



# ACCOUNTdown TO 2017

## STRENGTHENING A BIPARTISAN LEGACY OF MODERNIZING FOREIGN ASSISTANCE

**MFAN** MODERNIZING FOREIGN  
ASSISTANCE NETWORK

*MFAN is a reform coalition composed of international development and foreign policy practitioners, policy advocates, and experts. MFAN was created to build upon the bipartisan consensus that has emerged over the last decade that the U.S. should play a leadership role in achieving economic growth and reducing poverty and suffering around the world, and that we can play this role more effectively, efficiently, and transparently.*

JULY 2015

One year ago, the Modernizing Foreign Assistance Network (MFAN) released “The Way Forward: A Reform Agenda for 2014 and Beyond,” a policy agenda for Congress and the President calling for reforms in international development policy and practice to catalyze change and to achieve sustainable, citizen-led results.

This policy brief describes progress made to strengthen the accountability and country ownership of U.S. foreign assistance and outlines further steps for the U.S. government to take over the next 18 months. MFAN will update and release periodic assessments of progress until January 2017. We urge Congress and the administration not to miss this moment to make U.S. foreign aid as effective and impactful as possible.

#### ACCOUNTABILITY

<b>Transparency</b>	Moderate Progress
<b>Evaluation</b>	Moderate Progress
<b>Learning</b>	Little Progress

#### COUNTRY OWNERSHIP

<b>Priorities</b>	Little Progress
<b>Implementation</b>	Moderate Progress
<b>Resources</b>	Moderate Progress

The need to implement this agenda is clear. A world where over a billion people live on less than \$1.25 a day is not conducive to stability, democracy, or economic growth. Effective foreign aid supports informed and empowered citizens who demand good governance and work to ensure prosperity and stability. Ultimately, their countries become better trading partners to the United States, more reliable allies, and safer bets for U.S. private sector investment.

Over the past two decades, bipartisan leadership has strengthened the ability of U.S. foreign assistance to confront threats, reduce poverty, and advance our interests. For example, in 2004, Congress and President George W. Bush established the Millennium Challenge Corporation (MCC) with a focus on global poverty reduction through economic growth. MCC’s approach features a transparent selection process and close partnership with country governments, building in local ownership of priorities and resources from the beginning of an engagement to ensure greater sustainability of results.

In 2010, President Obama further embedded aid effectiveness within U.S. foreign assistance with a presidential policy directive that called for all U.S. assistance to focus on sustainable outcomes, effective partnerships, and modern architecture. To achieve these goals, the U.S. government has launched efforts such as the aid data website ForeignAssistance.gov and USAID’s Local Solutions initiative to ensure that aid is transparent, accountable to all development stakeholders, and builds the capacity of local actors to lead their own development.

Yet the U.S. continues to face significant challenges around the world – from extreme poverty and humanitarian crises to environmental degradation and collapsing states – making effective foreign assistance more imperative than ever. In the next 18 months, Congress and this administration have a major opportunity to enact the key reforms called for in “The Way Forward,” strengthening the reach and catalytic ability of U.S. foreign assistance.

## ACCOUNTABILITY

# TRANSPARENCY

### MAJOR COMMITMENTS MADE, BUT FOLLOW-THROUGH NEEDED

Data drives accountability when it is high quality, accessible to all development stakeholders, timely, and usable. The U.S. government has made progress toward aid transparency, with its commitment to fully implement the International Aid Transparency Initiative (IATI) by the end of 2015, as well as the 2010 launch of the aid data website ForeignAssistance.gov. However, with the 2015 deadline fast approaching, the U.S. government must fully follow through on its commitment to release high-quality, timely, and useable data to both taxpayers and development stakeholders.



MODERATE PROGRESS

### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

All U.S. foreign aid agencies receive “Very Good” or “Good” ratings on the Aid Transparency Index.

All U.S. foreign aid agencies contribute high-quality and comprehensive information to the ForeignAssistance.gov website and implement the IATI standard of publishing data quarterly.

Aid data is accessible to the poor and technology-constrained, and U.S. government agencies promote the wide use of data by all development stakeholders.

### CURRENT STATUS & NEXT STEPS:

- ▶ In July 2015, MCC and USAID received “Very Good” and “Good” ratings, respectively, on the U.S. Aid Transparency Review.<sup>1</sup> The Review rated the following as “Off Track” to meet their transparency goal: PEPFAR (“Fair”), the State Department (“Fair”), the Treasury Department (“Poor”), and the Defense Department (“Poor”).
  - **Next step:** PEPFAR, the State Department, the Treasury Department, and the Defense Department should improve their performance on the Aid Transparency Index, and follow USAID’s lead by developing and publicly releasing a management plan for IATI implementation.
- ▶ In June 2015, the State Department launched an updated ForeignAssistance.gov website with full or partial project-level data from 10 of the over 22 agencies managing foreign assistance.<sup>2</sup>
  - **Next step:** The number of listed and partially-listed agencies should increase substantially beyond 10 and agencies should post project-level information to ForeignAssistance.gov.
- ▶ In June 2015, USAID released results of an aid data pilot program in three countries, and recommended the agency build a strong supply of and local demand for data. In December 2014, MCC and PEPFAR announced they are jointly working on open data systems in multiple pilot countries.
  - **Next step:** The U.S. government should build on existing efforts – such as the ongoing implementation of its IATI commitment – and ensure that the multi-stakeholder Global Partnership for Sustainable Development Data announced in July 2015 harnesses the data revolution for sustainable development.

1. The U.S. Aid Transparency Review and the Aid Transparency Index are published by Publish What You Fund, a global campaign for aid transparency.

2. According to ForeignAssistance.gov, full aid data from recent years is available from USAID, MCC, Peace Corps, the African Development Foundation, and the Inter American Foundation. Partial data is available from the Departments of State, Treasury, Defense, Agriculture, and Health and Human Services.

## ACCOUNTABILITY

# EVALUATION

### CONGRESS SHOULD ENACT THE “FOREIGN AID TRANSPARENCY & ACCOUNTABILITY ACT”

Aid and development decisions should be guided by rigorous evaluations that measure outputs, outcomes, and impact, and that incorporate meaningful feedback from beneficiaries. The U.S. government has made moderate progress embedding evaluations into foreign assistance programs, including establishing evaluation policies at USAID (2011) and State (2012, 2015), which together comprise the majority of all U.S. foreign assistance. However, most agencies still do not rigorously evaluate programs, involve beneficiaries in evaluations, or make these evaluations publicly available in full.



**MODERATE PROGRESS**

### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

The “Foreign Aid Transparency and Accountability Act” is enacted and effectively implemented.

All U.S. foreign assistance programs, including security assistance, are consistently and rigorously evaluated. Moreover, these evaluations are objective and publicly available in their entirety.

The intended program beneficiaries are involved in the evaluation process, including helping to define what counts as success.

The impact of U.S. assistance is assessed years after programs have ended, to ensure that development gains are sustained over time.

### CURRENT STATUS & NEXT STEPS:

- ▶ Congress has considered since 2012 bipartisan legislation sponsored by Rep. Ted Poe and Sen. Marco Rubio to establish government-wide monitoring, evaluation, and transparency of U.S. foreign assistance programs.
  - **Next step:** Congress should enact the “Foreign Aid Transparency and Accountability Act.”
- ▶ In January 2015, the State Department released a new Evaluation Policy committing to evaluate all foreign assistance managed by the Department, including security assistance, and further affirmed this in the April 2015 Quadrennial Diplomacy and Development Review (QDDR).
  - **Next step:** The State Department increases the proportion of evaluations published in full online by January 2016.
- ▶ Foreign assistance agencies, including USAID and MCC, have made little progress on involving beneficiaries in the evaluation process and should involve local evaluators and citizens more extensively in program assessments.
  - **Next step:** USAID, MCC, and PEPFAR should establish policies or guidelines to give local partners and program participants a greater role in the evaluation process.
- ▶ The importance of evaluation after programs have ended is increasingly recognized, and is a component of the Global Food Security Act and other legislation. MCC and USAID have made some independent impact evaluations available online.
  - **Next step:** All development agencies should similarly conduct and make impact evaluations publicly available online in their entirety.<sup>3</sup>

3. Millennium Challenge Corporation “Independent Evaluations” <https://www.mcc.gov/pages/results/evaluations>. United States Agency for International Development “Development Experience Clearinghouse: Evaluations.” <https://dec.usaid.gov/dec/content/evaluations.aspx>.

# ACCOUNTABILITY LEARNING

## CLEAR EVIDENCE NEEDED THAT EVIDENCE DRIVES PROGRAMMING AND BUDGETS

Learning takes the benefits of transparency and evaluation and applies them to strategy, program design, and implementation to achieve better results over time. Individual agencies such as MCC and USAID recognize the value of a learning agenda, but the U.S. government lacks a systematic way to collect and apply what it learns from evaluations.



LITTLE PROGRESS

### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

U.S. government agencies share what they are learning from evaluations, including when programs have fallen short of their aims.

U.S. agencies demonstrate that learning is driving decisions on program design and resource allocation, including midcourse corrections to programs in the field.

Developing country stakeholder perspectives are given appropriately strong weight in evaluating results and impact.

### CURRENT STATUS & NEXT STEPS:

- ▶ The State Department's 2015 Evaluation Policy directs offices to utilize evaluation findings to inform policies, strategies, and budgets.
- ▶ USAID will release a study in Fall 2015 analyzing how evaluations have been used to inform program and budget decisions. USAID Acting Administrator Lenhardt testified to Congress in March 2015 that of 243 evaluations conducted in 2014, half caused rethinking and reprogramming of certain projects.
  - **Next step:** Development agencies including USAID, PEPFAR, and the State Department should conduct similar analyses on a biannual basis to incentivize learning and adaptation.

## COUNTRY OWNERSHIP PRIORITIES

NO PROGRESS ON FUNDING DIRECTIVES, SOME PROGRESS ON LOCAL CONSULTATION

Country ownership of development assistance begins when developing country governments and citizens set their own priorities for needs that must be met, and aid supports those priorities. MCC's country compact development process has been a bright spot, designing compacts based on a partner country-led process of determining priorities. However, Congressional directives and Presidential initiatives continue to carve up aid into silos instead of being guided by input from partner country stakeholders.



LITTLE PROGRESS

### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

A decrease in the percentage of aid directed through Congressional earmarks and Presidential initiatives.

All U.S. development agencies ensure meaningful and consistent engagement with local actors before plans are set.

U.S. aid agencies increase the flexibility of programming for better alignment with local priorities, including within Presidential initiatives.

The U.S. government supports developing country-led efforts to ensure that all people can participate in the setting of development priorities that inform both donor aid and country budget allocation decisions.

### CURRENT STATUS & NEXT STEPS:

- ▶ As of July 2015, USAID has completed 58 of 62 Country Development Cooperation Strategies with local input. However, a February 2015 USAID Inspector General report found that USAID resource allocations are driven more by Congressional and Executive branch directives than local priorities.<sup>4</sup>
  - **Next step:** Congress should increase the flexibility of funding to be more responsive to local needs. Similarly, the administration's budget and allocation processes should prioritize locally-driven development objectives.
- ▶ The once-promising Partnership for Growth pilot program, which coordinated assistance from multiple U.S. agencies around country-identified priorities, has gone silent.
  - **Next step:** The long planned-for mid-term assessment of the approach should be released immediately.
- ▶ In December 2014, PEPFAR launched its sustainability action agenda as part of PEPFAR 3.0, which prioritizes locally-led and driven HIV/AIDS prevention and treatment.
  - **Next Step:** PEPFAR should implement the Sustainability Index and increase in-country financing by at least 25 percent.

4. USAID Office of Inspector General "Audit of USAID Country and Regional Development Cooperation Strategies" Report No. 9-00-15-001-P <https://oig.usaid.gov/sites/default/files/audit-reports/9-000-15-001-p.pdf>

## COUNTRY OWNERSHIP

# IMPLEMENTATION

### ENGAGE MORE WITH LOCAL PARTNERS TO ENSURE SUSTAINABILITY

Local institutions in developing countries – including local and regional government, civil society, and private sector actors – should be the first and default option for delivering aid where appropriate capacity and conditions exist. This includes taking responsibility for managing funds and programs and for delivering transparent, accountable results.



**MODERATE PROGRESS**

### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

Local, developing country institutions are the first and default option for delivering U.S. aid where appropriate capacity and conditions exist.

Local sustainability is a measured objective of projects implemented by U.S.-based grantees and contractors.

U.S. agencies take a holistic approach to local capacity development rather than only focusing on the set of skills needed to manage U.S.-funded projects.

MCC permits the increased use of country procurement systems and local partners in high-performing countries.

USAID transparently measures progress against stated goals of its Local Solutions initiative.

Congress builds on the 2014 Farm Bill by continuing to increase the flexibility of U.S. food assistance.

### CURRENT STATUS & NEXT STEPS:

- ▶ USAID's Local Solutions initiative is programming more funds through local institutions and applying a risk-management approach in order to safely increase the amount of U.S. government resources flowing directly to developing country partners, free of corruption or mismanagement.<sup>5</sup> In 2014, USAID reported that 16.9 percent of program funds supported local institutions (15.1 percent when excluding Afghanistan and Pakistan), only halfway to reaching its 30 percent target by the end of 2015.
  - **Next step:** USAID accelerates progress towards reaching its 30 percent goal.
- ▶ In a June 2015 report, GAO recommended that USAID expand its metrics for Local Solutions to better measure sustainability and self-reliance, as described in MFAN's recent policy brief.<sup>6</sup>
  - **Next step:** USAID should develop and release updated indicators for sustainability and self-reliance by January 2016.
- ▶ The 2014 Farm Bill contains a small victory for more effective food aid by authorizing funds for additional Local and Regional Procurement, decreasing the need for the inefficient practice of monetization, and requiring USAID to report the cost-effectiveness of various methods of delivering assistance.
  - **Next step:** Congress should pass the bipartisan "Food for Peace Reform Act" introduced by Sens. Bob Corker and Chris Coons to maximize flexibility for the U.S. to provide life-saving food assistance, remove wasteful cargo preference requirements, and eliminate inefficient monetization of food aid.

5. USAID "Local Systems: A Framework for Supporting Sustained Development" <http://www.usaid.gov/policy/local-systems-framework>

6. Modernizing Foreign Assistance Network "Metrics for Implementing Country Ownership" [http://www.modernizeaid.net/documents/MFAN\\_Metrics\\_For\\_Implementing\\_Country\\_Ownership.pdf](http://www.modernizeaid.net/documents/MFAN_Metrics_For_Implementing_Country_Ownership.pdf)

## COUNTRY OWNERSHIP

# RESOURCES

### FOLLOW-THROUGH NEEDED TO BUILD FISCAL SELF-RELIANCE OF PARTNER COUNTRIES

Ultimately, partner countries need to raise and invest more of their own domestic resources to address their needs in a sustainable way. U.S. efforts should include capacity building for more efficient tax collection systems, improved management of proceeds from natural resources, better contracting systems, and more efficient budgeting and financial management systems. In addition, the U.S. government and local governments – especially in countries that have achieved middle-income status – should increasingly co-create and co-finance development initiatives.



**MODERATE PROGRESS**

#### WHAT THE U.S. GOVERNMENT SHOULD DELIVER BY 2017

The U.S. government increases its investment in the ability of partner governments to mobilize domestic resources for development and broad-based economic growth.

U.S. agencies consistently integrate local and external aid resources through collaborative planning, management, and reporting.

U.S. agencies work consistently with partner countries, the private sector, and the international community to reduce disincentives to private investment that drives inclusive economic growth.

The U.S. government has expanded the PEPFAR model of cost-sharing throughout PEPFAR, MCC compacts, and USAID country development cooperation strategies, where conditions are right.

#### CURRENT STATUS & NEXT STEPS:

- ▶ In July 2015, the United States announced a partnership with the “Addis Tax Initiative,” a multi-stakeholder effort to increase partner country revenues to achieve development objectives.
  - **Next step:** The U.S. government should fulfill its commitment to double support for domestic resource mobilization and Congress should fund efforts to help willing partner countries pave a path toward long-term self-reliance.
- ▶ PEPFAR launched a \$63 million innovative health financing initiative to encourage partner countries to assume increasing responsibility for HIV/AIDS investments.
  - **Next step:** PEPFAR should report on progress made in countries selected for this financing initiative.
- ▶ In July 2015, USAID released a new Financing Framework to End Preventable Child and Maternal Deaths to transition to sustainably financed health systems at the country level, especially in countries that are graduating to middle-income status.
  - **Next step:** USAID should report on progress made toward implementing this framework.
- ▶ Bipartisan, bicameral legislation, “The Economic Growth and Development Act”, has been introduced in the past two Congresses requiring that rigorous constraints to growth analyses are integrated in all appropriate country, region, and sector development strategies.
  - **Next step:** Congress should pass the Economic Growth and Development Act.