducing the likelihood that young people will be susceptible to radical appeals to join terrorist organizations. Promoting better health and education attainment of course contributes to economic growth and support for democratic governance.

The U.S. foreign assistance program also reflects the concerns and commitments of many groups, especially among U.S. civil society, who view the U.S. commitment to development as a moral obligation—especially for a country that enjoys a high level of wealth and well-being. This development vision goes beyond economic growth to “growth with equity”. It goes beyond stability, envisioning a rule of law, protection of human rights, promotion of civil society, and the protection of vulnerable groups. These values do not always correspond with those of the regimes in power in developing countries, and are at best tolerated—and at worst, aggressively rejected. For U.S. official policy makers and implementing organizations, there are inevitable tradeoffs between security objectives and pressure from many active, values-based NGO groups to use host country adherence to these values as the litmus test for providing U.S. foreign assistance.

There is tension between what we will call the “Security” justification, the “Economic Interest” justification and the “Moral Obligation” justification for U.S. foreign assistance programs. From the perspective of the principle of coherence, these tensions amongst competing interests and values do contribute to incoherence, or contradictory programs and restrictions. Many of these are legislative restrictions or directives, while some derive from the primacy of U.S. security interests. Reviewing our seven cases studies, the following examples of potentially contradictory policies that undermine development policy coherence were cited:

- Support for agricultural research and assistance is restricted to those crops that do not threaten U.S. exports. An amendment widely known as the “Bumpers Amendment” to the FAA restricts USAID from supporting “production of agricultural commodities for export by developing countries when the commodities would directly compete with exports of similar U.S. agricultural commodities to third countries and have a significant impact on U.S. exporters”.⁹³ This same amendment prohibits use of FA funds for “establishing or expanding production of ANY commodity for export by ANY country other than the United States, if the commodity is likely to be in surplus on world markets at the time the resulting productive capacity is expected to become operative AND if the assistance will cause substantial injury to the United States.” (Sec.613(a). The same restriction was extended through USAID Policy Determination 71 (PD-71) to require a careful examination of the potential threat to U.S producers of “sugar, palm oil, or citrus for export.” The Bumpers Amendment was cited by case study respondents in DOS and USAID. Its existence has partly determined the list of countries and activities that

⁹³ USAID. “USAID Policy Determination 15,” September 1986. See <<http://www.usaid.gov/policy/ads/200/pd15.pdf>>. Based on a 1986 congressional amendment to the FY 2008 Foreign Operations Appropriations Act, Sec.613(a)

constitute the President's FtF Initiative, as described in the DOS and USAID case studies. It is also a rule that reinforces USDA's primary mandate to promote U.S. agricultural exports.

- Support for investment promotion programs that might induce a U.S. firm to relocate to a developing country, at the cost of U.S.-based jobs. The FY 2008 foreign aid appropriation is clear: "None of the funds appropriated by this Act may be obligated or expended to provide: a) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States."⁹⁴
- Foreign assistance may not obligate or expend funds for activities that contribute to the violation of internationally recognized workers' rights, including the right of association, to organize and bargain collectively, and prohibitions against any kind of forced labor or the employment of children. These values-based restrictions have strong political support in the U.S. Congress (and many internationally as well), organized labor and the U.S. public, but they can be a barrier to providing U.S. assistance to countries which have very weak protections against child labor or which discourage union organization. While support for workers' rights and other human rights is consistent with long-term development objectives, at times short to medium term U.S. security objectives may be seen as taking priority over support for human rights issues.
- USAID legislation and procurement rules, in general, require that program funds be used to procure goods and services from the U.S. As a matter of policy, the USAID default rule is to buy only from the U.S., but as stated in the USAID case study, there are so many exceptions, in part due to the globalization of most manufacturing systems, that the policy is no longer as restrictive as it once was. Blanket waivers have been issued for programs involving HIV/AIDS, Avian Influenza, Iraq, Afghanistan and Pakistan and there is a legislative exception for sub-Saharan Africa.
- In general, U.S. policy is to not make any concessional financing available that would result in subsidies for promotion of a country's exports. The U.S. assistance policy is to favor the development of rules, policies, and institutions that support free and open markets as the means for determining prices, unadulterated by government subsidies and import-substitution barriers to trade. This preference is frequently at odds with developing country policies and development strategies. Public Law 480 is the basic legislation for authorizing the purchase of U.S. agricultural surpluses for the purpose of meeting humanitarian needs and/or for promoting agricultural development in poor countries. Its several titles are administered by USDA and USAID. Seventy-five percent of the commodities must be shipped on U.S. flag merchant vessels that, it is argued, raises the cost and constitutes a U.S. subsidy to the American Merchant Marine. Others have argued for decades that PL 480 is, in effect, a subsidy program, both for American farmers and for host governments that want to keep food prices as low as possible for

⁹⁴ FY 2008 Foreign Operations Appropriations Act. Sec. 632

urban consumers, with the effect of undermining the demand and prices for local agricultural producers.

These examples highlight the potential for assistance incoherence in U.S. economic development programs.

While policy coherence might demand that all policies are consistent with the objective of aid effectiveness, all respondents understand that the U.S. bilateral aid program is driven in some substantial measure by U.S. political forces and the priority concern for U.S. security. Even values-based policies can have the effect of policy incoherence. The MCC was created as a public corporation, with degrees of operational freedom from the statutory restrictions that affect USAID and other departments' programs. Even to MCC, however, some USG rules apply, among them the need to assess the environmental impact of infrastructure projects. In one compact country, the government proposed construction of a dam as part of the compact program. The environmental assessment determined that the proposed dam would destroy the habitat of a snail. The government, believing the compact agreement was already binding, was prevented by MCC from going forward with MCC financing for the dam.⁹⁵

In other cases, values-based earmarks like those attached to the very substantial appropriation of funds that must be spent on HIV/AIDS programs, in the view of local public health officials, diverts local public health institutions and budgetary attention away from other, pressing public-health issues.

Foreign assistance policy coherence is clearly difficult to achieve in a country such as the United States. Because of its size, global engagement, and array of potentially competing interests, policy makers must constantly face the problem of contradictory directives, statutes, and policies emanating from the wide variety of U.S. interests, whether security-related, economic or values-based, all actively engaged in promoting their own views of how foreign assistance funds should be used.

7 THE PD PRINCIPLES: SOME ISSUES

Improving U.S. foreign assistance programs has become an important part of the broader effort of the Obama administration to make U.S. foreign policy more coherent and effective. USG political leaders in the administration and in the Congress, interest group representatives, think tanks, and senior professionals in the DOS, USAID, and other agencies charged with managing various foreign assistance programs have contributed to the discussions and to the formulation of several new presidential initiatives, as well as to the ongoing restructuring of USAID in particular.

Research conducted for each of the case studies revealed a number of issues presented by both policy leaders and program managers about the PD principles. In the Main Findings section of this synthesis report, our SOW was a guiding document. It directed us to address "enabling factors" that contributed, or not, to implementation or compliance with PD principles. In

⁹⁵ However, as noted in the MCC case study, the national environment authority of the country also opposed the dam for the same reasons. And the government and MCC identified other energy-related projects under the Compact.

discussing these factors, we reference many of the issues raised by our key informants. Our various reviewers have elaborated on them in their comments to our earlier drafts. In this section, we revisit briefly the PD principles, and discuss the issues raised in our case studies by our many key informants and reviewers. To achieve greater focus, we organize the discussion around several crosscutting questions.

1. Just what are these Paris Declaration Principles?

We found at least three different formulations by our key informants about the PD Principles, bearing in mind that while some KIs were extremely conversant with the PD, many were not. As we explained the PD our KIs would react with varying degrees of enthusiasm or pessimism about the applicability of them to their foreign assistance programs. We briefly describe the various responses as follows:

- a. PD principles are the product of an international political process by which donor and host countries struggle to find a common set of principles that would apply to both sides. It is a consensus document that is often vaguely worded. It does not address several fundamental issues, such as how donors and host countries should resolve differences about what constitutes an effective development strategy in a given country. The signing of the PD and the AAA are merely representations by the signatory countries to do a better job, but have little real impact or binding legal requirement on either hosts or donors to implement the PD principles.
- b. PD principles basically are a set of normative statements that signatory nations should strive to emulate, with the understanding that many other factors influence foreign assistance programs on both the host and recipient country sides of the equation. In this view, it is important that reform efforts on the donor side be matched with equally serious reform efforts on the part of the host governments. Effecting PD principles is a mutual obligation.
- c. Taken together, PD principles represent the lessons of experience that form the foundation of an emerging empirical theory, a set of interrelated hypotheses, if you will, about what constitutes aid effectiveness. Whether or not PD has any obligatory imperative for the parties to conform to the principles is a matter of empirical testing and assessment. In this view, the underlying ideas of country ownership, reducing transaction costs through harmonization, etc., are sufficiently plausible as to constitute important elements of a theory, but as several of our policy level KIs noted, there is little or no body of systematic social science evidence to support the theory. From the perspective of many of our program management KIs, many of the principles seemed to be “just common sense and good practice,” and had already been translated in written policies, as is the case with MCC.

The three general perspectives outlined above are not necessarily mutually exclusive, but one’s starting point with one or the other of these three interpretations is a predictor of the extent to which the PD principles are taken seriously in policy and practice. The Obama administration is taking the PD seriously, as both a normative and empirical construct for guiding USG efforts to improve aid effectiveness (though not labeling the construct “PD” as such).

2. Managing for Results: Who manages and for what results?

It is almost axiomatic that the managers of public funds must manage for results. In the USG there is a substantial history of efforts by each administration since Woodrow Wilson to improve the efficiency and effectiveness of federal programs including, after WWII, foreign assistance. Our respondents were keenly aware of this dictum, and told us of their efforts to improve in this regard. For our Washington-based KIs, MfR meant doing a better job of focusing on the results of their programs by establishing clear objectives and priorities, instituting performance monitoring and to the extent possible, quantitative as well as qualitative results indicators and measurement methodologies designed to prove that results are being achieved. Very few had given thought to mutual management for results in their association with host country partners. Of our field survey respondents, more had addressed the mutual management issue, but most were of the opinion that many of their host country partners, especially in government, lacked both the capacity and the interest in MfR. Cited examples indicated that statistical information tended to be used more by foreign donors than by the host government, that there was no culture of M&E among host institutions, and that in some countries host leaders had become accustomed to the donor taking responsibility for program and project results management.

MfR as practiced in USAID especially has created a reaction among a number of informed practitioners and informed observers. The argument is that the need to report results on an annual basis to Congress and senior level members of the executive branch in the U.S. has had counterproductive consequences, including defining results according to what can be measured, and to the reinforcement of a risk-averse organizational culture among foreign assistance managers. Bringing host country institutions into the results management process would only further complicate an already burdensome task according to some informants.

3. Mutual Accountability: Accountable to Whom?

US assistance programs frequently operate in countries where host country institutions are weak, unstable, and/or notoriously corrupt. Serious efforts to promote mutual accountability imply that host country institutions are true partners in the execution of foreign assisted projects, and that the host as well as the donor accepts responsibility for public disclosure, transparency, and dissemination of both the successes and failures of foreign assisted programs and projects. Most of our respondents felt that the conditions for mutual accountability simply did not exist. Moreover, even if they did, the manager of a foreign aid program is accountable to his or her superiors, and the organization for which they work is accountable to a U.S. president and the U.S. Congress. Is mutual accountability really possible? Perhaps a better phrase would be parallel accountability, a process by which both sides could find common ground while preserving the special requirements of each partner to have a different answer to the question, “accountable to whom?”

4. Harmonization: More than Coordination?

The harmonization principle is rooted in the effort to reduce transaction costs and institutional fragmentation imposed by donors on host country organizations. We are familiar with the too frequent reality of a host government ministry as simply a “holding company” for fifteen or twenty different foreign assistance projects, each managed by a separate Project Implementation Units (PIU).

As reported in the case studies and this synthesis report, most of our informants defined harmonization as a matter of information sharing among donors. A more important consideration was coordination among the various USG organizations involved in providing foreign assistance for a wide variety of purposes. As one commentator stated, “[H]ow can we harmonize with other donors when we can’t even harmonize our USG programs?” Although there is a growing number of positive examples within USAID of closer cooperation with other donors, some also worried that if harmonization meant co-mingling of funds and joint operational efforts between the USG and one or more donors, the accountability and operational rules and timelines by which projects were formulated and implemented were simply too different between those of the USG and other donors to make harmonization a reality, or, for that matter, to result in improved aid effectiveness. Every donor, including the USG, wants to take credit for the results of the programs they fund, while harmonization implies a basket of funds and single reporting requirements for program management. Most USG respondents responsible for funded programs, especially in USAID, said they could not do business this way with current USG rules.

A somewhat different view of harmonization emerged from some informants as well as commentators. Starting from the position that “competition among suppliers is a good thing,” the argument goes that efforts to coordinate and harmonize have produced more bureaucracy, and more procedural rules and layers of authority requiring clearances and approvals, thereby slowing down the decision making process and arguably having little or no impact on improving aid effectiveness. A variant on this argument is that harmonization may lead to a cookie cutter approach, stifling the innovation and experimentation that comes from having a number of different actors attempting to find solutions to a common problem.

5. Alignment with host country strategies, systems and procedures: how much alignment is enough?

The principle of alignment allows for a considerable degree of interpretation among USG foreign assistance managers. Practices for gaining host country agreement vary widely among different agencies, from simply informing the host government to negotiating a joint proposal or program to responding to a host country initiative or request that derives from a broader host country strategy. Moving from alignment with strategies to alignment with systems and procedures increased the resistance rate among our managers. The 2008 survey monitoring the PD (see box to the right) provides some insight as to

Survey on Monitoring the Paris Declaration: Selected Comparisons of the U.S. with other Donors

The PD identified twelve indicators of aid effectiveness based on the PD principles and commitments. These were measured by an international team in 2006 and 2008 (data for 2005 and 2007). The U.S. played an active role in this exercise, including chairing the 2008 effort. The results for the U.S are mixed.

- The percent of U.S. aid to the public sector using country systems decreased from 12% to 5% but increased from 39% to 43% for all donors.
- U.S. disbursements on schedule improved from 27% to 32% but for all 31 donors, performance increased from 41% to 46%.
- The share of U.S. aid reportedly program-based grew from 29% to 37% while the share for all donors increased from 43% to 47%.
- The percent of U.S. missions coordinated with other donor missions declined from 20% to 9%.

OECD/DAC, Better Aid: 2008 Survey on Monitoring the PD: Making Aid More Effective by 2010

the portion of U.S. aid using country systems. Most alignment stopped with host-country tacit or active concurrence, while host-country systems and procedures were simply not used or even regarded as not sufficiently sophisticated, efficient, effective or honest to consider alignment. Even the MCC, arguably among the most compliant of USG agencies studied, found that for the more meritorious countries with which they sign MCC Compacts, the initial request for proposal effort produced “Christmas Tree” proposals that could not be funded by MCC. MCC subsequently developed very specific criteria for compact countries and provide technical assistance in crafting fundable proposals that they could then consider. Moreover, MCC found that their early attempts to use host government systems and procedures resulted in inordinate delays which could not be countenanced given the five-year, limited time frame for completing an MCC Compact.

6. Country Ownership: what does “country” mean, and what if there are irresolvable differences between the donor’s values and objectives, and those of the host country?

The principle of host country ownership is a reaction, most likely, to the widely held view that donors tend to do what they want to do according to their own values, interests and expertise, regardless of host country values, strategies, priorities, or economic and political interests. Without host country ownership, development gains can never be internalized and sustained, notwithstanding the immediate impact of a project. This principle is perhaps the most problematic of them all. Several problems arose in our discussions with KIs and commentators.

First, the question of what is the definition of host country prompted at least three main answers. Some defined this to mean host government, since most development assistance programs involve government policies, laws, the promotion of public goods and services such as roads, etc.; it is not possible to eliminate the host government from the development equation. The second view is that host country is a much broader concept to include civil society, the private business sector, civil institutions such as professional associations, academic institutions, think tanks, and religious establishments. Proponents of this view argue that in many developing countries, including host government as the exclusive component of development strategy is simply a recipe for suborning or subordinating all non-governmental institutions to the control of governments, a number of which are not democratically accountable or responsive to their citizens. Confronted with weak or authoritarian regimes, donors must have the license to work directly with civil society and the private economic sector in providing development assistance, with or without the active participation of government. Minimal consent or tolerance by government is quite good enough, proponents of this view would argue. A third, more holistic view is that host country means all organizational forms that make up a nation, including the state, civil society, media, private sector business, and the rest. The extent to which government is involved as a partner is a function of the kind of program mounted, rather than some preordained rule.

A related problem has to do with the potential conflict between the policy objectives, values, and technical approaches of the donor when these do not mesh with those of the host country, especially the host-country government. USG foreign assistance programs are based on certain political and economic values, theories and principles that help to inform and shape the objectives and content of our foreign assistance programs. Among these is promoting respect for human rights; the rule of law; civil society; and democratic governance. These values and objectives have become increasingly prominent since the end of the Cold War twenty years ago,

and have attracted a strong and vocal constituency of NGOs into partnership with USAID and other departments offering foreign assistance. Another very predominant value and objective set has to do with improving maternal child health and, more recently, finding solutions to the spread and treatment of HIV/AIDS. Other programs focus on environmental protections linked to reducing the rate of climate change, or human rights and the generally abhorrent negative effects of domestic violence and trafficking in persons. All of these programs, but especially those that potentially threaten authoritarian regimes and kleptocracies potentially are in conflict with the “development strategies and host country systems and procedures.” There is no serious discussion of these value conflicts in the PD principles, but it is precisely these kinds of issues which cause our USG KIs to be extremely wary of blanket formulae in favor of host-country ownership.

8 CONCLUSIONS AND MATTERS FOR CONSIDERATION

8.1 Main Findings

Leadership, Awareness and Commitment

After endorsing the PD in March 2005, the USG continued to participate in the process, including considerable staff work to monitor and report on USG PD implementation and prepare US officials for subsequent meetings. USAID initial guidance to the field was issued in March 2006. An Interagency Working Group on Aid Effectiveness (IWG-AE), succeeded by the Aid Effectiveness Sub-Policy Coordinating Committee (AE-PCC) met as an interagency committee under the aegis of the Policy Coordination Committee on Development and Humanitarian Assistance in subsequent years to marshal USG support for PD actions, including a USG Action Plan (2007), the monitoring surveys of PD implementation and preparing for USG participation in the Third High Level Forum in Accra in September 2008. However, its efforts to raise awareness of and commitment to the Paris Declaration principles among program management staff were not very effective, according to the case studies. With the exception of MCC and TREAS-OTA respondents, the case studies revealed that very few program managers in other USG departments—DOS, HHS, USDA, DOL, and USAID—had an intimate understanding or knowledge of the PD or the AAA.

Beginning in 2008, a new USAID Administrator actively began to support the PD and AAA, taking steps to expand awareness and examine constraints. The current USAID administration has accelerated this process by issuing specific guidance for strategic planning, undertaking a serious examination of how to improve aid effectiveness, and identifying constraints that can be relaxed without congressional action as well as those that will require new statutory authorities. The new U.S. Global Development Policy focuses on policy and structural reforms necessary to increasing the effectiveness of USG assistance. This, and the just released QDDR prepared by DOS and USAID represent the results of nearly two years of intensive study and discussion by senior staff and policy makers in the NSC, DOS and USAID. Both documents are informed by PD principles, and the QDDR specifically cites the PD and the AAA as the source for its development assistance principles.⁹⁶ The guidance provided by these policies give management

⁹⁶ The Quadrennial Diplomacy and Development Review is available on line at: <www.state.gov/qddr>.

structure to three previously announced initiatives: Food Security (Feed the Future), Global Health and Climate Change.

The seven U.S. government agency case studies may be organized into three groups:

- *Agencies expressly committed, with policies specifically aligned with PD principles.* In our case studies, the MCC and the TREAS–OTA come closest to this standard.
- *Agencies that follow practices highly consistent with PD principles.* Among our case studies, HHS comes closest to this standard.
- *Agencies within which some practices conform to PD principles, but for which the constraints imposed by external and internal factors, such as organizational mandates, USG accountability and contracting procedures and agency practices, or competing organizational cultures present severe disincentives or constrain movement towards greater compliance with the PD.* DOS, USAID, DOL–ILAB, and USDA make up this grouping of our study cases. As demonstrated in the USAID case study, DOS and USAID leadership is directly confronting many of these constraints, especially through the USAID Forward reforms and to some extent the three major program initiatives—FtF, the GHI and GCCI.

Evidence for seven cases studies and this synthesis paper was collected over a seven-month period, during which USG promotion and discussion of PD principles increased considerably. Thus, interviews conducted toward the end of the data collection phase may reflect this. Clearly, respondents at higher levels of the professional staff were better informed than most program managers. Comments received by DOS and USAID case study reviewers requested that the report give greater attention to the accelerated progress toward greater policy compliance with PD-like Aid Effectiveness principles, as noted above. Additional interviews have provided some evidence that implementation of these policies is just underway, especially with regard to the FtF initiative.

Efforts by USG leadership to raise awareness notwithstanding, levels of awareness of the specific language of the PD on Aid Effectiveness and its principles were low among DOS mid-level managers, but higher in USAID, MCC, and TREAS–OTA. On the other hand, officials in the DOL–ILAB, HHS, and the USDA at higher management levels were not well informed. Respondents to an electronic survey of USG Missions abroad in four agencies showed greater awareness and understanding of the implications of PD principles.

However, as noted in all the case studies, the majority of key informants are conversant with aid effectiveness principles, in general, and can describe efforts to improve their own program’s effectiveness (though not labeling the construct PD, as such).

Capacity

The capacity required in the reviewed agencies to implement the PD principles effectively tended to be underestimated in almost every case, with the exception of some MCC and USAID respondents. As a corollary, only a few agencies mentioned the need to acquire or develop improved capacity in order to help strengthen host country capacities in areas such as financial management, procurement management, and monitoring and evaluation. Instead, as noted above, agency capacity strengthening tended to focus on meeting USG requirements rather than

strengthening host country capacities.⁹⁷ HHS and TREAS–OTA are notable exceptions to this finding. Both agency case studies noted that interviewed officials pointed out that strengthening host government capacity is a prime objective of their programs.⁹⁸

Incentives and Disincentives

Efforts to find evidence of PD-like foreign assistance processes yielded positive results, especially for the HHS and MCC case studies, and to some extent, mid-level program managers in DOS. No specific incentives for implementing PD principles were mentioned in any of the case studies. Instead, respondents referred to their professional commitment to improve the effectiveness and impact of the programs they managed. Disincentives derived from the constraints embedded in USG procedures for doing business and for being accountable for how public funds are used. However, the lens through which respondents viewed their compliance varied. Generally, compliance was more influenced by the general laws, policies and regulations of the U.S. Government, like the GPRA or FAR, than by an understanding of the PD principles. This was especially the case for procedures related to MfR and mutual accountability. Respondents in nearly all agencies framed their responses in terms of U.S. Government requirements to manage for results and to improve monitoring, evaluation and reporting to the U.S. Congress and to the executive branch, as opposed to working with host countries to strengthen their capacities in these areas. The PD principles of mutual accountability and country ownership were largely missing from these discussions. The commitments under the principles, if followed, would impose a very different set of procedural requirements and practices on U.S. government foreign assistance managers. On the other hand, in HHS the PD-like assistance was influenced more by a long-standing culture of public health officers that emphasized partnership-like technical assistance whose goal was sustainability of public health systems improvements.

Efforts to implement the harmonization principle were also constrained. The agency case studies did not say much about the PD principle of harmonization. Perhaps this is because little need is seen for it, as in the case of the financial and economic advisors fielded by TREAS–OTA—but a more significant reason is that risk-averse cultures in agencies like USAID and DOS militate against joint efforts with other donors to reduce the aid delivery transaction costs imposed on host countries, or to work toward a division of labor among donors.⁹⁹ Another factor militating against harmonization, as suggested in Section 5, is the felt need, expressed by both HHS and DOS staff, to attribute their success in MfR to USG efforts and resources, rather than to a harmonized approach with other donors. The USAID case study found similar views among USAID respondents. An unusual view expressed by one USAID Mission director was that some

⁹⁷ Both the PD and the AAA give considerable emphasis to the need for donors to strengthen host country development capacities (six PD commitments and nine AAA commitments). These statements also recognize the need for donors to strengthen their own capacities. Commitment 14 (a) of the AAA states that “Donors will strengthen their own capacities and skills to be more responsive to developing country needs.”

⁹⁸ While not a prime objective, capacity building has received increased attention in MCC Compacts and implementing entity agreements. It is implicit in the smaller MCC threshold programs, to the extent that capacity strengthening is required for a country to meet compact eligibility criteria. See Section 4 for further discussion.

⁹⁹ For example, the USAID case study suggests that perceived ceding of responsibility by a USAID staff member to another donor would expose the staff member to prosecution and punitive action. See G. Hyman and M. Kjaer, *op. cit.*, pp.33.

host countries questioned the effort and cost of harmonization.¹⁰⁰ At the same time, the relatively large field presence of USAID and DOS staff has facilitated informal coordination with other donors.¹⁰¹ Explicit priority is given to harmonization by the new, “Presidential Policy Directive on Global Development” as well as by the new initiatives at USAID, including in the guidance, “Building Local Development Leadership” and “Country Development Cooperation Strategies.”¹⁰²

Coherence

While coherence is not mentioned in the PD or the AAA, it was noted as a significant enabling factor for Declaration implementation by several donor case studies in Phase I of the evaluation, with coherence flagged several times for consideration as an enabling factor for assessment in the “Generic Terms of Reference (ToR) for Donor/Agency HQ Studies” for Phase II of the PD Evaluation.¹⁰³

U.S. foreign assistance has expanded, both in dollars and in the number of issue areas and objectives, over the last twenty years, in large part due to the emergence of a variety of global issues, negative externalities, and the concomitant expansion of America's global engagement after the end of the Cold War. USG commitment to providing humanitarian assistance has remained strong, but the combined increase in the severity of natural disasters and the persistence of internal conflict in many states has resulted in the engagement of the US military with other USG departments, in association with the international NGO community, in providing relief. The oft-congressionally-mandated efforts to “do something about...” has created a complex web of foreign assistance programs, agencies and earmarked funding. These factors have strengthened the interdependence between development, diplomacy and defense originally articulated in the last Bush administration, and substantially expanded by President Obama's Global Development Policy, the just released QDDR and Secretary Clinton's references to a "whole-of-government" approach to dealing with the global agenda. However, many DOS officials who manage foreign assistance did not consider their programs to be “development assistance,” and did not see how the PD principles would apply. These officials explained that they were doing diplomacy work or pursuing foreign policy objectives, not development strategies.

The SOW directed the SI team to prepare case studies on each of seven U.S. departments because both the PD and AAA were endorsed on a whole-of-government basis. On average, nearly half of the funds administered by the DOS are classified as ODA. Other US departments' overseas programs' are at least partially classified as ODA.

The U.S. government has elevated development to an equal status with defense and diplomacy, but tensions remain among the three objectives, as well as with the economic and trade interests

¹⁰⁰ *Op. cit.*, p. 22. Note: One agency stated that these views are contrary to their written directives. The views were expressed by respondents from DOS and HHS, as well as USAID.

¹⁰¹ *Op. cit.*, pp. 9 and 36.

¹⁰² Issued by the USAID administrator's office in August 2010.

¹⁰³ Coherence is mentioned four times under “Contextual Factors” and twice under “Incentives and Disincentives” in the Generic Terms of Reference, December 7, 2009.

of the several of the US domestic agencies now involved in the development process. Each of the case studies noted examples of where specific amendments to the US foreign assistance Authorization and related appropriations bills placed limitations on the foreign assistance programs, most notably in the promotion of agricultural products that compete with US agricultural exports, or in "source/origin/nationality" provisions which may raise the costs of assistance in some countries. Less explicit sources of tension also arise from what we have termed "values-based" program objectives such as support for human rights advocacy groups and the desire to have alliance relationships with important countries for security or diplomatic objectives, especially when some of these alliances are with regimes that have a poor record of protecting human rights or for tolerating political dissent.

Implementation

Respondents across the board, but especially in USAID, were somewhat skeptical of the U.S. Government ever moving toward full compliance with the PD principles—in large part due to the perceived weakness of, and incidence of corruption in, host government institutions, but also because of the very detailed legal responsibilities imposed on USG managers by FAR and other U.S. statutes. Managers are simply unable to take the risk of losing control of funds or of the procurement/contracting process.

8.2 Key Conclusions

The conclusions presented below are based on the research conducted mainly in the period of March to September 2010. As repeatedly noted in the Findings section, by late September the administration's ongoing efforts to develop a new global development policy, to address the issue of policy and operational coherence, and especially to reform and rebuild USAID began to bear fruit. The release of policy and reform related documents accelerated, and with the GHI and FtF initiatives, implementation protocols and practices are being tested. While much of this effort has been driven by a more general recognition that, to serve U.S. interests, U.S. foreign assistance has to become more effective and focused, there is little doubt that the PD, the AAA, and the Rome Principles (with regard to food security) have had a major impact on the direction of U.S. aid effectiveness reforms. However, as any student of organizational behavior well knows, the transformation of reform policies into reformed implementation procedures and practices is not automatic. For this reason, many of our conclusions focus on the operational constraints that must be overcome if the new policies are to produce the desired results.

- 1) U.S. foreign assistance has lacked an overall conceptual and organizational architecture, in spite of efforts to give it conceptual unity under the "Three D" mantra: Defense, Diplomacy and Development. It involves many federal agencies and is heavily earmarked and influenced by the U.S. Congress and a variety of interest groups. It is therefore difficult to develop generalizations about the degree of PD/AAA compliance. Several agencies, such as MCC, TREAS-OTA, and HHS, claim a high degree of consistency with PD/AAA principles and accords, but the reasons for whatever consistency that does exist are different for each agency. Among the larger programs—USAID, DOS, HHS and MCC—MCC enjoys a degree of greater freedom with regard to source of procurement, multi-year funding (up to five years) and more flexibility in personnel decisions afforded by its status as a government corporation. MCC's capacity building focuses primarily on

the MCA, a parastatal organization responsible to the host government and to the MCC for implementation of compact projects. Capacity building also takes place through implementing entity agreements MCC holds with line ministries that implement compacts. TREAS–OTA has a very specific mandate, does not manage grants or contracts, and is fully embedded in the host government's agencies, such as ministries of finance, central banks and banking superintendencies. HHS, via the CDC, uses funds transferred to it from the DOS and develops close working relationships with host-government institutions, with building institutional capacity the primary objective, but does not use host government systems for budget management or procurement. USAID and DOS programs are also shaped by congressional mandates and earmarks, behind each of which is a vocal and well-organized domestic community. The recently issued White House “Policy on Global Development” (fact sheet found in Annex F) does address this issue through several means, including vesting USG coordination responsibility with the National Security Council and strengthening both DOS and USAID.

- 2) Respondents in U.S. government agencies that did follow assistance management practices consistent with the PD tended to stress principles and practices, including country alignment, engagement with host country institutions, capacity building through extended technical assistance, and efforts to gradually shift program implementation responsibility to host country institutions. The HHS case study perhaps shows the greatest responsiveness in this regard. One of the reasons for this degree of alignment is an already-extant global network of public health professionals, as well as a close affiliation between public health development experts and the larger health research and scientific community. Health programs, insofar as their technology is concerned, usually are well grounded in existing evidence and practice, and therefore represent known solutions, the efficacy of which, if properly administered, is not in doubt. Another factor is that health programs do not challenge political arrangements in a host country, unlike economic and, in particular, democratic development programs. Efforts to improve the rule of law generally are not appreciated by kleptocratic or authoritarian regimes.
- 3) Within DOS, the Office of the U.S. Global AIDS Coordinator is responsible for coordinating the major USG commitment to fighting HIV/AIDS, and other major global health threats. The oldest and largest commitment has been the PEPFAR program, which since 2009 has made significant progress in developing operational and strategic guidance for moving PEPFAR towards explicit adherence to PD principles, including country ownership and harmonization with other donors, although it is too early to tell whether this new approach will produce desired improvements in aid effectiveness.
- 4) The findings on coherence lead to the conclusion that inherent tensions exist between the three major strategic purposes of U.S. government foreign policy—diplomacy, defense and development—that affect the ability of aid effectiveness policies to be internally consistent and coherent. Some of this tension arises from the pressure to produce results in a relatively short time period, as in the MCC case wherein significant measurable impact on poverty must be demonstrated within the framework of the 5 year Compact period. Most observers would agree, for example, that capacity building is a long-term process, especially with regard to the establishment of effective, transparent, and accountable institutions of democratic governance. Political and statutory pressure to

report positive outcomes on a yearly basis works against the kinds of time frames and long-term efforts most likely to be effective, making “the long run” simply too long. Good development practice may end up subsumed under short-term diplomatic and defense objectives.

Another source of incoherence lies in the potential tension between helping to develop a country’s comparative advantage through development investments and free-trade regimes, and the objectives of American producers and exporters, especially America’s farm sector, which may face stiff competition from abroad, now or in the future. In addition, a tension exists between the moral basis for development—including advancing democracy and human rights, protecting women and children from trafficking, and protecting endangered species—on the one hand, and on the other, the USG’s need to develop alliances and cooperative security relationships with regimes that show little interest in U.S. values-based objectives.

- 5) The considerations that follow this section demonstrate the importance of analyzing the conditions under which certain PD principles, or aspects of them, may not fully apply. For example, aspects of country ownership and alignment may not apply in situations of fragility, lack of accountable governance, or immediate post-conflict situations. In particular, alignment with country systems is not likely to be feasible under these conditions. Even aspects of harmonization, managing for results, and mutual accountability may be difficult. For example, some joint donor efforts and a division of labor among donors may be difficult to achieve. Nevertheless, close coordination among donors at the information-sharing level and some kinds of joint efforts, such as fact-finding missions, will be essential in post-conflict situations. MfR and mutual accountability in these circumstances may need to be multilateral with the donor, rather than joint with the country.¹⁰⁴ As demonstrated in the DOS and the USAID case studies, the USG experience in post-earthquake Haiti represents an effort to apply PD principles of country ownership, alignment, and harmonization with other donors in a real-time, worst case scenario of a natural disaster and a fragile and weakened government. If this is successful, the USG and other donors will gain much needed confidence and experience in the application of PD principles.
- 6) A key conceptual issue for many respondents and case study analysts is whether “host country” means host government (especially those without credible representative claims), or whether it applies more broadly to all sectors, including civil society, the private for-profit sector, universities, and more.¹⁰⁵ Moreover, are assistance programs that

¹⁰⁴ This conclusion is generally consistent with the thematic paper on fragile situations prepared for Phase I of the PD evaluation. The authors emphasize the continued importance of harmonization in a fragile situation, but recognize the possibly limited applicability of the other PD principles in these circumstances. Jones, Stephen and Katrina Kotoglou, Oxford Policy Management, and Taylor Brown, IDL Group, “The Applicability of the PD in Fragile and Conflict-affected Situations,” Oxford, UK, August 2008.

¹⁰⁵ One agency stated that this is a settled issue in the PD/AAA, that country means more than just government. However, discussions with the U.S. international NGO member organization, InterAction, raised this issue as a major concern. Country government participants at the Third Meeting of the International Reference Group of the Evaluation of the PD, December 7–10, 2010, expressed the view that civil society organizations needed to conform to the government’s strategic plan—a view that worries many local and international NGOs who perform advocacy

work directly with civil society or the private business sectors, without host government involvement, permissible under the PD principle of host country ownership, or is some direct involvement of the host government a necessary requirement of country ownership? The recent U.S. Global Development Policy clearly anticipates working with host governments by stating: “Investing in systemic solutions for service delivery, public administration, and other government functions where sufficient capacity exists; a focus on sustainability and public sector capacity will be central to how the United States approaches humanitarian assistance and our pursuit of Millennium Development Goals,”¹⁰⁶ bringing back into balance a U.S. assistance approach that had moved too far toward circumvention of the state and use of intermediaries, as recognized by the managers’ report of the 2010 DOS-Foreign Operations legislation.

- 7) It is unlikely that the U.S. government will ever achieve full compliance with the PD and AAA. To do so would require a sea change in the way U.S. interests influence both domestic and foreign assistance policy and practices. Full compliance would also require a profound change in the behavior and capacity of the regimes now in place in some partner countries in the developing world. However, the present US administration clearly is motivated by the normative challenge presented by the USG’s commitment to the PD, and appears determined to continue to take specific steps to move toward PD-like aid effectiveness.

8.3 Matters for Consideration

The findings and conclusions presented generate ideas and suggestions for improvement and raise additional questions and issues that require further review. These matters for consideration, outlined below, are based on the enabling factors laid out in the SOW and identified throughout this paper.

Overarching considerations for U.S. Government executive and political leaders

The operational and procurement reforms already under way in USAID should be monitored for success and their applicability to other agencies.

Leadership, Awareness and Commitment

- 1) The frequent references to the PD principles in emerging USG policy directives and other documents relevant to DOS and USAID, by reflecting top level leadership commitment, have begun to have a positive impact on awareness and commitment by agency senior and middle managers. However, given the large number of USG agencies involved in managing U.S. foreign assistance, and the recognition that this is a "whole of government" effort, more needs to be done to raise the level of leadership, awareness and commitment to PD among other USG agencies as well.

roles with respect to social, rule of law, and other human rights issues. However, the Reference Group is not a policy-making body.

¹⁰⁶ Find the “Fact Sheet” on the U.S. Global Development Policy in Annex F

- 2) Awareness is not the same as commitment. USG agencies involved in foreign assistance need to strengthen the level of commitment by program managers with the responsibility for day to day implementation of U.S. foreign assistance programs. Issuing directives and guidance documents is a necessary step, but more needs to be done to address the constraints and lack of positive incentives that are more powerful influences on the behavior of implementing managers.(see below)

Capacity

As part of the USAID Forward reform process, USAID is analyzing and developing guidance to address a variety of operational constraints to improving aid effectiveness. This effort should be broadened to require all agencies to prepare an inventory of their substantive capacities and skills in order to assess training, recruitment, placement, orientation, mentoring and other approaches required to adequately implement the PD principles. This should include assessing the capacity required to provide effective capacity-strengthening assistance to enable host countries to carry out the PD principles, including planning and/or implementing fiduciary systems, donor coordination, and monitoring and evaluation for MfR. Once the key capacity constraints are identified, agencies can begin to develop targeted capacity building programs relevant to each agencies' mandate and responsibilities in the 'whole of government' process.

Incentives and Disincentives

- 1) All USG agencies managing foreign assistance accounts need very specific guidance on acceptable conditions and arrangements for promoting host country ownership, alignment and greater donor harmonization. Agency officials should be provided with the appropriate means and incentives to ensure appropriate risk taking in developing host-country capacity, while being protected from legal or bureaucratic repercussions if problems of accountability or mismanagement do arise.
- 2) The administration, on behalf of USG agencies managing foreign assistance accounts, should ask Congress to eliminate or ameliorate those requirements that inhibit implementation of PD principles.
- 3) U.S. government agencies managing foreign assistance accounts should ask Congress to eliminate or ameliorate those requirements that inhibit implementation of PD principles.
- 4) Officials responsible for managing U.S. assistance need specific guidance on strategic approaches for advancing country ownership through greater involvement of partner country government and non-governmental institutions in the design, implementation and monitoring and evaluation processes used for foreign assistance programs. This goes beyond reducing risks associated with U.S. accountability and procurement rules.
- 5) Detailed PD guidance should include an analysis of favorable and unfavorable conditions for implementation of the different components of PD principles. USAID currently is preparing guidance for the use of country systems under the Alignment principle of the PD. Guidance should also address the role of capacity strengthening in helping to improve conditions for PD implementation. It should be made clear, however, that these detailed considerations are part of a serious USG effort to move toward compliance with the PD principles.

Coherence

- 1) Building on the PD and the Presidential Policy Directive on Global Development, agencies should establish a continuing mechanism to ensure the greatest degree of coherence possible among policies and programs affecting the developing countries.
- 2) The USG executive should dialogue with the US Congress on the potential incoherence among legislative restrictions, trade protection amendments, mandates, and earmarks and the need for greater policy coherence as a critical part of the overall aid effectiveness reform effort. As noted in the QDDR, some of the degrees of freedom afforded the MCC legislatively should be provided to USAID and other implementing agencies. The U.S. Government should resolve the definitional confusion about what kind of foreign assistance is included in the effort to strengthen its aid effectiveness, consistent with Paris Declaration principles. Many respondents, especially in the DOS, questioned whether their assistance programs were truly development programs, and whether it was appropriate to apply PD principles to assistance programs that had other foreign policy or security aims at their core. They did not believe that Paris Declaration principles were particularly relevant. However, evolving concepts of the whole-of-government approach to U.S. Government assistance suggests that all foreign assistance should be provided in a manner consistent with Paris Declaration principles.

ANNEX A: METHODOLOGY

In issuing the Request for Proposals (RFP) for this evaluation, the office of the director of U.S. Foreign Assistance (F) in the U.S. Department of State stated that . . . the United States government (USG) has committed to conducting an independent evaluation. . . of its headquarters' commitment to, and efforts toward, implementing the Paris Declaration (PD), consistent with the terms of reference provided for such studies as part of the overall evaluation."¹⁰⁷ DOS/F awarded a contract for the PD evaluation on January 25, 2010, to Social Impact, Inc., an Arlington, Virginia-based business specializing in evaluation and evaluation training for U.S. and international development assistance donors, both public and private non-governmental organizations.

The SOW for this evaluation was consistent "with those of other evaluations conducted or being conducted by participating donor countries and institutions."¹⁰⁸ As with some other donor countries and institutions, the SOW also had to take into account the multi-agency foreign assistance program and management structure that is used by the USG. Prior to issuing the RFP, USAID and DOS/F drew up criteria, consulted with the six agencies that comprise 80% of US ODA (resulting in a sample of four). Then, based on the criteria, USAID on behalf of DOS/F queried a sub-set of the members of the sub-IPC on Aid Effectiveness (comprising the 27 USG departments and agencies which play a role in implementing USG foreign assistance programs) as to their interest in participating, yielding three agencies managing part of the remaining 20 per cent of bilateral USG ODA. The SOW directed the contractor to prepare a "case study" of the sample of USG organizations drawn for the study. The case studies were divided into "major" and "minor" studies, based on the overall volume and role of each agency with respect to USG's bilateral foreign assistance programs.

The organizations identified for major studies were: The Department of State, USAID, the Millennium Challenge Corporations (MCC), and the Department of Health and Human Services (HHS). So-called 'minor' case studies were prepared for the Department of Treasury, the U.S. Department of Agriculture (USDA) and the Department of Labor (DOL). The case studies and data from other sources have been used to prepare a synthesis paper on the overall performance of the USG in implementing its commitment to PD principles. Using the overall template of evaluation issues already developed, including Commitment, Capacity, Incentives and Coherence, DOS/F specified a set of more detailed questions under each of these categories. For example, under the heading 'Capacity', questions to be answered included, "What attempts have been made by these organizations to translate the PD principles into their policies, guidelines and operational directives?"¹⁰⁹ The SOW also directed the case studies to address each of the five PD principles, (ownership, alignment, harmonization, managing for results and mutual accountability). In its response to the RFP, Social Impact noted that the five PD principles were to some degree being practiced by USG foreign assistance agencies, but may not be perceived by the implementing staff as "PD" principles, rather simply good assistance practice. SI proposed to

¹⁰⁷ USAID Evaluation Services Request for Task Order Proposals, Nov.20, 2009, p2

¹⁰⁸ *Ibid.*p.3

¹⁰⁹ *Ibid.*

distinguish between evidence of policies and procedures that were directly branded as PD, from evidence of PD-like practices and policies considered effective assistance practices by the various implementing agencies and offices. This was accepted by DOS/F and the USG technical evaluation team.

Evaluation Management

In preparation for this evaluation, DOS/F identified organizational representatives in each participating agency, and a representative from InterAction, a coalition of NGOs, that collectively constituted an interagency reference group, the purpose of which was to advise and to assist in conducting the evaluation. The primary client, however, has been DOS/F, with support from USAID.

In its proposal, SI identified six experienced professionals, each with substantial USG experience as the case study analysts. The Team Leader was an evaluation professional and Vice President of Social Impact. In addition, a Senior Advisor who had in depth PD experience with the Phase I evaluation process was recruited to provide continuity and to assist the SI Team Leader in making sure that the USG effort conformed to the broader guidelines set out by the PD Secretariat. The day-to-day management and coordination was the responsibility of an experienced SI manager. In addition, SI assigned mid-level staff to assist the case study analysts and, in most instances, to accompany the analysts during PD interviews. SI also established an Expert Panel to review the case study and synthesis working drafts once prepared, and to provide review and comment on the Synthesis draft. This panel consists of Ray Rist recently retired from the World Bank, Elliot Stern of the University of Lancaster, and Michael Bamberger, an independent consultant to SI, formerly with the World Bank.

Coordination with DOS/F, as well as between SI and the various case study analysts, was done through bi-weekly team meetings and through almost daily communications. SI also prepared monthly progress reports for DOS/F and for the PD Secretariat. SI's Team Leader and Senior Advisor met with the PD Management group during its visit to Washington DC in May, 2010. Individual case study analysts worked with the respective organizational members of the DOS/F Reference Group as needed to set up appointments and gain advice and access.

Research Design and Methodology

The Case study findings and conclusions are based on two primary sources:

- 1) A thorough review of relevant documents, including Phase I Evaluation Reports and Synthesis Report, Reports from High Level Meetings in Paris and Accra, PD Monitor Survey Reports, USG agency policy and program guidance documents, and USG high-level (National Security Council or DOS) policy documents.
- 2) In-depth Key Informant and Small Group Interviews.

In addition, the results of a questionnaire survey sent to field officers of four agencies informed the Synthesis Report (see the next section for more details).

Table A-1. Summary of Mid and Senior Level Interviews*			
Agency:	Mid-Level:	Senior Level:	Total:
DoS	16	6	22
USAID	3	19	22
MCC	8	3	11
TREAS-OTA	4	2	6
HHS	12	9	21
USDA	13	9	22
DOL	8	4	12

* Mid and Senior levels were based on distinctions made in each individual case study. In general, the mid-level interviewees were typically dealing with programming/implementation issues while the senior-level interviewees dealt more directly with policy and strategy formation.

The table above shows that the majority of USAID respondents were classified as "Senior Level", compared to those interviewed in DOS. There may be several possible explanations but it is most likely that USAID appoints senior level field staff to Office Director or similar positions when serving in Washington. The DOS functional bureaus tended to be headed up by civil service or contract personnel who may be considered 'senior' by virtue of their experience and expertise, but were not part of the DOS policy-making structure. DOS Foreign Service officers who hold high-level positions in U.S. embassies tend to return to positions in the more traditional regional and staff bureaus in DOS Washington.

For the Key Informant interviews, the PD team developed a common format of questions and rating scales to record and assess each informant's awareness and their views of their office's commitment, capacity, and incentives and disincentives with respect to implementation of PD principles. Each respondent was also asked to discuss whether, how and to what extent his or her agency's program development, implementation and monitoring and evaluation practices conform to or are consistent with each of the PD principles. To the extent possible, verbal descriptions of standard practices were confirmed or supported by official policy and guidance documents.

Random sampling methods were not used to identify Key Informants for interviews, for several reasons. First, in the "minor" case studies, the number of headquarters officials was relatively small; sampling would have made little sense. This was also the case for two of the major case study organizations, HHS and MCC. Second, in DOS and USAID there was too much variability in the functions and mandates of the various component offices to make random selection a relevant method for KI selection. Third, the intent of the case study approach was to gain as much in-depth, qualitative evidence about how managers of each of the various program offices selected actually perceived their responsibilities and practices with regard to PD-like assistance practices. As is shown, even within a single USG Department, PD awareness and PD-like practices varied substantially between various programs. Each case study analyst was advised to secure a representative array of key informants, divided roughly between operational level managers on the one hand, and higher level policy relevant officials on the other. During the course of the data collection phase, several of the case study analysts had the opportunity to make work related trips to several developing countries. Each analyst was asked to conduct several interviews at the USG Mission level using the same KI interview schedule.

Additional data sources for the Synthesis Paper

With the cooperation of DOS/F, SI developed a shorter version of the KI questionnaire. This was sent electronically to 140 USG Missions¹¹⁰ which were responsible for one or more of the relevant USG foreign assistance programs. We received 90 respondents overall. The USG agencies in the field responding to this questionnaire were USAID, DOS, TREAS-OTA, and to a lesser extent, MCC.

In addition to the agency Key Informants, DOS/F stated that it was important to interview other relevant stakeholders in the various USG foreign assistance programs. Interviews were conducted with U.S. congressional staff from the House of Representatives and the U.S. Senate, both of which have developed new foreign assistance legislation promoting, in the House version, rather extensive reforms in the way USG assistance is organized and implemented. Because a new Presidential administration had come to power in January 2009, it was also important to interview Executive branch policy setting officials in the National Security Council and the Office of Management and the Budget. Finally, because of the very significant role played by U.S. private voluntary agencies in implementing USG foreign assistance programs, interviews were held with representatives of the Interaction coalition of U.S. PVOs active in USG foreign assistance programs. These data, plus the data developed in the seven case studies, form the evidentiary basis for the USG PD Synthesis report.

Implementing the Evaluation: some issues and possible threats to validity

After initial meetings between the Team Leader and DOS/F, the eight person SI team assembled and began the development of the research methodology and KI questionnaire and the development of document archives, web pages for sharing documents and other information, and protocols for selecting and gaining access to key informants.

Social Impact was awarded the PD Evaluation contract in January 2010. The first step in the process was for each analyst to meet with the Departmental or Agency PD representative to explain the process and seek their assistance in identifying individuals, gaining access, and scheduling appointments. Securing appointments for interviews took time, and the data collection process stretched over several months, during which USG policies on Aid Effectiveness were changing. This meant that we were evaluating a moving target, rather like tracking a hurricane developing in the Gulf of Mexico.

Another unanticipated problem arose soon after the case study field research began. The PD team had worked hard to construct a Key Informant Interview Questionnaire that was keyed to the SOW Questions and designed to ensure that the data gathered from each of the seven USG agencies would be comparable, while at the same time allowing for the expected high degree of variability that would be found among the practices of the different agencies. The underlying assumption was that we would be interviewing people who had a reasonable degree of awareness and knowledge about the PD principles, and could speak with some authority about issues of commitment, capacity, incentives and coherence.

¹¹⁰ We excluded Missions with only a military mandate

As it turned out, so many of our respondents, mainly at the operational management level but even at the senior level, had almost no prior knowledge of the PD, beyond what they may have found on the Internet the day before the interview...some not even that. Asking questions about commitment and capacity made little sense following that revelation. The fall back approach was to hand the respondent a one page synthesis of the PD principles and Accra Agenda for Action. We asked the KI to take a moment to review them, then went down the list, asking in each case, “to what extent does your office/program operate in a manner that is consistent with the PD principle of, say, country ownership?” This would be followed by probing questions about issues, constraints, as well as successes in providing assistance in that manner. This approach allowed the respondent to talk about what they knew well, and gave the analyst the data on which to base a finding about PD-like policies and processes.

As a final step to ensure the accuracy of the reports, each report was reviewed the Senior Advisor and the SI team member, by relevant member of the initial reference group, the DOS/F Office client experts, and by at least one of the SI expert panelists.

ANNEX B: THE PARIS DECLARATION: ANTECEDENTS AND EVOLUTION

The antecedents of the PD can be found in a number of documents, research findings and aid reforms over the last several decades.¹¹¹ Among the more recent examples that anticipated one or more of the PD principles, involving both partner (developing) countries and donor countries, are:

- 1996: *Shaping the 21st Century: The Contribution of Development Cooperation* (OECD Development Assistance Committee (DAC))
- 1998: *Assessing Aid*, World Bank: Oxford University Press
- 1999: *Comprehensive Development Framework* (CDF). initiated by the World Bank
- 2000: *Millennium Development Goals* (MDGs), jointly initiated by the UN, OECD, World Bank, and the IMF
- 2002: *A Case For Aid*, World Bank
- 2002: *Monterrey Consensus* issued by the “International Conference on Financing for Development,” held in Monterrey, Mexico in 2002
- 2003: *Rome Declaration on Harmonization* endorsed by the “First High Level Forum on Aid Effectiveness,” held in Rome in 2003
- 2004: *Joint Marrakech Memorandum* endorsed by the “International Conference on Managing for Development Results,” held in Marrakech, Morocco in 2004.

The PD was endorsed at the “Second High Level Forum on Aid Effectiveness,” held in Paris in March 2005. It brought together the key principles and conclusions emerging from the above-mentioned initiatives. The Declaration’s significance was well-expressed in a paper prepared in early 2007:

“[The PD is]...an important challenge both to the world of development cooperation in general and to the field of development evaluation in particular. Compared with previous joint statements on aid harmonization and alignment, it provides a practical, action-oriented roadmap with specific targets to be met by 2010 and definite review points in the years between. The number of countries and international organizations participating in the High Level Forum (HLF) and putting their signature to the joint commitments contained in the Declaration was unprecedented, reflecting a progressive widening of the range of voices included in major meetings convened by the OECD DAC.”¹¹²

¹¹¹ For a useful review of this evolution, see Stern, Elliot D., with contributions by Laura Altinger, Osvaldo Feinstein, Marta Marañón, Nils-Sjard Schulz and Nicolai Steen Nielsen, *The PD, Aid Effectiveness and Development Effectiveness*; DaRa, Madrid. Ministry of Foreign Affairs of Denmark, Copenhagen, November 2008, pp. 1-11. <http://www.oecd.org/dataoecd/59/28/41807824.pdf>

¹¹² Phase 1 Evaluation Reference Group, *Framework Terms of Reference for the First Phase Evaluation of the Implementation of the PD* (unpublished, Copenhagen; 25 April 2007). http://www.oecd.org/secure/pdfDocument/0,2834,en_21571361_30097720_38478112_1_1_1_1,00.pdf

This characterization is still applicable. The Declaration remains the dominant international statement on the aid relationship, including how the main actors in that relationship are expected to carry out their responsibilities to make the greatest possible contribution to development effectiveness. The Declaration's initial "Statement of Resolve" of 12 points is followed by 56 commitments under a "Partnership Commitments" heading, organized around five key PD principles:¹¹³

- 1) *Ownership by countries*
- 2) *Alignment with countries' strategies, systems and procedures*
- 3) *Harmonization of donors' actions*
- 4) *Managing for Results*
- 5) *Mutual Accountability*

The Monitoring of Progress under the PD

The PD included 12 "Indicators of Progress" and a commitment to two rounds of monitoring prior to meeting again in 2008. These surveys have been undertaken jointly by partner and donor country representatives in 34 developing countries in 2006 and 54 developing countries in 2008. Progress was measured against targets for each of the indicators to be achieved by 2010. While some improvements were reported by 2008, the overall finding was that the pace of progress was insufficient to meet the 12 indicator targets by 2010. A third survey (2011) is currently underway in about 80 countries. The 2008 Survey Report concludes:

Yet the evidence from the 2008 Survey is also clear that the pace of progress is too slow. Without further reform and faster action, we will not meet the 2010 targets for improving the quality of aid. Meeting the targets will require not only acceleration in the pace of progress but also a significant change in how we do business.¹¹⁴

The Accra Agenda for Action

The *Accra Agenda for Action* endorsed by the "Third High Level Forum on Aid Effectiveness," held in Ghana in September 2008, reaffirmed the PD and gave particular emphasis to the following commitments which were deemed by the surveys and Phase I evaluation to have made inadequate progress:¹¹⁵

¹¹³ The complete text of the PD can be found at: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

¹¹⁴ OECD DAC, *Better Aid: 2008 Survey on Monitoring the PD: Making Aid More Effective by 2010*, p. 12. There has also been some criticism about the value of some of the 12 indicators, e.g. existence of an "operational" development strategy with clear priorities and linked to a medium-term budget as *the* measure of Country Ownership; mutual assessment reviews as *the* measure of Mutual Accountability; and reducing the use of parallel project implementation units as one measure of Alignment.

¹¹⁵ [The commitments paraphrased above are selected from a total list of 48 specific commitments reported in the Accra Agenda under the broad headings shown above.](#) See Third High Level Forum on Aid Effectiveness, *Accra Agenda for Action*, Accra; Government of Ghana, September 2-4, 2008.

- 1) *Country Ownership over Development* – including specific commitments for:
 - Developing countries to strengthen their capacity to lead and manage development
 - Donors to strengthen and use developing country systems to the maximum extent possible

- 2) *Build More Effective and Inclusive Partnerships for Development*
 - Donors to reduce costly fragmentation of aid
 - Countries and donors to deepen engagement with civil society organizations
 - Donors to adapt aid policies for countries in fragile situations, working towards realistic peace and state building objectives that address the root causes of conflict and fragility

- 3) *Deliver and Account for Development Results*
 - Countries and donors to be more accountable and transparent to their publics for results
 - Donors to change the nature of conditionality to support country ownership
 - Donors to increase the medium-term predictability of aid

The Evaluation of Progress under the PD

The PD highlighted the importance of independent evaluation as well as of monitoring PD implementation. It states that the evaluation process should provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives. Pursuant to this mandate, an international reference group was launched under the first phase of the PD Evaluation in late 2006. The reference group currently has about 50 members, including partner and donor country members, and international and civil society organizations.¹¹⁶ The first phase of the evaluation included case studies of eight partner country and eleven donors reviewed experience in implementing the PD. Four cross-cutting, thematic studies were also completed.¹¹⁷ Conclusions, lessons and recommendations were presented in a Synthesis Report, submitted to the September 2008 High Level Forum in Accra.

The *Accra Agenda for Action* committed the PD adherents to: “continuing efforts in monitoring and evaluation that will assess whether we have achieved the commitments we agreed in the PD and the Accra Agenda for Action and to what extent aid effectiveness is improving and

http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217-425866038/ACCRA_4_SEPTEMBER_FINAL_16h00.pdf

¹¹⁶ As of October 1, 2010, according to the PD Evaluation Secretariat, the reference group consists of representatives from the following: 22 partner countries, 19 donor countries, and 9 agencies (Banks, UN, funds, civil society), with some donor countries having more than one ministry participating in meetings..

¹¹⁷ The four thematic studies are (1) “Statistical Capacity Building”; (2) “Untying of Aid and the PD”; (3) “Applicability of the PD in Fragile and Conflict-affected Situations”; and (4) “The PD, Aid Effectiveness, and Development Effectiveness”. They can be found at:
http://www.oecd.org/document/60/0,3343,en_21571361_34047972_38242748_1_1_1_1,00.html

generating greater development impact.”¹¹⁸ The Accra commitment reinforced support for a Phase 2 of the PD Evaluation. This phase includes over twenty partner country case studies and seven donor case studies, including a USG case study. Each of these case studies is of a different country or donor assessment from those completed for Phase 1.

As in Phase 1, each case study is to follow a standard scope-of-work approved by the international reference group for the overall Evaluation. All case studies are to assess progress in implementing the five PD principles, along with the Accra Agenda, to identify constraints to implementation and to propose recommendations. The donor case studies are assessing leadership and commitment, capacity, incentives and disincentives, and coherence as factors influencing PD implementation. The developing country case studies are assessing the effect of PD implementation on development outcomes and impact, as well as progress and constraints in implementing the PD. The results of all case studies will be incorporated into a Synthesis Report to be completed in the summer of 2011 and presented to the Fourth High Level Forum on Aid Effectiveness in December 2011 in Korea.

¹¹⁸ *Op. cit.*, para 11.

ANNEX C: INTERVIEW AND SURVEY INSTRUMENTS

Introduction

The Paris Declaration (PD) on Aid Effectiveness 2005 has become a major milestone in development assistance. Designed to improve the quality and effectiveness of development assistance, it is built around five principles – ownership, alignment, harmonization, managing for results, and mutual accountability. These principles are meant to guide interactions, relationships, and partnerships between development agencies and partnering countries. In addition to monitoring the progress of the implementation of the PD, OECD/DAC has launched a major evaluation of the PD to examine its implementation and explore its impacts.

The USG has joined this international effort and is committed to conducting an independent review of its commitment to and efforts towards implementing the PD. Since the USG review is a part of a larger study, its primary focus is consistent with those of other reviews conducted by participating donor countries. Consequently, the USG review will primarily focus on: commitment to PD principles, capacity to implement, and incentives.

The USG has contracted our firm, Social Impact, to carry out this project. To better reflect the reality of USG foreign assistance, we will prepare separate case studies for each of the participating organizations: USAID, DOS, HHS, MCC, DOL, Treasury and USDA. All case studies will use the same conceptual framework, approach and variables to enable comparative analysis. A synthesis report will then be written using data and information generated by case studies.

To inform the individual case studies, we are conducting informational interviews with senior and mid-level leadership at each organization. These interviews will be completely confidential and no names will be referred to in the reports generated. In addition, we would like to emphasize that this review is an attempt to understand the current state of affairs surrounding the USG's implementation of the PD, not to act as a grading system. Your candid responses will allow us to gain insight into the achievements, challenges, and varying incentives and disincentives to implementing the PD principles, and present relevant recommendations to the USG.

Section A: PDE Key Informant Interview guide (core questions)

Interviewer: _____ Date: _____

Respondent: _____ Gender: Male Female

Office/Title/Rank: _____ Length of Service: _____

Thank you for meeting with me today. As introduced in the email from X, I would like to ask several questions about the Paris Declaration on Aid Effectiveness of 2005 and how you see [your Department’s/Agency’s/Unit’s] response to it. Please remember that this discussion will remain confidential.

- 1) How and when did you first learn about the Paris Declaration principles?
- 2) What can you tell me about them?

Scale for interviewer: (based on the answers, circle the most relevant answer below)

Highly aware	Modestly aware	Limited awareness	None
--------------	----------------	-------------------	------

Commitment:

- 1) How would you characterize the extent of awareness of the PD principles and their implications by the top leadership of your agency?

Scale for interviewer: (based on the answers, circle the most relevant answer below)

High	Modest	Limited	None
------	--------	---------	------

Probing Questions:

- How has top leadership shown commitment to implementation of PD principles?
 - If they have reservations about implementing the PD what are the underlying reasons?
- 2) [If applicable] How would you characterize the extent of awareness of the PD principles and their implications by the leadership of your agency in field missions or offices?

High	Modest	Limited	None
------	--------	---------	------

Probing Questions:

- How does their understanding compare with that of top leadership at headquarters?
- Why?

- 3) How has your agency taken steps to adopt the PD principles and incorporate them into your strategic plans?

Scale for interviewer: Based on answer, rate the KI's awareness level of agency steps

Highly aware	Modestly aware	Limited awareness	None
--------------	----------------	-------------------	------

- 4) To what extent have these attempts been successful?

Scale for interviewer: (based on the answers, circle the most relevant answer below)

High	Modest	Limited	None
------	--------	---------	------

Probing Questions:

- What attempts have been made to translate PD principles into policies, guidelines, and operational directives?
- If successful, cite some examples. If not successful, can you give reasons?
- Are there documents where these are reflected? E.g. guidance or policy documents. If so, can we have copies of them?

Capacity:

- 1) To what degree do you believe your agency has the guidance and capacity to support implementation of the PD?
- If little or none, what are the main things that are weak or missing?

Scale for Interviewer: Based on answer, rate the capacity:

High	Modest	Limited	None
------	--------	---------	------

- 2) What steps, if any, are being taken to strengthen capabilities?
- 3) How has the PD affected cost-effectiveness of USG delivery of bilateral foreign assistance?
- a. If so, how?

Scale For Interviewer: Based on answer, rate the effect:

High	Modest	Limited	None
------	--------	---------	------

Incentives:

- 1) Are there any positive incentives provided to staff to implement PD principles? (Provide examples, if any.) If so, how effective are they?

High	Modest	Limited	None
------	--------	---------	------

- 2) Are there perceived disincentives amongst staff (at home and in the field) to implementing PD principles?
 - If so, how constraining are they?

Scale for Interviewer: Based on answer, rate the level/intensity of disincentives present

High	Modest	Limited	None
------	--------	---------	------

General:

- 1) How would you rate your agency on implementation of the each of the five PD principles on a scale of 1-5, with 5 the highest?
- 2) How would you rank the five PD principles in terms of effectiveness of implementation by your agency?
- 3) What would be reasons for the least effectively implemented principles?
- 4) How would you rate the USG, beyond your agency, on implementation of each of the PD principles on a scale of 1–5?

For the interviewer: Effectiveness of Implementation: Scale 1–5, with ‘5’ being the highest.

	Ownership	Alignment	Harmonization	Managing for Results	Mutual Accountability
KI's Agency					
USG as a whole					

- 5) What recommendations do you have to better facilitate effective implementation of the PD principles by the USG in general and by your agency?

Section B: Selected questions about aid processes/ elements that lie behind the PD

Thank you for meeting with me today. As introduced in the email from X, I would like to ask several questions about the PD on Aid Effectiveness of 2005 and the aid processes that lie behind it in relation to your (Department's/Agency's/Unit). Please remember that this discussion will remain confidential.

[These questions may well vary by country and operating unit within [name of Department/Agency/Unit]

1. What role, if any, do host countries or other donors play in the process by which [name of Department/Agency/Unit X] formulates its programs in a country?

If needed for illustrative specificity:

- To what extent does [Department/Agency/Unit X] coordinate with other donors or with the host country in developing its purposes, strategies, policy dialogues, programs, periodic reviews and the like? What are the mechanisms for doing that?
 - Is there a common framework of conditions or indicators jointly developed by [Department/Agency/Unit X] and the host country in the areas of programming? Is there any mechanism to ensure that your operating units have been using that common framework? To what extent do they share the common framework?
 - Is there a common framework of conditions or indicators jointly developed by [Department/Agency/Unit X] with other donors in the areas of programming? Is there any mechanism to ensure that your operating units have been using that common framework? To what extent do they share the common framework?
2. Turning from planning to implementation to what extent, if any, does [Department/Agency/Unit X] use or rely on the recipient country's project implementation systems? What guidance, if any, is provided regarding use of recipient country systems?

- For example, how common is it to use the recipient country’s own institutions and systems for:
 - Procurement
 - Accounting
 - Project management
 - Project monitoring
 - Project assessment

- What factors inhibit your greater use of host-country systems?
- What about other donors? Does [Department/Agency/Unit] ever work out a division of labor with other donors, for example in carving out areas for your respective programming? If so, to what extent: is it common or rare? To do what extent does [Department/Agency/Unit] join in consortiums of donors? To what extent, in general, does [Department/Agency/Unit X] act as the lead donor in a consortium of donors? To what extent does it follow the lead of some other donor or delegate responsibility to another donor?
- To what extent has [Department/Agency/Unit X] collaborated with other donors on joint missions for e.g. analytic work, planning, monitoring, or evaluation? If so, what have been the benefits of such collaboration? What were the constraints and costs? Did the benefits exceed the costs?
- Does it make any difference for the effectiveness of cooperation with other donors if the program is “cross-cutting” like gender or fragility or conflict?

- 3. To what extent, if any, has [Department/Agency/Unit X] used its funds to augment the capacity of the recipient countries to formulate, manage, monitor or assess the programs it funds? What has been your experience in doing that? In general, has it made any difference in your subsequent reliance on the mechanisms of the host country?

- 4. What measures do you use to assess the development outcomes or results of your overall assistance program (or activity) in a given country?
 - Do you use host country sources of information for this assessment? Why or why not?

- 5. How do you use information on the results being achieved by your assistance?

6. How is the results information you collect used in the implementation of your current programs and in the design of future programs?
7. Do you meet with representatives of the host country to assess the performance of your assistance program and propose plans for future assistance?
 - If so, how often do you meet? Who calls the meeting? Who sets the agenda? Who chairs the meeting?
 - Are you satisfied with these meetings? How could they be improved?

Section C: Paris Declaration Commitments

Donors commit to: (11 commitments, chosen for emphasis by the evaluation team. We have changed the wording slightly to fit better with the U.S. context)

- 1) Ownership. Respect host country leadership and help strengthen their capacity to exercise it. (This is the only PD commitment for donors under "Ownership." It received a lot of emphasis in Accra.)
- 2) Alignment. Donors should base their overall support -country aid strategies, policy dialogues and development cooperation programs - on the country's national development strategy and periodic reviews of progress in implementation.
- 3) Alignment. Use country systems and procedures to maximum extent possible.
 - Avoid creating dedicated structures for day-to-day management and implementation of aid-financed projects and programs. [i.e., "PIUs"]
 - Progressively rely on host country systems for procurement when the country has implemented mutually agreed standards and processes.
- 4) Alignment. Predictability. Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules.
- 5) Harmonization. Work together to reduce the number of separate, duplicative, missions to the field.
- 6) Harmonization. Make full use of the respective comparative advantages of donors at sector and country levels by delegating, where appropriate, authority to lead donors for the execution of programs, activities and tasks.
- 7) Harmonization. Reform procedures and strengthen incentives, including for recruitment, appraisal, and training, for management and staff to work towards harmonization, alignment and results.

- 8) Harmonization. Harmonized activities with respect to cross-cutting issues, including fragile states, gender equality, and environment.
- 9) Managing for Results. Countries and donors work together in a participatory approach to strengthen country capacities and the demand for results based management.
- 10) Mutual Accountability. Provide timely, transparent and comprehensive information on aid flows so as to enable host country authorities to present comprehensive budget reports to their legislatures and citizens.
- 11) Mutual Accountability. Jointly assess through existing ("and increasingly objective") country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the [55] Partnership Commitments.

Section D: USG Mission Survey

Position of respondent: _____

- 1) Have you heard of the Paris Declaration (PD) on Aid Effectiveness of 2005 and Accra Agenda for Action of 2008 prior to this survey?

Yes No

- 2) If yes, how did you learn of them?

Mission staff

Headquarters

Foreign Donor

NGO: international, local

Other _____

- 3) Have you received any official directive or correspondence from your agency's headquarters in regards to the PD or its principles?

Yes No

If yes, what directive/correspondence was received and when?

4) To date, has your office taken any specific steps to adjust or implement your program responsibilities in accordance with one or more of the aid effectiveness Principles identified by the PD?

Yes No

Please describe briefly:

5) For programs and strategies designated for the government sector, do you develop them in close collaboration with host government entities? Or, do the government entities mostly agree in general and do not participate in the program development and design work?

1. Host government is fully involved in program development and design OR

2. Host government agrees in principle but does not participate in specific program design work OR

3. Host government is not consulted

6) How common is it to use the recipient country's own systems for:

- | | | | | |
|---------------------------------|------------|--------------|--------|-------|
| • Procurement: | Frequently | Occasionally | Rarely | Never |
| • Accounting | Frequently | Occasionally | Rarely | Never |
| • Project appraisal | Frequently | Occasionally | Rarely | Never |
| • “ ” management | Frequently | Occasionally | Rarely | Never |
| • “ ” monitoring | Frequently | Occasionally | Rarely | Never |
| • “ ” ex post evaluation | Frequently | Occasionally | Rarely | Never |

7) What factors, if any, inhibit your greater use of host-country systems? (circle all that apply)

Congressional Mandate

My agency regulations

If so, give an example: _____

Weak host-country government system capacity

None

Other _____

8) Assuming you had the authority, would you be prepared to give more budgetary control of development programs through sector or general budget support to the host-government?

Yes No Unsure

Why or why not?

9) To what extent does your office develop and implement joint programs or projects with other donors?

Frequently Occasionally Rarely Never

10) To what extent does your office consult with civil society or local NGOs when developing and implementing programs or projects?

Frequently Occasionally Rarely Never

11) Do your programs help to strengthen your host government's capacity to monitor and evaluate the effects of their programs?

Frequently Occasionally Rarely Never

12) Do you feel you have the expertise and resources to help strengthen the host government's M&E capacity?

Yes No Unsure

13) Are your host country's M&E systems sufficiently strong for you to rely on them for your monitoring and reporting needs?

14) Do you meet with representatives of the host country (executive, legislature and/or civil society) to assess the performance of your assistance programs?

Frequently Occasionally Rarely Never

15) Do you meet with representatives of the host country to propose/discuss plans for future assistance?

Frequently Occasionally Rarely Never

16) How would you rate your agency (in your country of operation) on implementation of the following aspects of each of the five PD Principles on a scale of 1-5, with 5 the highest?

• Ownership. “Respect host country leadership and help strengthen their capacity to exercise it.” 1 2 3 4 5

• Alignment. “Donors base their overall support on partner’s national development strategies” and” use country systems and procedures to maximum extent possible.” 1 2 3 4 5

• Harmonization amongst donors (including within USG). “Implement, where feasible, common arrangements at country level for planning, funding, disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Work together to reduce the number of separate, duplicative missions to the field and diagnostic reviews.”

1 2 3 4 5

• Managing for Results. Countries and donors manage and implement “aid in a way that focuses on the desired results and uses information to improve decision-making.” 1 2 3 4 5

• Mutual Accountability. “Provide timely, transparent and comprehensive information on aid flows... participate in mutual assessment reviews in-country based on country results reporting and information systems complemented with donor data and credible independent evidence.”

1 2 3 4 5

17) Review the Aid Effectiveness Principles above. In your view, what are the main constraints/issues the USG would face or currently does face in implementing the Principles?

ANNEX D: SCOPE OF WORK

EVALUATION OF IMPLEMENTATION OF PARIS DECLARATION BY USG FOREIGN ASSISTANCE ORGANIZATIONS

1. Background

The Paris Declaration (PD) on Aid Effectiveness was endorsed in 2005 and has become a major milestone in development assistance. Designed to improve the quality and effectiveness of development assistance, it is built around five mutually reinforcing principles which should guide interactions, relationships and partnerships between development agencies and partnering countries:

**Ownership:* Developing countries must lead their own development policies and strategies, and manage their own development work on the ground. Donors must support developing countries in building up their capacity to exercise this kind of leadership by strengthening local expertise, institutions and management systems.

**Alignment:* Donors must line up their aid firmly behind the priorities outlined in developing countries' national development strategies. Wherever possible, they must use local institutions and procedures for managing aid in order to build sustainable structures.

**Harmonization:* Donors must coordinate their development work better amongst themselves to avoid duplication and high transaction costs for poor countries. In the PD, they are committed to coordinate better at the country level to ease the strain on recipient governments.

**Managing for results:* All parties in the aid relationship must place more focus on the end result of aid, the tangible difference it makes in poor people's lives. They must develop better tools and systems to measure this impact.

**Mutual accountability:* Donors and developing countries must be accountable to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

The PD provides a practical, action-oriented roadmap with specific targets to be met by 2010. It is a major international agreement on aid relationships which identifies appropriate roles for all major actors, specifies 12 indicators to provide a measurable and evidence-based way to track progress, and sets targets for the indicators to be met by 2010. At the Third High Level Forum (HLF 3) on Aid Effectiveness held in Accra in 2008, both donors and developing countries reaffirmed their commitment to the PD and agreed to speed up the process of fulfilling the Declaration's pledges. This agreement was codified in the Accra Agenda for Action, which was endorsed at the HLF 3.

2. Purpose of Statement of Work

In addition to monitoring the progress of the implementation of the PD, the Organization for Economic Co-operation and Development, Development Assistance Committee (OECD–DAC) has launched a major evaluation of the PD. The overall objective of the evaluation is to assess the relevance and effectiveness of the PD and its contribution to aid effectiveness and poverty alleviation. The evaluation is being carried out in two phases.

The Phase I evaluation assessed the early implementation of the PD. It focused on four central questions: What important trends or events have been emerging during the implementation? What factors and forces are affecting the behavior of recipient and donor countries in relation to implementing their respective commitments? And, is the implementation leading towards the adoption of the PD principles? If not, why not? The Phase I findings of the assessments have been finalized and a synthesis report has been written which provides empirically grounded conclusions and recommendations.¹¹⁹

The overall objective of this Phase 2 evaluation is to assess the relevance and effectiveness of the PD and its contribution to aid effectiveness and ultimately to development effectiveness, including poverty alleviation. The evaluation is expected to document the results achieved through implementing the PD, highlight the barriers and constraints which might limit its effectiveness and impacts, and strengthen “the knowledge base as to the ways in which development partnerships can most effectively and efficiently help maximize development results through aid in different contexts – including varying degrees of ‘fragility’.” Phase 2 evaluation plans to undertake 15 country case studies to examine in depth the effects of the PD on aid and development effectiveness. In addition, it also plans to commission five special studies to examine critical issues. The evaluation will then synthesize the findings, conclusions and recommendation of all the studies, reports and documents in a comprehensive report.

As a contribution to the Phase 2 evaluation, the USG has committed to conducting an independent evaluation (“USG Evaluation”) of its headquarters’ commitment to, and efforts towards, implementing the PD, consistent with the terms of reference provided for such studies as part of the overall evaluation. The purpose of this SOW is to outline the requirements and deliverables for the design and implementation of the USG Evaluation. The SOW specifies evaluation questions, evaluation design criteria, data collection approaches, estimated level of effort required, time table, evaluation criteria and the deliverables.

3. Evaluation Questions

Since the USG evaluation is a part of a larger evaluation study, its primary focus must be consistent with those of other evaluations conducted or being conducted by participating donor countries. It must also take into account the multi-agency management structure of foreign assistance that is used by the USG. By agreement among international participants in the overall

¹¹⁹ Evaluation of the Implementation of the PD:
http://www.diis.dk/graphics/Subweb/paris_evaluation_web/index.htm.

PD evaluation, individual donor evaluations are largely undertaken at headquarters and focus on three broad areas; commitment to the PD principles at the different levels of the foreign assistance agency, the agency's capacity to implement the PD and the steps that it has undertaken to enhance its capacity, and incentives and disincentives for implementing the PD principles. In view of this focus, the following questions shall be answered by the evaluation:

Commitment

1. Are the top leaders of bilateral foreign assistance organizations aware of the five PD principles and their implications for the delivery of foreign assistance? Do they interpret them correctly? What sort of misconceptions, if any, do they seem to harbor?
2. Are the top leaders committed to implementing the PD? Do they have any reservations about it? If so, what are these reservations? What are the underlying reasons for their reservations and concerns?
3. Are the managers of foreign assistance programs aware of their leadership's commitment to the five principles and their implications for the programs they manage? Has the implementation of PD affected foreign assistance program's priority setting?
4. How is foreign assistance agencies' commitment affected by the mandates and requirements of the Congress and Office of the budget and management and the demands of the civil society?
5. Has each bilateral foreign assistance organization formulated and implemented a coherent strategy to adopt the PD principles in its policies and programs? If so, what are the major elements of its strategy? If not, what are their reasons for not developing a strategy to internalize and implement the PD?

Capacity

6. What attempts have been made by these organizations to translate the PD principles into their policies, guidelines and operational directives? To what extent, have such attempts been successful (cite examples)? If they did not make efforts to revise their policies, guidelines and operational directives, what were the main reasons for this omission?
7. Did foreign assistance agencies launch special training programs to prepare their staff for implementing PD principles?
8. Are assistance organizations' mandates, organizational structures, budgetary processes, and capacities suitable to implement the PD? What specific mandates, organizational structures, budgetary processes, and operational procedures have facilitated or impeded the adoption and implementation of the PD?
9. Has the PD affected USG delivery of bilateral foreign assistance and its interactions with the recipient countries? If so, in what way? What are the examples of such effects? Are there major differences in the commitment and behavior of different USG assistance organizations?

Incentives

10. Are their perceived disincentives to implement PD principles both at the headquarters and the field?

11. Do bilateral foreign assistance organizations provide incentives to their headquarters and field staff to implement the PD principles? If so, what are these incentives? Did these incentives produce concrete, positive results (cite examples)? Did they also provide additional training to the staff in the field?

General

12. What factors have affected or are likely to affect the implementation or non-implementation of the PD by bilateral USG foreign assistance organizations? How can they be categorized?
13. How do partner organizations, civil society organizations and host countries assess USG commitment to and efforts to adopt the PD principles? Do they have concerns about them? Are their perceptions justified and, if so, to what extent?
14. What recommendations can be made to facilitate the effective implementation of the PD principles by USG bilateral foreign assistance agencies and organizations individually and collectively? What general lessons can be drawn from the USG experience for other bilateral and multilateral donor agencies?

4. Multi-Case Study Evaluation Design

Unlike most bilateral donor agencies, there is no single unit of the USG which administers bilateral foreign assistance programs. Presently there are five organizations that manage the great majority of US bilateral foreign aid – the U.S. Agency for International Development (USAID), Department of State (State), Department of Defense (DOD), Department of Health and Human Services (HHS) and the Millennium Challenge Corporation (MCC). In addition, there are 22 other USG agencies and organizations that manage the remaining bilateral foreign assistance. Although the volume of assistance they administer is relatively small as compared to the above mentioned organizations, it is nonetheless significant. This undoubtedly creates a major challenge to any evaluation of foreign assistance programs.

The problem is compounded by the fact that there are significant differences in the mandates and organizational structures of these entities. For example, the mandate, policies and programs of the MCC are very different from the projects run by the State Department. The HHS works within its sectoral mandate, while USAID programs are highly diversified. Agencies managing smaller proportions of bilateral assistance also have different approaches – use of more headquarters line staff; fewer long-term field activities or presence, for example. Their mandates tend to be predominantly domestic. To capture these differences, the proposed evaluation shall follow a multi-case study method, focusing on both major and minor foreign assistance agencies and organizations.

The evaluation undertaken as part of this SOW shall primarily focus on four of the five major bilateral foreign assistance organizations – USAID, the State Department, HSS and MCC. In addition, up to 3 smaller US bilateral donors organization shall be selected on the basis of mutually agreed criteria between the evaluation COTR and the contractor. The contractor shall prepare separate case studies for each of these organizations. All case studies shall use the same conceptual framework, approach and variables to enable comparative analysis. A synthesis report shall be written using the data and information generated by case studies.

Each case study focus on the topics identified below; the list is illustrative and not comprehensive. It is important that each case study individually examine each of the five principles (ownership, alignment, harmonization, managing for results and mutual accountability), as there are likely to be variations in their acceptance, internalizations and implementation within an organization.

1. Awareness of the five PD Principles and their Implications

-Awareness of the five PD principles among leadership in headquarters

-Awareness of PD Principles by operating units in the field in the case of major agencies and organizations that have field presence

-Misconception and misunderstandings about PD principles, if any

2. Political Commitment to the five PD Principles

-Leadership's commitment to PD principles

-The rationale for commitment

-Reservations and doubts

3. Strategy for implementing the PD, if any

4. Translation of PD Principles into Policies, Guidelines and Operational Directives

-Extent of revisions and changes, if any

-Effectiveness of such efforts

5. Training for facilitating adoption of the PD principles

-Introduction of new training programs

-Effectiveness of new training programs

6. Institutional capacity to implement the PD

This section shall analyze the mandate, organizational structure, transfer of authority to the field, budgetary processes including Congressional earmarks, reporting requirements and general procedures to determine the extent to which they facilitate or inhibit the adoption of the PD principles.

7. Assessment of the direct or indirect impacts of PD on the organization/agency's

-Allocation of resources for capacity building in host nations

-Use of host country organizations to manage USG assistance programs

-Coordination with other USG agencies to avoid duplication and waste

-Coordination with other bilateral and multilateral agencies in the field

-Partnerships with host countries in performance management and evaluation

8. Findings, Lessons Learned , and Recommendations

On the basis of the information, data and findings of the case studies, a synthesis report shall be prepared. This report shall address the topics above and shall include appendices on methodology, interviews and documents.

5. Data Collection Methods

The contractor shall use the following data collection methods to generate the needed information, ideas and recommendations:

- i) Content analysis of the mandates, policies, budgetary allocation processes, procedures and selected programs documents of foreign assistance organizations.
- ii) Review of principal reports, analyses, evaluations and other documents on PD implementation issued by participating bilateral and multilateral agencies, NGOs, think tanks and other creditable sources. (Note: There now exists a plethora of information which will be helpful in framing questions, sharpening the focus of case studies and developing suitable recommendations.)
- iii) Interviews with the senior Congressional Staffers, OMB, staff at the selected USG agencies.
- iv) Semi-structured interviews with the senior officials of the foreign assistance organizations for which case studies shall be prepared.
- v) Key informant interviews with partnering organizations, including contractors and non-profit organizations which implement foreign assistance programs and projects
- vi) Telephone interviews with 1-2 host country officials in up to 10 countries based on selection criteria determined jointly by evaluation COTR and the contractor. Such interviews are necessary to understand their perceptions, concerns and assessment of USG's commitment to and efforts towards implementing the PD. (Note: at least some of the countries selected shall be those undertaking country-level evaluations in Phase 2)
- vii) Mini-surveys through internet and/or telephone with USG managers of assistance programs and projects in the field. It is suggested that each case study conduct one survey. The number of respondents shall depend upon the size of assistance programs, the number of countries in which they are located and the sectors in which they operate. (Note: at least some of the countries selected shall be those undertaking country-level evaluations in Phase 2)
- viii) Attendance at up to three international meetings in Europe; no other international travel is anticipated.

6. Deliverables

The Contractor shall propose dates to deliver the following in accordance with their technical approach and specific evaluation design. Exact dates will be determined upon the approval of a final management plan within one week after award:

1. A management plan
2. A comprehensive outline of the organizational case studies based on preliminary interviews with concerned agencies
3. Draft of organizational case studies
4. Revised case studies
5. Draft of the synthesis report*
6. Submission of the final synthesis report
7. A policy brief of no more than four pages summarizing the main findings and recommendations of the synthesis report
8. Three briefings or seminars** on the content of the synthesis report, accompanied by a Power Point presentation.
9. Brief monthly progress reports

* The contractor shall arrange for 2 peer reviewers of the draft. The reviewers must be approved by COTR.

**For planning purposes, the Contractor shall assume that the venue and duration of the briefings and seminars is: (1) Paris at the meeting of bilateral and multilateral donors – duration 3 hours; (2) Meeting of the US bilateral donor agencies in Washington D.C, - duration 3 hours, and; (3) Briefing to the senior officials of the State and USAID in Washington D.C., - duration 1 hour.

ANNEX E: CASE STUDY TEAM LEADERS BRIEF BIOS

Richard Blue, PhD Team Leader, Synthesis Report Co-Author, Department of State Lead

Dr. Blue is a Vice President of Evaluation Services at Social Impact. Dr. Blue has multiple years' experience as an academic, as a USAID SFO serving as a leader of innovative USAID evaluation programs, Deputy Mission Director in India, representative of The Asia Foundation, and most recently as an evaluation consultant, leading or participating in more than 30 evaluations, assessments and strategic studies. Deeply studied in the principles of the Paris and Accra Declarations, Dr. Blue authored the initial US proposal to the DAC for improving program and project evaluations, including greater harmonization of effort. He is co-author, with Cynthia Clapp-Wincek (USDA Case Study leader), of *Beyond Success Stories: Foreign Assistance Monitoring and Evaluation*, centrally important in restructuring USAID's M&E systems.

John Eriksson, PhD Synthesis Report Co-Author

After six years on the Economics Faculty at Williams College, Dr. Eriksson served 25 years in senior USAID positions in the Program and Policy Coordination and Science and Technology Bureaus, and as Deputy Director and Director, respectively, of the Sri Lanka and Thailand Missions. He retired from USAID in 1995 as Director of the Center for Development Information and Evaluation. Since then he has consulted mainly for the Independent Evaluation Group of the World Bank, where, among others, he led evaluations of the role of the World Bank in Aid Coordination. He was the synthesis report author for *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience* and was a consultant for the first and second phases of the Evaluation of Implementation of the PD.

Gerald "Jerry" Hyman PhD Team Leader USAID

Dr. Hyman, a Senior Advisor to CSIS, has undertaken more than 20 evaluations and assessments for USAID during the past two decades. He holds degrees in both law and anthropology, and has been a USAID executive for 17 years. He also authored USAID's basic framework for conducting democracy and governance assessments, and his recent report for CSIS was an analysis of US organization for development assistance.

George Grob Team Leader the Department of Health and Human Services (HHS)

Mr. Grob centers his efforts on advising governments on how to improve public programs through evaluation and accountability systems and institutions. He has a distinguished record in evaluation, principally in studies used for policy making by the Department of Health and Human Services (HHS) and the Congress. For more than 15 years, Mr. Grob was Deputy Inspector General for Evaluation at HHS and for 12 years he served as HHS Director of Planning and Policy Coordination. More recently he has provided organizational reform services to the Government of Albania and the UN Commissioner for Refugees.

James W. Fox Team Leader, Millennium Challenge Corporation and Department of Treasury

After an illustrious career as a senior economist for the Department of Treasury, USAID, and the Department of State, Mr. Fox became a development consultant. He has carried out evaluation, trade policy, development strategy, poverty, and microfinance studies for World Bank, OECD, USAID and others. In 2008 he published a report through the Brookings Institution on the MCC and recommendations to strengthen the institution in the future titled, “*The Millennium Challenge Corporation: An Opportunity for the Next President.*” He has also been an adjunct professor of economics at the Maxwell School of Syracuse University for 2006-07 and 2007-08.

Cynthia Clapp-Wincek Team Leader United States Department of Agriculture (USDA)

Ms. Clapp-Wincek is an international development program evaluation expert with more than 25 years’ successful work on topics including policy reform. She has extensive performance management, M&E, and training experience. With Dr. Blue, she is the co-author of *Beyond Success Stories – M&E for Foreign Assistance Results.*

Jack Sullivan Team Leader the Department of Labor (DOL)

A Senior Advisor to Social Impact for the past four years, Dr. Sullivan has been involved in international development since the 1960s, both in the Legislative and Executive Branches of government. A development consultant for the last 30 years, he has worked extensively designing, implementing and evaluating U.S. Government and other projects abroad. During the early 2000s as a contractor he supervised a DOL-ILAB-funded overseas program in child labor and worker rights.

ANNEX F FACT SHEET: U.S. GLOBAL DEVELOPMENT POLICY

Today, the President signed a Presidential Policy Directive on Global Development, the first of its kind by a U.S. administration. The directive recognizes that development is vital to U.S. national security and is a strategic, economic, and moral imperative for the United States. It calls for the elevation of development as a core pillar of American power and charts a course for development, diplomacy and defense to mutually reinforce and complement one another in an integrated comprehensive approach to national security. It provides clear policy guidance to all U.S. government agencies and enumerates our core objectives, our operational model, and the modern architecture we need to implement this policy.

A 21st Century Development Policy

As our *National Security Strategy* states: “Through an aggressive and affirmative development agenda and commensurate resources, we can strengthen the regional partners we need to help us stop conflict and counter global criminal networks; build a stable, inclusive global economy with new sources of prosperity; advance democracy and human rights; and ultimately position ourselves to better address key global challenges by growing the ranks of prosperous, capable and democratic states that can be our partners in the decades ahead.”

Development is thus indispensable in the forward defense of America’s interests in a world shaped by growing economic integration and fragmenting political power; by the rise of emerging powers and the persistent weakness of fragile states; by the potential of globalization and risks from transnational threats; and by the challenges of hunger, poverty, disease, and global climate change. The successful pursuit of development is essential to advancing our national security objectives: security, prosperity, respect for universal values, and a just and sustainable international order.

Our investments in development – and the policies we pursue that support development – can encourage broad-based economic growth and democratic governance, facilitate the stabilization of countries emerging from crisis or conflict, alleviate poverty, and advance global commitments to the basic welfare and dignity of all humankind. Without sustainable development, meeting these challenges will prove impossible.

Through the Presidential Policy Directive, President Obama has made clear that sustainable development is a long-term proposition, and progress depends importantly on the choices of political leaders and the quality of institutions in developing countries. Where leaders govern responsibly, set in place good policies, and make investments conducive to development, sustainable outcomes can be achieved. Where those conditions are absent, it is difficult to engineer sustained progress, no matter how good our intentions or the extent of our engagement.

The President’s approach to global development addresses the new strategic context faced by the United States through the following three pillars:

- **A policy focused on sustainable development outcomes** that places a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs;

- **A new operational model** that positions the United States to be a more effective partner and to leverage our leadership; and
- **A modern architecture** that elevates development and harnesses development capabilities spread across government in support of common objectives.

The Presidential Policy Directive seeks to forge a new and lasting bipartisan consensus on development policy within the broader context of our National Security Strategy. It builds on and formalizes many core tenets of the development agenda set in place by recent administrations, while embracing new priorities and approaches that respond to the challenges we now confront.

A Policy Focused on Sustainable Development Outcomes

Over the last several decades, trade-offs among competing development objectives have been made implicitly rather than explicitly, and the effectiveness of U.S. development efforts has been weakened as a result. President Obama will focus U.S. development efforts to maximize the impact of our investments and policies. Moving forward, the United States will:

Foster the next generation of emerging markets by enhancing our focus on broad-based economic growth and democratic governance. Economic growth is the only sustainable way to accelerate development and eradicate poverty. The United States will:

- Elevate broad-based economic growth as a top priority, ensuring that our investments and policies are guided by rigorous assessments of what the U.S. can do to help countries achieve sustainable growth.
- Increase the focus of resources, policy tools, and engagement in support of select countries and sub-regions where the conditions are right to sustain progress.
- Use U.S. leadership in the multilateral development banks, U.N. agencies, other international organizations, other donors, foundations, nongovernmental organizations, the private sector, and other stakeholders to deploy the full range of our development tools and policies at our disposal.

Invest in game-changing innovations with the potential to solve long-standing development challenges. Leveraging the power of research and development, the United States will:

- Increase our investments and engagement in development-focused innovation by seeking and scaling up potential game-changing development technologies such as vaccines for neglected diseases, weather-resistant seed varieties, and clean energy technologies.
- Increase public funding - while securing more private funding - for development-focused research, including by:
 - Capitalizing new models for innovation and bringing sustainable models to scale;
 - Using our leadership, bilaterally and multilaterally, to foster, highlight, and reward innovation; and
 - Increasing developing countries' creation and utilization of science and technology and removing impediments to innovation faced by the private sector.

Place greater emphasis on building sustainable capacity in the public sectors of our partners and at their national and community levels to provide basic services over the long-term. The United States will continue to provide medicine, emergency food aid, humanitarian relief and other assistance where it is desperately needed. But we will also strive to help increase the capacity of our partners to meet those needs by:

- Investing in systemic solutions for service delivery, public administration, and other government functions where sufficient capacity exists; a focus on sustainability and public sector capacity will be central to how the United States approaches humanitarian assistance and our pursuit of the objectives set out in the Millennium Development Goals.

Tailor development strategies in stabilization and post-crisis situations to the context of the challenges. Applying lessons from past experiences, the United States will:

- Balance our civilian and military power to address conflict, instability and humanitarian crises.
- Pursue development strategies that are appropriate to the circumstances and program resources accordingly, taking into account our core interests and the importance of linking our investments to a long-term strategy.
- Utilize development expertise in the design of interventions and adopt metrics, appropriate to our objectives and the context, against which we can measure progress.

Hold all recipients of U.S. assistance accountable for achieving development results. 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. The United States will:

- Seek sustained development progress consistently, even in those countries where our assistance efforts have been driven largely by other strategic considerations, and give greater attention to pursuing policy reforms essential for development, including through diplomatic engagement

A New Operational Model

The effectiveness of our development policy will derive in large measure from how we engage, from our ability to take into account the complexity of development challenges and the changing development landscape, and from our commitment to incorporate development expertise and an orientation toward results. Moving forward, the United States will:

Be more selective about where and in which sectors it works. The United States cannot do all things, do them well, and do them everywhere. Instead, the U.S. must focus its efforts in order to maximize long-term impact. The United States will:

- Make hard choices about how to allocate attention and resources across countries, regions, and sectors.
- Demand greater focus from assistance programs within countries, especially those with small programs.
- Reallocate resources in support of those efforts that yield the greatest impact.

Underscore the importance of country ownership and responsibility. Where our partners set in place systems that reflect high standards of transparency, good governance, and accountability, the United States will:

- Respond directly to country priorities, making new investments in line with established national strategies and country development plans based on broad consultation.
- Empower responsible governments to drive development and sustain outcomes by working through national institutions rather than around them.

Forge a deliberate division of labor among key donors. The United States will:

- Seek an explicit division of labor by focusing our efforts on select countries and regions.
- Focus our expertise in a smaller number of sectors, with an emphasis on selectivity and an orientation toward results.
- Work with bilateral donors, the multilateral development banks and other international organizations to ensure complementarity and coordination of efforts.

Leverage the private sector, philanthropic and nongovernmental organizations, and diaspora communities. The United States will:

- Reorient our approach to prioritize partnership from policy conception through to implementation, finding new ways to leverage our investments and to spur action by others both in Washington and the field.

Strengthen key multilateral capabilities. The United States will:

- Redouble our efforts to support, reform, and modernize multilateral development organizations most critical to our interests.
- Renew our leadership in the multilateral development banks, ensuring that we take advantage of their expertise and coordinate our respective efforts.
- Create new multilateral capabilities as and where needed, as we have done by making the G20 the premier forum for our international economic cooperation.

Drive our policy and practice with the disciplined application of analysis of impact. The United States will:

- Set in place rigorous procedures to evaluate the impact of policies and programs, report on results and reallocate resources accordingly, incorporate relevant evidence and analysis from other institutions, and inform the policy and budget process.

- Undertake a more substantial investment of resources in monitoring and evaluation, including with a focus on rigorous and high-quality impact evaluations.

A Modern Architecture

To ensure the effective implementation of our new policy, the United States will raise the importance of development in our national security policy decision-making and generate greater coherence across the U.S. government. The United States will:

Elevate development as a central pillar of our national security policy, equal to diplomacy and defense, and build and integrate the capabilities that can advance our interests. To ensure that development expertise is brought to bear in decision making, the Administrator of USAID will be included in meetings of the National Security Council, as appropriate. The Administrator will report to the Secretary of State, who will ensure that development and diplomacy are effectively coordinated and mutually reinforcing in the operation of foreign policy. Through existing policy mechanisms (e.g., trade policy through the United States Trade Representative’s Trade Policy Review Group, etc.), an assessment of the “development impact” of policy changes affecting developing countries will be considered.

Reestablish the United States as the global leader on international development. This entails a long-term commitment to rebuilding USAID as the U.S. government’s lead development agency – and as the world’s premier development agency – by focusing on the following areas:

- The development of robust policy, budget, planning, and evaluation capabilities.
- Leadership in the formulation of country and sector development strategies, as appropriate.
- Streamlined operating methods and greater transparency.
- Learning, research and best practices that produce breakthrough results and embrace game-changing innovation.
- Investments that benefit women and girls.
- New partnerships globally that leverage the expertise and resources of others.

The Presidential Policy Directive also commits the U.S. government to building the capabilities of the Millennium Challenge Corporation and better coordinating its efforts with those of USAID and U.S. development policy more generally. The United States will more effectively draw on the contributions of agencies across the United States government, including the Departments of Agriculture, Health and Human Services, Justice, Labor, Commerce, and Treasury, Overseas Private Investment Corporation, United States Export-Import Bank, and the United States Trade and Development Agency.

Establish mechanisms for ensuring coherence in U.S. development policy across the United States government. The United States will:

- Formulate a U.S. Global Development Strategy for approval by the President every four years;

- Conduct a Quadrennial Diplomacy and Development Review by the Department of State and USAID, and
- Establish an Interagency Policy Committee on Global Development, led by the National Security Staff and reporting to the NSC Deputies and Principals, to set priorities, facilitate decision-making where agency positions diverge, and coordinate development policy across the executive branch, including the implementation of this PPD.
- Beyond the issues coordinated by the White House, the Secretary of State will coordinate foreign assistance and the Secretary of the Treasury will coordinate multilateral development bank policy, consistent with existing law. In the field, the Chief of Mission will ensure the coherence and coordination of development cooperation across U.S. agencies.
- Create a U.S. Global Development Council, comprised of leading members of the philanthropic sector, private sector, academia, and civil society, to provide high-level input relevant to the work of United States government agencies.

Foster the integration of capabilities needed to address complex security environments. The United States will seek an enhanced level of interagency cooperation in complex security environments by providing strong incentives for the design of common analysis, planning, and programs that draw upon the distinct perspectives and expertise of different U.S. agencies.

A New Partnership with Congress

President Obama is committed to working closely with Congress to establish a shared vision of the way forward on global development. The Congress has been at the forefront of efforts to build up U.S. development capabilities and to chart new directions and priorities. Any meaningful and permanent change to how we approach development will require engagement with and buy-in from Congress. In forging this new partnership, we will seek greater flexibilities, including a reduction in earmarks and the ability to reallocate funding from less to more effective programs, while committing departments and agencies to a much higher standard of accountability for results.

Implementation

The National Security Staff will coordinate the interagency in implementing this Presidential Policy Directive, beginning with the FY 2012 budget process.

In addition, three major initiatives reflect work already underway to implement core elements of President Obama's new development policy:

Feed the Future (FTF) is the U.S. component of a global initiative launched by President Obama at the London Summit of the G20. FTF is aimed at promoting a comprehensive approach to food security by accelerating economic growth and raising incomes through greater agricultural productivity, increasing incomes and market access for the rural poor and enhancing nutrition. Our efforts are driven by country-owned strategies and coordinated with those of other donors and stakeholders, including leveraging the engagement of other stakeholders, including the private sector, academia, foundations, multilateral institutions and non-government organizations. This also includes the establishment of the Global Agriculture and Food Security

Program (GAFSP) – a multilateral trust fund, based at the World Bank and launched by the United States in collaboration with other donors, including private philanthropy — designed to help poor farmers grow market and earn more.

Our **Global Health Initiative (GHI)** builds on the foundation laid by President George Bush through the creation of the President’s Emergency Program for AIDS Relief (PEPFAR). Taking into account the lessons learned over the last decade, and with an eye to achieving greater and more sustainable impact, the GHI expands our global health effort and impact by improving disease treatment, integrating our interventions and expanding our investments to strengthen health systems, improve maternal child health, address neglected tropical diseases, and foster increased research and development.

Through the **Global Climate Change Initiative (GCCCI)**, the United States will integrate climate change considerations into relevant foreign assistance to foster a low-carbon future and promote sustainable and resilient societies in coming decades. As part of President Obama’s commitments in Copenhagen, we are working together with our partners to provide “fast start” climate finance approaching \$30 billion during the period 2010-2012 to help meet the adaptation and mitigation needs of developing countries, including deploying clean energy technologies. The administration will use the full range of mechanisms – bilateral, multilateral and private – to invest strategically in building lasting resilience to unavoidable climate impacts; reduce emissions from deforestation and land degradation; and, support low-carbon development strategies and the transition to a sustainable, clean energy economy. We are working to make our climate financing efficient, effective, and innovative, based on country-owned plans, and focused on achieving measurable results.

These initiatives prioritize investments in game-changing innovations and research, the capacity of host countries, and strong mechanisms to hold both ourselves and our partners accountable for achieving sustainable outcomes. To make these programs more effective, we are working closely with recipient nations, other donors, non-governmental organizations, the private sector, UN agencies, and multilateral development banks.

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