



The DAC's main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

United States 2016

1

Towards a comprehensive United States' development effort

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

Main findings

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

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

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

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

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

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

Exchange of Tax Information, potentially affecting its leadership in this area.

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

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

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

Recommendations

- 1.1** To support its commitment to the SDGs, the US should establish a prioritised, medium- to long-term agenda to further promote policy coherence for sustainable development.
- 1.2** The US should scale up its tools for mobilising private finance by enabling its development finance instruments to respond to increased demand.

Main findings

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

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

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

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

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

The recent focus of USAID – in its mission statement, as well as in policy – on ending extreme poverty is a significant step change. It provides an opportunity to align

USAID and more broadly US development efforts with the SDGs. There is as yet an absence of clear guidance on how to operationalise this vision, although pilots are underway.

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

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

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

Recommendations

- 2.1** Building on PPD-6, the US government should regularly update its whole-of-government development strategy to provide operational guidance for its entire development effort, including its multilateral component.
- 2.2** The US should develop an operational plan for implementing its vision to end extreme poverty, building on experience from pilots.

Main findings

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

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

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

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

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

However, US development assistance is still dispersed and concentration amongst its top recipients has declined

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

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

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

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

Recommendations

- 3.1** To reflect the country's continued economic recovery and its goal of ending extreme poverty by 2030, the US should increase its ODA level in real terms, from its all-time high in 2014.
- 3.2** The US should continue to increase its focus on sectors and programmes where it has a comparative advantage and adds value.

Main findings

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

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

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

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

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

This places the system under strain and presents a risk to effectiveness overall.

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

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

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

Recommendations

- 4.1 As the US government has identified USAID as the lead player in the US development co-operation system, it should entrust it with the mandate of: i) co-ordinating across development initiatives in Washington and in partner countries and ii) bringing together all US government development efforts in partner countries in one publicly available overview.
- 4.2 USAID should review the extent of institutionalisation of recent reform efforts and prioritise remaining reforms, including by fully resourcing the implementation of the human resources transformation plan in order to improve staff recruitment and progression.

Main findings

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

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

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

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

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

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

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

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

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

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

Recommendations

- 5.1** The US should continue to seek both synergies and flexibility across its varied initiatives, programmes and mechanisms, in order for missions to be able to align with country priorities and needs.
- 5.2** The US should take stock of the results of its local systems approach with a view to increasing support to local actors, including governments, and reducing the reliance on US contractors.
- 5.3** The US should streamline its procedures across government departments to achieve more effective and efficient whole-of-government programming.
- 5.4** The US should continue to reduce the level of tied aid, including food aid.

Main findings

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

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

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

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

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

organisation, undermining the ability of staff to make best use of them.

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

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

Recommendations

- 6.1** To improve the use of results information, evidence and data, the US should streamline its indicators and reporting, and align more with partner country results frameworks and the SDGs.
- 6.2** The US should embed its focus on collaborating, learning and adapting with simplified knowledge management tools and through routine follow up of evaluation findings.
- 6.3** The US should continue to work with a vibrant civil society and private sector to deepen citizen engagement with global development.

Main findings

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

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

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

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

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

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

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

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

The US is making efforts to ensure that branding and transparency requirements do not affect partner

neutrality or create protection concerns; the US must continue to take care in this sensitive area.

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

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

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

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

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

Recommendations

- 7.1** The US should continue to review compliance with counter-terrorism measures to ensure that partners can carry on working with local counterparts and are not punished for work in high-risk areas.
- 7.2** The US should continue to strengthen cross-government co-ordination mechanisms, especially in protracted crises and on policy issues, to increase the impact of the US voice on the global stage, and increase the effectiveness of its humanitarian aid on the ground and strengthen its link to long-term development action.
- 7.3** The US should continue to incorporate international guidelines on the military involvement in humanitarian assistance when developing policies and conducting operations.

Access the full report

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