

# Evaluation of the Implementation of the Paris Declaration:

United States Agency for  
International Development  
(USAID)

Case Study

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## ACRONYMS

AAA	Accra Agenda for Action
ADS	Automated Directives Systems
APCC	Agency Policy Coordinating Committee on Aid Effectiveness
CFO	USAID Chief Financial Officer
DAC	Development Assistance Committee
DOL	Department of Labor
DOS	Department of State
FA	Foreign Assistance
FAR	Federal Acquisitions Regulations
FTF	Feed the Future
FY	Fiscal Year
GAO	General Accounting Office
GHI	Global Health Initiative
HHS	Department of Health and Human Services
IG	Office of Inspector General
KI	Key Informant
MCC	Millennium Challenge Corporation
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PD	Paris Declaration
PEPFAR	President's Emergency Plan for AIDS Relief
SI	Social Impact, Inc.
USAID	United States Agency for International Development
USD	United States Dollar
USDA	United States Department of Agriculture
USG	United States Government

## EXECUTIVE SUMMARY

Although in recent years, the U.S. government's nearly \$30 billion in official development assistance (ODA) has increasingly been managed by over twenty U.S. government departments and agencies, the U.S. Agency for International Development (USAID) is still the largest, in calendar year 2009 managing nearly \$15 billion, or about half of the total ODA.

Even if they cannot recite the principles without some prompting, USAID senior staff members and many junior staff are generally aware of the five Paris Declaration (PD) principles and their contents, both those that apply primarily to donors as well as those that apply primarily to recipients. Some are very conversant with the principles and have experience in implementing, or trying to implement, them. Most USAID officers believe that the PD principles would increase aid effectiveness, *if* they could be implemented. They have substantial doubts, however, about USAID's ability to implement them and even about the abilities and willingness of some recipient countries to do so.

USAID's implementation of the PD principles is heavily constrained by the many congressional earmarks, initiatives (especially presidential) by the administration, and other directives it is asked to undertake. They can be very specific and purport to cover much of USAID's budget. Some of the more recent initiatives actually contain PD principles – some even prominently – but most do not.

Within those limitations, USAID has a mixed record on PD implementation, including many attempts to implement the PD, even if those attempts are not systematic across the Agency. As several interviewees pointed out, USAID has a better record on implementation than most people think, even though there is plenty of room for greater implementation.

Notwithstanding structural and procedural limitations imposed on USAID, several USAID officers expressed doubts about the applicability of PD principles, especially to some of the countries in which USAID works. They question both the ability and (in some cases) the willingness of host governments to assume the counterpart roles expected of them under the Paris Declaration. More importantly, they note the personal and professional risks they would assume if the financial management requirements of the U.S. government were breached by, for example, mismanagement of funds by the host government following a budget transfer. USAID is undertaking a review of its procedures, in part to improve its incorporation of PD principles and in part to deal with the management of financial risks attendant on greater country ownership.

### 1) Ownership

- Respect partner country leadership and help strengthen capacity to exercise it

The Ownership commitment by donors to “respect” partner country leadership is a bit vaguer than the other PD principles and must be matched by the interest of the partner country (and its capacity) to exercise leadership. USAID staff would say that, within their substantial legal, political, and organizational constraints, they do try to match reciprocal commitments, but there are many cases in which the recipient governments do not meet their commitments, and even some in which the recipient countries abjure their “strong leadership” role, quite apart from the rest of their commitments. However, this is not such an easy commitment to measure.

## 2) Alignment

- Basing donor aid strategies on recipient country development plan.

First, USAID uses its own strategy process. The George W. Bush administration substantially centralized the strategy process in Washington and did so in a way that paid little to no attention to the host country development plan or, for that matter, to the plans of other donors. Before that (and now perhaps returning more to the *status quo ante*), the draft strategy was prepared by USAID's field missions, together with their respective U.S. embassies. The field missions may well have—and, no doubt, often did—base their proposed strategy *in part* on the recipient country's development plans, when such plans existed and to the extent the plans made sense. However, the missions were expected to conduct their own independent analysis of the country and its needs, as well as the foreign policy interests of the United States, congressional earmarks, presidential directives, and other U.S.-centric factors. On those bases, it proposed for review in Washington an assistance strategy which, to repeat, *took into account but was not based on* the county's plans and those of the other donors.

Second, the number of congressional earmarks and presidential (or other administrative) directives almost overwhelm the amount of funding available in the country. USAID is left with relatively little discretion, especially when compared with other donors. To that extent, both country plans and the views of USAID's missions are substantially irrelevant to the assistance plans, especially in areas like health, hunger, food security, education, gender, and other general and specific congressional mandates, restrictions and earmarks, some of which carry the force of law, while others are politically unavoidable. The various directives will always override any commitments made under the Paris Declaration.

- Using country systems to the maximum extent possible

USAID does not use country systems much to obligate or disburse its funds. However, many USAID officers say that they do so *to the maximum extent possible*, which (certainly from the recipient government's perspective) is relatively small<sup>1</sup>. In explanation, USAID points to the many constraints under which it operates and which contribute to the definition of the maximum extent to which it can use country systems. The many congressional directives it receives covers much of its budget, and in some ways it would not have enough funding to meet all of these directives, even if it developed no other programs at all. In addition, USAID receives many presidential and other administrative directives and labors under many legal and regulatory restrictions. It has been investigated frequently by the Government Accountability Office (GAO) and its own inspector general, and both have left many findings and "recommendations" that USAID rightfully takes as binding. It has a stringent funds-accountability regime, requiring it to monitor and audit funds in a way that most recipient country systems are ill-equipped to accommodate. USAID's own policies

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<sup>1</sup> USAID's Performance and Financial Management system consists of three elements: budget, financial execution and audit. USAID's use of host-country systems, about the same in all three, is low.



also restrict it. Taken together, under these constraints, “to the maximum extent possible” is very narrow, indeed.

Moreover, USAID’s staff is held professionally and personally accountable for designing and managing programs consistent with all of the constraints listed above, and the agency offers precious little defense to those accused of violating these restrictions. Consequently, USAID staff is, understandably, extremely risk-averse.

In addition, USAID staff is dubious about the *bona fides* of many of the governments in the countries in which it works, especially those with high levels of corruption and those controlled by nepotistic, neo-patrimonial elites. In “fragile” or “conflict” states, its staff is even more dubious about the host country government, to the extent a government exists at all. USAID has doubts about the authenticity of the host government’s official development strategies and of the political will, or sometimes faculty, for implementation.

- Predictability

As to providing “reliable indicative commitments of aid over a multi-year framework,” White House Office of Management and Budget (OMB) prohibits USAID from making many detailed, long-term budget commitments, because both Congress and the president view such commitments as indirect constraints on, respectively, their appropriations authority and budget construction and submission authority. Consequently, USAID is wary of providing such commitments, especially if they imply “timely and predictable disbursements on agreed schedules.” *All* multi-year “commitments” by USAID are made “subject to the availability of funds” and the availability of funds is almost always determined on an annual basis.

### 3) **Harmonization**

- Reforming procedures and strengthening incentives for harmonization and alignment

USAID participates in donor “coordination”, at least in the sharing of information and, sometimes, division of labor. But, under the PD, harmonization means more than just coordination.

Within the meaning of the Paris Declaration, harmonization is, first, a kind of taxation-reduction principle: “common arrangements. . .for planning, funding, disbursement, monitoring, evaluating and reporting. . . .” among donors and a reduction of “separate duplicative missions” and training in order to avoid “taxing” recipient country officials with a steady stream of donor visitors, requests for information, inconsistent standards and the like, all of which drain the time of recipient government officials and divert them from attending to their *domestic and internal* responsibilities. Second, harmonization envisages greater division of labor amongst the donors so that multiple donors are not providing different (often inconsistent) programs in the same sector or sub-sector, thereby requiring the recipient county to try to “harmonize” them and to comply with different conditions

and standards. *Typically*, USAID does its own assessments, monitoring and evaluating, and its own planning and funding.<sup>2</sup>

Nevertheless, USAID missions do sometimes work in this manner.

#### **4) Managing for Results**

USAID has been in the lead on managing for results (MfR), a major effort within USAID following the 1993 “reinventing government” program of then-Vice President Albert Gore, some of which was codified in the Government Performance and Results Act of 1993 which requires every US Government agency to provide evidence, preferably quantitative and preferably annually of the *impact* of its work.<sup>3</sup>

It is the recipient governments that often are reluctant, in the experience of many USAID officers, to engage in “results-based management,” including ties to an *ex-ante* results framework, indicators of progress or regress, and the like.

#### **5) Mutual Accountability**

USAID is prohibited by the White House Office of Management and Budget (OMB) from making many detailed, long-term budget commitments (or even definitive projections) lest they seem to affect the appropriations authority of Congress or the budget construction and submission authority of the president. Moreover, projections of disbursement of already-obligated funds are under no such restrictions. Even within the OMB restrictions, more could be done by way of sharing budget projections and budget transparency, especially on disbursements.

Within those boundaries USAID does attempt to be transparent, however, it is almost certainly less transparent than its partners, both other donors and recipients, would like. That said, under the PD, accountability is mutual. Partner countries have made commitments, as have donors. For example, because of GPRA and because of internal directives and requirements, USAID officers spend considerable effort designing measures of impact. Far too often, they say, their partner-country counterparts are either uninterested or incapable of working on similar or other measures of accountability. If they were interested but incapable, assistance to improve their capacities would certainly be possible.

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<sup>2</sup> Although USAID typically does its own assessments, planning, monitoring and evaluating, the rules and policies governing its operations provide, in relevant part: “USAID Missions/Offices should also be aware of the intended analytical efforts of other donors and the host country and, where interests are similar, work together with those donors and the host country to reduce the number of separate, duplicative missions to the field. Missions/Offices should promote opportunities to share lessons learned and build a community of practice,” ADS 201.3.9.1, <<http://www.usaid.gov/policy/ads/200/201.pdf>>. Still, “being aware of” is not an instruction to “use” or “work through” multi-donor mechanisms or those of the host country, let alone to rely on them or substitute them for USAID’s own analysis.

<sup>3</sup> Government Performance and Results Act of 1993 (GPRA), Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C., and 97 U.S.C.); see also the Office of Management and Budget site, <http://www.whitehouse.gov/omb/mgmt-gpra/index-gpra>.

## **Awareness, Leadership Commitment and Capacity**

As a result of a variety of meetings, briefing papers, cables, e-mails, internal directives, policy and program guidance, announcements and training courses, USAID officers are broadly and generally aware of the PD and its principles. Four documents, cited in Annex 2, have been sent to USAID/Washington and field staff specifically about the PD, including possible ways in which its principles could be better implemented, even within USAID's legal, financial and other limitations. But many USAID/Washington officers, while broadly aware of the PD, only vaguely recalled receiving these written materials. They receive many e-mails, announcements, and so forth, but they do not review each of them carefully, especially if they include long attachments.

They do of course pay close attention to USAID's leadership and anything sent by the administrator, or clearly in his/her direct name. And they pay close attention to the leadership's priorities. Consequently, there is no substitute for leadership. Administrator Henrietta Fore returned from Accra energized about the PD and took a very visible lead in urging its implementation. Several USAID officers referred to her messages and the priority she placed on the PD at staff meetings, especially those of mission directors. However, her relatively short term as Administrator may have served to weaken the operational impact of her leadership. As part of a larger Presidential reform initiative, the current Administrator, Dr. Rajiv Shah, has initiated several reforms in which PD principles play a prominent role. Indeed, President Obama has launched several government-wide initiatives—on food security, on health, and on environment—in which PD principles are prominent. USAID is an important partner in those initiatives.

Commitment arises out of that leadership support, but of course needs to be implemented. As noted, Administrator Shah's reforms would implement several PD principles, particularly ownership, alignment, and harmonization. MfR has been an integral part of USAID programming for almost two decades. The issue for USAID officers is whether that commitment is mutual, whether it is shared by partner countries, and if so, what USAID could do to improve mutual performance on that principle. Indeed, for all of the PD principles, if the commitments are shared and capacity is the problem, USAID is prepared to support capacity-building with its partners. Toward that end, new capacity-building guidance is being developed by USAID, directed not so much at partner governments as at non-government organizations that might implement USAID programs.

## **Plans for Increased Paris Declaration Implementation**

Under the Obama administration, USAID's new senior leadership consciously recognizes USAID's shortcomings in implementing the Paris Declaration and the Accra Agenda for Action and it intends to take action to improve implementation. For example, the administrator has appointed a task force, USAID's Procurement Reform Group, to design and implement procurement reform. The task force plan quotes the Paris Declaration and the Accra Agenda for Action prominently as some of the benchmarks and goals for the reform. It identifies five objectives that cover all of the five PD commitments. Some of the reforms can be accomplished within USAID's current authorities, while others will require changes to USAID's regulations, statutes, and directives—which would require congressional action or action by other executive branch entities. Among the former, the Office of the Chief Financial Officer is working with others donors and with the U.S. representative to the Organization for Economic Cooperation

and Development Assistance Committee (OECD-DAC) to design a financial risk assessment tool. This tool would enable USAID and other donors to identify some measure of financial management risk if it were to use host-country systems more, and to identify and help correct or mitigate host-country deficiencies (at least from USAID’s perspective) in financial management. Once the deficiencies are corrected, USAID would be able to gauge risk *ex ante* and decide what conditions it might require to implement the PD, particularly with regard to the use of host country systems.

In addition, the U.S. government has launched three major presidential or whole-of-government initiatives designed, as the name suggests, to include the expertise and resources of various U.S. departments and agencies and then to coordinate their work. All three—Feed the Future, the Global Health Initiative, and the Global Climate Change Initiative—explicitly incorporate Paris Declaration principles. Their core documents include direct quotes from the Paris Declaration. They especially emphasize ownership (or partnership), alignment, and managing for results. They represent tangible commitments by some key Obama administration officials to the Paris Declaration.

Not only is USAID one of the participating departments and agencies, it will have the largest role in implementing all three initiatives. Consequently, USAID staff will become even more engaged with PD principles and implementation, especially those working on these three sectors.

## **EPILOGUE**

Since the collection of the material on which this report relies, President Obama announced the first U.S. Global Development Policy in a speech at the UN. That policy contains many PD principles and actions. During the same period, USAID has introduced additional reform plans and moved forward on the implementation of some of the plans discussed at greater length in the report, in particular the procurement reforms.

USAID Administrator Shah announced a package of seven reforms, collectively called ‘USAID Forward’. One of the seven is a basket of procurement reforms. The other six deal with: (1) rebuilding and managing USAID’s professional cadre; (2) rebuilding USAID’s independent policy capacity and its importance; (3) rebuilding USAID’s independent budget capacity and management; (4) strengthening monitoring and evaluation; (5) increasing innovation; and (6) rebuilding USAID’s science and technology capacity.<sup>4</sup> In addition to the procurement reforms, several of these will include PD-oriented dimensions. For example, the management of USAID’s staff will include better understanding of the PD principles, especially ownership, alignment, and probably harmonization. Similarly, USAID’s policies will include attention to

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<sup>4</sup> During the previous administration, USAID’s independent budget and policy offices were merged with those of the Department of State as was, to a lesser extent, monitoring and evaluation. USAID’s policies and budgets will still be submitted through the secretary of state but their initial drafts will be done independently by USAID. Similarly, USAID will again draft country-specific assistance plans. State’s role in the approval of those country plans is a bit complicated and depends on a variety of factors, including the source of funding, the importance of the country to U.S. national interests, the other USG agencies with assistance programs in the country, and so forth.

these same PD principles. As of the submission of this review, the details of these plans are still being developed.

In addition, guidance to USAID's mission directors is being prepared on building local capacity. The draft version of that guidance includes building a database of potential local partners and local capacity builders. Initial steps include consultations with local actors (especially USAID's own local-country staff), with other donors, with multilateral organizations like the World Bank, the UN and the EU, and with USAID's current implementing partners to identify strong (or potentially strong) local organizations that could be built into direct partners. Missions would look especially for local organizations that might help in such capacity-building. Per the PD principles, "capacity-building activities" would be funded for these local organizations. Those US organizations that are already funded for "capacity-building" will be asked to prioritize these elements of their programs and would be "held accountable" for their progress and results in actually building such capacity.

# 1 INTRODUCTION TO STUDY

Over 150 countries, donors and international organizations signed the Paris Declaration on Aid Effectiveness (PD) in 2005, in an effort to improve the quality and effectiveness of development assistance. The Declaration was further elaborated on at the Accra workshop in 2008. This study focuses on the PD principles, including the Accra Agenda for Action (AAA) of 2008.

The PD is built around five principles: ownership, alignment, harmonization, managing for results, and mutual accountability. This evaluation is part of an independent international evaluation of the PD to examine its implementation and explore its impacts. Beginning in 2007 and ending in 2010, over thirty developing partner countries, and almost twenty donor countries and international organizations, will participate in case study evaluations. The case study results will be incorporated into a Synthesis Report to be presented to the Fourth High Level Forum on Aid Effectiveness in December 2011 in Busan, Korea.

The U.S. government (USG) is participating in this effort by conducting an independent evaluation of its commitment to and efforts towards implementing the PD. To better reflect the reality of USG Foreign Assistance (FA), SI has prepared separate case studies for each of the four main agencies involved in providing U.S. foreign assistance: United States Agency for International Development (USAID), Department of State (DOS), Health and Human Services (HHS), and Millennium Challenge Corporation (MCC), and three smaller case studies on the Department of Labor (DOL), Department of Treasury (TREAS), and the U.S. Department of Agricultural (USDA). To enable comparative analysis, all case studies have used the same conceptual framework. A synthesis report draws on the data and information generated by the case studies.

## 1.1 The assessment approach and methodology

The USG study, along with all the donor studies, assesses four broad areas:

- 1) Leadership and staff commitment to the PD principles;
- 2) The agency's (or agencies') capacity to implement the Paris Declaration and the steps that it has undertaken to enhance its capacity;
- 3) Incentives and disincentives for implementing the PD principles; and
- 4) Coherence, political framework and coordination.

### 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](http://www.oecd.org)

The Paris Declaration is directed at the effectiveness of development aid, and specifically Official Development Assistance (ODA),<sup>5</sup> as the endorsers of the PD are governments and official agencies. This may include humanitarian and emergency assistance and other aid in fragile situations.<sup>6</sup> The international evaluation team’s guidance provided to the Evaluation Team stated that this should also include “vertical funds” that combine resources from several types of donors (bilateral, multilateral, private, corporations, etc.).

The guidance continued, “[a]t the same time, the Paris Declaration 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.”

The SI Evaluation Team’s substantive approach to assessing these areas started with the question: “To what extent are U.S. foreign assistance policies and practices consistent with the five principles of the Paris Declaration?”, rather than limiting our research to those policies and practices specifically labeled, “Paris Declaration.” The team used a mixed-methods approach, including literature and documentation review, semi-structured interviews and focus group interviews of senior and other selected agency headquarters staff. The SI Evaluation Team designed a Key Informant (KI) interview guide that included content and rating scales for the interviewers and interviewees to provide ratings and rankings on important topics/questions. This helped to ensure consistency in data gathering and allowed for greater comparability across agencies. Twenty-five of the fifty-five commitments apply to donors; the Team determined that eleven (at least one under each of the five principles) of them were key commitments that should be analyzed for the USG evaluation, as they are relevant and operational in the USG context. A commitment guide was created and used in interviews as a probe for interviewees less familiar with the Paris Declaration. It allowed the evaluators to find out what practices or processes are consistent with a PD principle, but not necessarily labeled as such.<sup>7</sup> The Team also met with representatives from USAID and the Office of the Director of Foreign Assistance (F) and the USG Reference Group, consisting of representatives from each case study agency, to discuss and confirm the evaluation process and design. With a few exceptions, the case study evaluations do

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<sup>5</sup> 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.”

<sup>6</sup> The general principles of the Paris 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 Paris Declaration and AAA.

<sup>7</sup> Both the interview guide and commitment guide can be found in Annex 4.

not include interviews with field staff. However, field perspectives will be assessed in the team's synthesis report, through survey and field interview data.

Each case study team worked with their agency representative to identify key informants from program, policy, and functional offices, in addition to senior leadership. The final list of key informants was subject to participant availability and willingness to participate. All interviews were confidential.

Successful implementation of the PD principles is not the responsibility, nor even within the reach, of any single government agency. Rather, it relies upon the combined efforts and actions of the agency being reviewed, as well as the host countries it intends to help, other U.S. government donor agencies, other donor countries, and non-government organizations. The purpose and nature of the assistance provided can also have an effect. This report will provide insights into the achievements, challenges, and varying incentives and disincentives to implementing the PD Principles, and present relevant considerations or implications to USAID.

Like the other case studies, the one governing USAID depends on two primary sources: (1) official documents and some e-mails; and (2) interviews. All but one of the interviews was an individual, one-on-one meeting with a manager, mostly senior but some junior.<sup>8</sup> The one focus group was an attempt to include junior, non-management staff. (Between scheduling complications and a low priority for this evaluation, no other similar focus groups could be organized, although several were attempted.)

For advice to the Social Impact evaluation team ('the Team'), especially in constructing the panel of interviewees, USAID provided a small reference group of senior staff, particularly from the office responsible for evaluations and the one responsible for donor coordination and the implementation of the Paris Declaration. They were augmented by two other members from the Africa Bureau and two from the Bureau for Health, but the latter were unable to attend the reference group meetings due to scheduling conflicts. All told, the team worked from a list of sixty-eight potential interviewees (seventy-three, including the alternates) that were not randomly selected. Rather, they were recommended by the reference group members primarily because they were mid-level to senior officials who have policy-making functions or are responsible for implementation of USAID's functions and policies. Annex 1 is a USAID organizational chart, including (in bold) those bureaus and offices to which one or more interviewees were assigned.

Of the sixty-eight on the total list, the USAID team interviewed twenty-two. The list of actual interviewees was not a random selection of a total recommended panel, but rather of those who were willing and available.<sup>9</sup> The interviews were conducted at USAID's headquarters in the

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<sup>8</sup> Virtually all of the quotes here are verbatim and intact. In a few cases, however, comments at different times in the interview have been consolidated into one quote for easier reading. For the same reason, in one or two, an additional phrase from another part of the interview was included in a quote.

<sup>9</sup> The reference group initially defined a rationale for whom to interview: a mixture of senior and junior officers, regional and technical officers, those deeply involved in PD and those who were not, and so forth. Humanitarian assistance was excluded because it is governed by a different set of principles only partly related to the Paris Declaration. However, in practice, that rationale proved impossible to follow because of tight schedules and the unavailability of officers. Not infrequently, officers on the list were away for several weeks at a time. Meetings were frequently rescheduled or canceled entirely. The team attempted to balance the interviews with senior managers with focus groups of more junior officers. While the team succeeded in conducting one focus group interview (with



Ronald Reagan Building and lasted approximately one hour, on average.<sup>10</sup> The Social Impact team used a nine-item protocol, attached as Annex 3, consisting of general questions taken from the master protocol developed for the U.S. government as a whole, attached as Annex 4. The interviews were essentially conversations, guided by the protocol. However, all items of the protocol were included in the interviews, if not always in identical order.

### **USAID differs from other Washington agencies**

USAID differs substantially from the assistance agencies of most of the other U.S. government departments and agencies and from the assistance agencies of most other donors, as well. Notwithstanding a substantial change about five years ago designed to centralize decisions about much of U.S. foreign assistance in Washington, USAID has been and remains highly decentralized. The formulation of USAID's assistance strategies and implementation remains with its "missions" abroad, although in many missions the formulation is very substantially constrained by the Washington centralization. Some assistance sectors, like health, are more centrally directed and implemented than others. However, even in those sectors, the missions are still essential. The USAID mission director in, say, Abuja, is responsible for submitting a proposed assistance plan for Nigeria to Washington through the embassy. It contains an analysis of the needs and resources of the country and a discussion of U.S. interests in the country. It also includes a proposed three to five-year plan detailing the manner in which the amount of resources supplied by Washington for the country should be used.<sup>11</sup>

For that reason, one senior policy-oriented interviewee ventured that USAID is more likely to be PD-compliant on alignment, harmonization, and managing for results because its decision-makers live in the recipient country. That conclusion turns out to be optimistic, if only because, as already noted, the degree of discretion afforded the mission is limited by decisions in Washington, especially by congressional earmarks. When Congress decides that a certain

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officers from the Office of Procurement), scheduling conflicts and cancellations prevented the execution of additional focus group interviews. Out of the five to seven people identified for each the focus group interviews, the team was never able to get more than two people to agree on a time conducive to their schedules. Faced with the difficulties of arranging the first round of focus group interviews, as well as the limited time available for research, the team abandoned the plan for focus groups of junior officers. The result is that the team interviewed those it could reach, rather than those it hoped and intended to reach. In that respect, the list of actual interviewees was not a random selection of a total *ex ante* panel or even a consistent pattern of structured interviews, but rather those who were willing and available. That said, we believe the results are probably fairly representative because the basic story was so consistent throughout the interviews.

<sup>10</sup> Each interviewee was promised anonymity. Each was also assured that the Social Impact team was undertaking a review, not an assessment or evaluation, and that it was not the Paris Declaration Police; in fact, that it was primarily committed to reviewing how and whether the PD had been implemented and why, what the impediments were, and so forth. The team assured each interviewee that it was neutral as to how the review came out and that concerns and caveats were welcome in the service of veracity. For those reasons, no individuals have been named. However, for this section, the individuals are obvious and each was told she/he would be named. In exchange, each has been given an opportunity to read this section to be sure that the views expressed, including the nuances, have been faithfully rendered in this report.

<sup>11</sup> USAID's "policy directives, required procedures, and helpful, optional material are drafted, cleared, and issued" through its Automated Directive System (ADS). "Agency employees must adhere to these policy directives and required procedures." See <<http://www.usaid.gov/policy/ads/aboutads.html>>. Much of the discussion in this paper is covered by the provisions of the ADS "Series 200" that deals with "Programming Policy," <<http://www.usaid.gov/policy/ads/200>>.

amount of its appropriated funds to USAID are to be used for maternal health programs, for example, each appropriate mission is told that, of its total projected budget, some specific millions of dollars must be used for maternal health programs.

Nevertheless, all of the USAID-funded programs in the country, including the earmarked maternal health care (to continue the example), are usually left to the USAID mission to design and implement. The total budget may be decided in Washington, but not the details, although for some general initiatives, that too is changing. Moreover, for the still-significant proportion of the program budget not earmarked,<sup>12</sup> the mission's plan is the first draft plan for the sectors that will be supported, what programs will be funded within the sectors, who will implement them, how their impacts will be measured, and so forth. It submits its *draft* strategy to Washington, which may send it back with instructions to amend it. Everyone understands that the mission is under the authority of the USAID administrator, the relevant regional assistant administrator, and the relevant ambassador. Because implementation is delegated to the field missions, to ask how the Paris Declaration is being implemented within USAID requires primarily a review of the missions, not of headquarters.

Per the DAC agreements, however, this overall assessment is grounded in headquarters. However, many USAID's senior officials in Washington are Foreign Service officers serving a tour in headquarters. They know the missions well and, for the most part, will be assigned to a mission after their Washington tours have ended. Therefore, because of their past and their future, the mission experience and perspective is critical in shaping their perspectives, even while serving as headquarters officials.

## 1 USAID'S PROGRAMS<sup>13</sup>

Notwithstanding several recent presidential initiatives—on global health, food security, and climate change—housed in new organizations or coordinated outside USAID (but in which USAID plays a substantial role), and notwithstanding the programs of perhaps two dozen departments, agencies and bureaus, USAID still designs, manages, and implements what is by far the largest amount of U.S. official development assistance. In calendar year 2009, of the nearly \$30 billion in U.S. ODA,<sup>14</sup> USAID managed nearly USD \$15 billion.<sup>15</sup> Using the OECD sector categories, USAID manages programs in social infrastructure and services (education, health and population, water supply and sanitation, and democracy and governance), economic infrastructure and services (transportation, communication, energy, banking, and business), and production sectors (agriculture, forestry, fishing, industry, mineral and mining, construction,

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<sup>12</sup> See the section on “Legislative Origins and Directives” below for a more lengthy discussion of earmarks and their relation to USAID's budgets and programming.

<sup>13</sup> This section is a synopsis prepared by the case study authors and information not taken from official sources or collected primarily for this study is noted.

<sup>14</sup> *OECD.StatsExtract* database found at <http://stats.oecd.org/index.aspx> (click on “Development,” “Aggregate Aid Statistics,” “ODA by Donor,” and select “Gross Disbursements”).

<sup>15</sup> 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 as background for the U.S. Annual Submission to the OECD/DAC. Note that the proportion of U.S. assistance managed by any agency is not fixed, and varies significantly from year to year.

trade, and tourism).<sup>16</sup> It manages them in “sustainable development” countries, in countries of special foreign policy interest to the U.S., in fragile states (pre-conflict, conflict, and post-conflict environments). Moreover, of the now many U.S. government departments and agencies engaged in foreign assistance, USAID is by far the oldest, with the most experience, approaching half a century of practice.

Over the past decade, USAID has had to face new challenges with declining human resources. Perhaps the most obvious is the delivery of development assistance in areas of war and subnational conflict with the U.S. military as a partner and often driving force.<sup>17</sup> Indeed in those countries, USAID’s personnel and resources have become part of a military-political strategy in which USAID plays a supporting and often lagging role (both in terms of authority and time). In Iraq and Afghanistan, the U.S. counter-insurgency strategy is summarized in three activities: clear, hold, and build. USAID plays some role in the hold, and a definite role in the build dimension. These are roles with which, unlike sustainable development, USAID has had little experience since the conflict in Vietnam forty-five years ago. In fact, over the past two presidential administrations, assistance has been re-conceptualized, not primarily as a humanitarian or pure development effort, but as *part of* the national security strategy and structure of the United States in the so-called “3 D’s”: defense, diplomacy and development.<sup>18</sup> That re-conception has in turn called for a rethinking of USAID’s internal structures, procedures, goals, and purposes.

### **Legislative Origins and Directives**

USAID began in 1961 as an initiative of President Kennedy’s administration. It became the first U.S. foreign assistance organization focused on long-range economic and social development assistance, and the only agency able to offer direct support to developing countries. The agency unified previous U.S. aid efforts, combining the economic and technical assistance operations of the International Cooperation Agency, the Development Loan Fund, the Export-Import Bank, and the Food for Peace program of the Department of Agriculture. In effect, “USAID was established to unify assistance efforts, to provide a new focus on the needs of a changing world, and to assist other countries in maintaining their independence and become self-supporting.”<sup>19</sup>

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<sup>16</sup> OECD sector categories taken from *OECD. StatsExtract* database found at <http://stats.oecd.org/index.aspx> (click on “Development,” “Aggregate Aid Statistics,” and then “ODA by Sectors”).

<sup>17</sup> In addition to the obvious cases—Iraq and Afghanistan—USAID is working closely with the military in Yemen, Somalia, Haiti, the Philippines, and many other countries. USAID’s Office of Transition Initiatives, in particular, has for some years been working closely with the military, but there is also a new USAID Office of Military Affairs that details USAID officers—many brought back from retirement, but increasingly regular Foreign Service officers—to the staff of each U.S. combatant commander. Finally, there is an even newer USAID Office of Civilian Response to recruit, train and assign USAID-funded civilians to work alongside the military in such efforts as the Provincial Reconstruction Teams in Iraq and Afghanistan and elsewhere.

<sup>18</sup> USAID is responsible for the development element of the “3 D’s”, as it always has been, but development was not previously conceived as an integral part of U.S. national security and therefore was not viewed primarily through a national security lens.

<sup>19</sup> This language comes from the legislation that *authorizes* USAID to operate and that also provides limitations to its authorized operations. USAID receives an annual *appropriation* of funds to implement its authorized activities. Congress can of course amend the authorization at any time and the appropriations are made annually (although some are made available for more than one year). <[http://www.usaid.gov/about\\_usaid/usaidhist.html](http://www.usaid.gov/about_usaid/usaidhist.html)>.

It is no exaggeration to say that USAID has been, and still is, beset by earmarks and directives. In that respect, as in several others, it differs significantly from the development agencies of other donors, whose legislatures provide funds with few—if any—conditions. Congressional directives come in several forms. The unequivocal come as part of USAID’s authorizations and appropriations. These are, in fact, statutory instructions and therefore carry the force of law. There is no negotiating or navigating around them. Only a subsequent statute can provide relief. These are “earmarks” in the truest sense of the term.

Perhaps more insidious, however, are the so-called “soft earmarks”. Many, perhaps most, statutes are accompanied by reports from the respective House and Senate committees that have legislative jurisdiction over them. In addition, the House and Senate committees also typically file a “joint” or conference report describing the compromises made to conform the bills of their respective chambers into a single, uniform bill for submission to the president. These three reports (including sections, if any, by the minority party) are in theory designed to explain what Congress meant in passing the statutes. In fact, they are often very substantial documents in their own right, including conditioning language—so-called “report language”—of various intensity and direction for the implementation of the appropriation: “USAID shall. . . .”; “USAID should. . . .”; “the Committee expects that USAID will. . . .”; “The Committee recommends that USAID. . . .” and so forth. The language can also be very specific, naming not just programs but particular universities, non-governmental organizations (NGOs) and companies to be funded and the amounts to be provided them by USAID.

These soft earmarks do not technically carry the force of law, per se and USAID could legally ignore them. However, the committees most often treat them as if they were part of the statutes, with the force of law. In practice, the distinction between positive law and these soft earmarks has limited meaning, since USAID needs the support of these same committees for the next annual appropriation—even, for its existence. So as a political matter, if not a legal one, the “report language” counts as a directive.

So voluminous are these soft earmarks that if they were all to be honored, their sum would be greater than the appropriation itself, even excluding those that do not include specific amounts of funding, and if USAID developed no programs of its own—for example, in economic growth or governance, which almost never receive congressional or administration earmarks, directives or initiatives. Still, some of this report language has been inserted by a member of Congress for political reasons (to satisfy a constituency) but without really expecting it will be honored. Consequently, Congress and the administration have developed a semi-formal process over the years by which USAID consults—and negotiates with—the respective committees to decide which of these informal directives will be honored and which will not.

In addition to congressional earmarks (soft and hard), presidential initiatives further constrain the ability of the missions to design programs of greatest need in the country. Just as for congressional earmarks, each mission is given an “internal earmark” for its program and budget. It is instructed to design a country-specific program to meet (or at least contribute to) the goals of the initiative.

## 2 FINDINGS

### 2.1 Awareness, Leadership and Commitment

USAID has done quite a lot to explain PD principles within the agency and to support their implementation. The result is a broad and general awareness by USAID staff of the PD and its principles. Every one of our interviewees knew about the PD and most could name at least the five major principles. In fact, with minimal prompting, all knew the basic five principles. Table 1 summarizes the level of USAID staff awareness, although the word “modestly” probably underestimates the level of awareness.

Table 1, Awareness of PD principles				
Knowledge of PD Principles	Highly Aware	Modestly Aware	Limited Awareness	No Awareness
# of interviewees	5	15	2	0

USAID officers learned about PD from a variety of meetings, briefing papers, cables (sometimes jointly sent by State and USAID), e-mails, internal directives, policy and program guidance, conversations, announcements and training courses. The Office of Development Partners provided a list of four documents intended to provide a sample of PD-related official documents sent to USAID officers, including policy and program guidance, and Executive Messages (see Annex 2). Outside the Office of Development Partners, however, not a single interviewee referred to any of them. Several interviewees vaguely recalled receiving Executive Messages or guidance about the PD but, they said, given the large number of such messages they receive most of them are not memorable, especially if they are informative but not directive.

One document, “The Reference Guide to Existing USAID Automated Directives Systems (ADS) Guidance on Use of Country Systems,” identifies the specific ADS provisions consistent with PD commitment on use of country systems and provides the legal guidelines for implementing this commitment *within* USAID’s existing framework. The ADS is USAID’s comprehensive compilation of all of the rules, regulations, policies, and procedures covering the design and implementation of its foreign assistance programs. USAID officers are required to follow the ADS, notwithstanding other guidance or policies that may be in conflict with it. The document provides references to relevant ADS sections, and how protection might be found for the application of a key PD commitment within the ADS. As one program officer noted, many PD principles can be found in the ADS, but they are not specifically *identified* with the Paris Declaration.

Authoritative documents by themselves are rarely sufficient to incentivize and sustain substantial reform. Personal leadership makes a substantial difference. Several interviewees noted that the cables, guidance and policy did not have a dramatic effect until USAID’s then-administrator, Henrietta Fore, returned from the 2008 Third High-Level Forum on Aid Effectiveness in Accra. Administrator Fore was animated by Accra and took a very visible lead on the PD. She was the driving force behind much of the policy guidance, e-mails, etc., sent to the field. Moreover, she appointed an inter-bureau Agency Policy Coordinating Committee on Aid Effectiveness (APCC)

under the direction of the counselor to the Administrator which, among other things, assumed responsibility for incorporating PD principles into policy, guidance and practice. She met every six weeks with a collection of her most senior officials and included PD implementation in several of those meetings. She reserved prominent and extensive time at several regional meetings of mission directors to discuss the PD and to indicate her enthusiastic endorsement of its principles and her desire—even instruction—to implement it within USAID. One of the top two requests at such a meeting in Africa, we were told, was guidance about PD and its priority to the administrator. Fore presided over several multi-donor meetings in countries she visited, and emphasized the Paris Declaration at each one.

The current administrator, Dr. Rajiv Shah, has taken a similar course, indicating his strong support for the Paris Declaration. “He is deeply engaged on the Paris Declaration,” said one former mission director<sup>20</sup> who travelled with Shah, “and he is taking it very seriously.” The administrator recognizes that USAID tends to be risk-averse and he has been working to underline the need to take more “measured risk,” according to the interviewee. Another interviewee added that the 2011 PD meeting in Korea will include additional incentives, and will concentrate attention on the PD as preparations for the meeting become more immediate.

Since former Administrator Fore’s return from the meetings in Accra in 2008, PD principles have become much more widely understood throughout the agency, especially among senior officials, and reportedly among their more junior colleagues who hold general responsibility for programming (as opposed to more narrow geographical or technical responsibilities). Moreover, USAID officials generally agree with the PD principles and support their implementation, especially the principle that – notwithstanding earmarks, directives and initiatives – country needs should guide assistance.

### **Principles not Fully Understood or Implemented**

All is well and good in principle. In practice, however, things are somewhat more complicated. There are constraints, implementation problems, and even doubts.

First, there remain a lot of uncertainties and misunderstandings about the PD, its provisions, and its principles, according to several interviewees. Second, according to one senior official actually responsible for PD implementation, “[W]e need to translate the guidance from the lofty 30,000 foot perspective into local mission performance. . . . We need to deal with concrete issues like how to make implementation operable . . . . As a result, the guidance about principles hasn’t

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<sup>20</sup> As already noted, USAID staff – especially at the senior levels – moves between Washington and the field. USAID’s administrator, deputy administrator, and most assistant administrators (responsible for the respective regional bureaus, technical bureaus like Health or Economic Growth and Trade), and administrative bureaus (like the Management Bureau or the new Policy, Program and Learning Bureau) are political appointees of the president. The deputy assistant administrators—the next step below assistant administrators—are usually career officers, Foreign Service officers or mission directors spending two to four years in Washington. As a result, the senior leadership at USAID consists disproportionately of political appointees and senior Foreign Service officers (usually mission directors) on rotation in Washington, and these constitute many of the key interviewees for this review. Consequently, in almost every case in this review “former mission director” means just such a mission director: someone who was most recently a mission director taking a rotation in Washington who will most likely return as a mission director to a different country, unless they retire. Consequently, these are “former mission directors” who are probably also “future mission directors.” Since this review covers headquarters and since the interviews were disproportionately with senior leadership, many of the interviewees were, in this sense, “former mission directors”.

been very useful.” Another interviewee added that “there has not been enough guidance or instruction on implementation.” The PD principles may well be understood at the senior level, but, according to several interviewees, they have not adequately been “drilled down” to lower levels where the implementation actually occurs. There has been little help regarding the specifics of implementation. “PD principles are fine ideals and appeal to our idealism,” said one interviewee, “but they are not very practical and need to be tempered by reality.” Mission directors may agree with the PD principles, but have many reservations about implementation and a consequent reluctance to implement them. As summarized by one interviewee, “[E]specially when there is a tradeoff between four of the PD principles and the Managing for Results principle, [mission directors] will choose the latter.”

### **Guidance and Priorities**

Apart from understanding PD principles, USAID officials are unsure about their priority. “PD principles were not a major priority until after Administrator Fore returned from Accra . . . and even then, they did not permeate the agency,” said one interviewee. Even after Administrator Fore indicated her support for the PD, broad uncertainty remained about how important they were *relative* to her other priorities. Beyond the administrator’s priorities, there are also presidential initiatives that express priorities of the president of the United States. “Presidential or congressional directives don’t necessarily align with the needs identified by host country officials or citizens,” noted one senior official, “but that doesn’t matter to USAID. The directives will define the agency’s programs, not the PD principles about conforming assistance to the country’s plans.”<sup>21</sup> Neither can the plethora of congressional earmarks and priorities—formal and informal—nor congressional oversight be ignored. These various U.S. priorities may or may not be the priorities of the respective recipient countries, and even if they are, their implementation may or may not represent the host country’s same priorities or use country systems. Still, they are the priorities of the U.S. legislative branch from which USAID receives its authorities and appropriations, and of the U.S. executive branch, of which USAID is a part. In that respect, U.S. has a top-down, not bottom-up, system, so the priorities may not be those of USAID’s field missions either.<sup>22</sup> “People don’t know how high this one ranks”—“[T]here are too many priorities”, commented several interviewees. Even now, although people are aware of the PD, “it’s a ‘back-burner’ issue as far as I can see,” said another interviewee. Moreover, whatever its status at USAID, according to one former mission director “eyes at State and among ambassadors glaze over when the Paris Declaration or its principles are mentioned by USAID”, and of course USAID is a part of the entire USG country team led by the ambassador. The

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<sup>21</sup> For example, it is not clear at all that most countries would prefer to have as much of the USAID budget allocated to certain of these presidential initiatives—for example, AIDS—as the missions are instructed to program. To consider just the AIDS amounts, which are huge in proportion to other programs, we were told by an authoritative source that many of the recipient countries would prefer that other health needs get higher priority, while AIDS get relatively lower priority, and that programs other than health get more money proportionately. That is different from whether counties are consulted about the use of the AIDS funding they are “offered.”

<sup>22</sup> Like the presidential directives, many recipient countries—and probably many USAID missions—would prefer a different allocation of resources and may even prefer not to have certain programs at all. However, the congressional earmarks require them and in that respect, the PD principles of alignment and even of ownership are trumped by the earmarks. The earmarks may be “right” but they are not “aligned.”

exception is when European ambassadors, who are generally “more on-board” with the PD than their American colleagues, raise the PD in chief-of-mission meetings.

## **Coherence**

In the view of the authors, of the many problems hampering PD implementation, coherence is among the least problematic. For these purposes, coherence comes in two forms: policy coherence and organizational coherence. Policy coherence—rarely achieved perfectly—would require no tensions in interests, goals and therefore policies. However, the desirability of, say, pushing to privatize inefficient state-owned enterprises to increase economic growth may be thwarted by the desire to court, for other purposes, a particular regime whose leadership and patronage networks are sustained by exactly such enterprises. To offer one hypothetical example, the desire by one part of the USG to gain anti-terrorist or anti-trafficking or anti-criminal cooperation may cause that part of the USG to argue against pressuring such a regime on other grounds. Within the USG and within each of its agencies are also organizational interests (often but not always tied to policy considerations) which overlap and can cause organizational incoherence as each section pursues its own (sometimes overlapping) programs. Certainly, among the earmarks and directives under which USAID operates a few exist that encumber PD implementation. For example, source/origin/nationality requirements in the Foreign Assistance Act may not align with host country plans and priorities, but that requirement has been all but eviscerated by the globalization of manufacturing: it is no longer very clear what the requirement means when products consist of components manufactured in so many different countries. Agriculture may be one of the few remaining products in which “source and origin” can be determined in a relatively clear and unambiguous fashion, and the requirement to purchase agricultural products from U.S. producers and ship them in U.S.-owned and registered ships does have an effect on USAID’s food aid programs, including humanitarian assistance.

Under USAID’s strategy process, inconsistencies between program objectives and implementation are normally identified and, to the extent possible, redressed. Of course, there may be tensions between different elements of any USAID program: support for the distribution of health care and medical supplies, for example, and democratic governance and reduction of corruption. To what extent should USAID turn a blind eye to corruption in or the authoritarian nature of a government (especially its health ministry) in order to deliver health care? But these are tensions between “good principles” in sub-optimal environments and also potential incoherence in policy.

## **2.2 Incentives and Disincentives**

USAID has created no official or systematic incentives to support the PD or its principles. The many USAID officers who agree with and are trying to implement them appear to be doing so because they believe development is important, and that the PD principles will in fact improve aid effectiveness. “There are no special incentives, certainly no financial incentives, other than idealism,” said one officer. Reportedly, only among a few mission directors does the implementation of PD and PD principles figure in the annual evaluation of their own performance, and even then, not as a critical part. None of the PD principles, per se, is included in the USAID “precepts” that establish the general criteria for rating USAID’s foreign service officers’ performance, or—at least as important—for high rankings for promotion. This is in part because the precepts are more general, including such categories as “management of resources”, “leadership”, etc., and because PD simply does not, in general, rank as high for its senior



management as other USAID priorities.<sup>23</sup> However, the idea of “partnership” has become more important within USAID, and in that context PD principles may play an increasingly important role.

### **Risk Management, Policy and Legal Constraints**

Perhaps the greatest constraints to PD implementation, at least as experienced by USAID officials, are not the priorities of the president, the administrator, and even Congress. Those priorities may express what to do, but USAID’s legal and regulatory regime constraints prescribe or limit how they should be done. The laws and regulations are more than admonitions and they carry penalties for non-compliance.

Foreign assistance has a weak claim on budget resources, and a weak national constituency. The electorate sees little benefit to sending funds abroad and much prefers to support domestic needs and programs, especially in poor economic times, and with growing governmental budget deficits. Simultaneously, USAID programs about \$20 billion each year<sup>24</sup> in countries, many of which, not to put a fine point on it, are hardly immune from patronage, corruption, waste and fraud. Moreover, the story of development is at best one of both progress and regress. In that environment, USAID is extremely risk-averse, particularly in matters regarding the handling of cash or cash equivalents, and especially in situations involving turning cash over to a recipient government with weak controls. Finally, Congress is always sensitive to the misuse of funds in foreign assistance. A similar misuse by the Department of Defense would be noticed but would not trigger such an internal crisis, and not just because of the much larger DOD budget or the smaller proportion of the entire budget any such misuse might represent, but because of inherently weak political support for foreign assistance, and therefore USAID. To all of that is added the legal and financial regime put into place to guard against misuse of federal funds in general, across all agencies. When, unlike many other agencies, a *core* function of an agency is the handling of public funds, that protection regime is correspondingly central to the agency’s operations.

In addition to its own internal checks, balances and “watchdogs,” USAID is subject to investigation by several official and unofficial (but in some ways more consequential) watchdogs, like congressional committees and the press. Two of the most important external investigatory bodies are the Congress’ General Accounting Office (GAO) and the quasi-internal Office of Inspector General (IG). After its investigations, the GAO issues reports with specific (and often lengthy) findings and recommendations, to which USAID is required to respond because the GAO operates under congressional warrant and often in response to specific congressional requests. The IG has prosecutorial authorities whose targets can be individual or organizational. The “funds control” procedures, the potential for mismanagement of funds, the incapacity of many host country officials to do full and open procurement, and especially to follow the U.S. Federal Acquisitions Regulations (FAR) that apply to all U.S. government contracting across all departments and agencies, all make USAID staff nervous about losing control of taxpayer funds, absent a clear indication that they will not be held responsible in the

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<sup>23</sup> Mission directors are among USAID’s most senior leaders. Their performance evaluations reflect that seniority by including elements regarding strategic vision, concrete results, even changes, in host country priorities, policies and performance, in the basic relations between USAID and the host country government, and the like. These are the kinds of results envisioned by the PD.

<sup>24</sup> See, for example, <<http://www.usaid.gov/policy/budget/money>>.

event of an investigation by the GAO, the IG, the press, or (in the extreme) the Department of Justice.<sup>25</sup>

Nothing that has gone to the staff has been sufficient to convince them that the agency would protect them, indemnify them in the event of a civil suit, or defend them in the event of a criminal case resulting from the misuse of funds in host country systems—something they feel is all but inevitable. They rely on one another and on the rules and procedures when USAID itself does the procurement, but they are nervous when asked to be the person responsible for turning over funds to the host country. “We need some kind of certification procedure to be able to ensure that the host country can receive and manage financial resources securely,” said one former mission director, “and we need systems to ensure that taxpayer dollars are used wisely, that funds will be managed appropriately, and that procurement is done honestly.” “We need procurement rules, host country controls, funds controls, and prudent use of taxpayer funds,” said another former mission director, “and we need some kind of arrangement for congressional oversight.” Said a third, “A contract with a host-country entity is more complicated and risky, so in many field missions, at the very least, USAID training would be needed.”

For all of those reasons—legal, political and cultural—risk aversion is ingrained in USAID’s procedures and culture. As a practical matter, USAID almost certainly spends substantially more in staff compensation, office space, and contractors to avoid misuse of public funds than it would if it just absorbed the misuse as a kind of “cost of business.” As a result of this elaborate set of checks and balances, USAID suffers from the frustration of its staff and partners, and from a reputation for sluggishness. Nevertheless, it cannot take the political hit of even the occasional scandal. Politically, it cannot endure the costs.

### **2.3 Ownership and Alignment**

When called upon by other donors, by recipients, possibly by best practices, and by the Paris Declaration to align its programs with recipient countries—especially to the extent that alignment means using country systems and budget transfers—USAID cannot easily do so. Or, more accurately, its staff resists doing so until the policies, rules, regulations, and guidance clearly, definitively, and publicly change. The staff is caught in a policy tension. On the one hand, it is trained to audit for receipts, manage funds controls, compete fully, openly, and publicly, attend to all of the directives and priorities of Congress, the administration, and USAID’s own leadership, follow the policies and procedures of the FAR and USAID’s ADS, and is held personally and professionally accountable for those procedures, principles and results. On the other hand, under PD principles it is asked to use country systems rather than the ones for which it was trained, for which it is accountable, and which it has been assured will maximize financial integrity. In fact, many recipient countries would prefer budget transfers, but often without the kinds of funds accountability standards imposed on USAID itself. Unsurprisingly, that is precisely the tension found within USAID.

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<sup>25</sup> See especially former USAID Administrator Andrew Natsios’ recent article, *The Clash of the Counter-bureaucracy and Development*; Center for Global Development; 13 July 2010; <<http://www.cgdev.org/content/publications/detail/1424271>>. It is the GAO and IG offices to which Natsios refers as “the counter-bureaucracy”, whose relation to USAID and its development he analyzes and whose deleterious effects on U.S.AID’s development mission he excoriates.

## Capacity

Most of the interviewees raised one or another of these concerns and constraints as they affect PD implementation. Moreover, contracting through host-country institutions requires host-country capacity and several interviewees said that USAID has not invested in the capacity of host country counterparts to do so, even in those cases where the host country officials were willing to learn.<sup>26</sup> “We could make it work but we would need more field staff and appropriately trained staff to do so.” This echoes what another staff officer, cited earlier, meant by saying that the PD is idealistic, but not practical. “We don’t have the capacity to make small grants and many of the host-country organizations don’t have the capacity to handle funds according to the rules. You will have scandals if we push country systems. Moreover, if we do that it will slow down the process, there will be unspent funds [called pipelines], and Congress is likely to reduce our future appropriations because we have all of that pipeline, so there may well be less funding for those countries.”

## Host Country Limitations

Apart from the mechanics (contracting, funds management, etc.), several interviewees believe that the nature of the host country is of substantial consequence to the ownership and alignment, let alone partnership, envisaged under the Paris Declaration. According to one former mission director, much depends on the character of the country, its relations with the United States, and what it seeks from the PD provisions. Some are authoritarian regimes that violate principles of aid effectiveness. “There is not complete harmony between PD principles and the character of two of the countries in which I worked,” said one former mission director. “For example, they didn’t want NGOs, whether from the U.S. or from their own country, receiving our funds or implementing programs. They didn’t like NGOs and didn’t want them receiving support. They made it difficult for NGOs to operate and wanted the funds to flow only through the government where they could block funding to the NGOs. They wanted a transfer of funds to them, but they did not want any of the other PD principles, including managing for results. They resisted internalizing PD principles.” Another mission director noted that, for one of his countries there just was a lack of commitment. “We couldn’t get the government to take on the host government role. Yet in [a neighboring country] we had the opposite: a ministry of planning highly cognizant and conversant in PD principles and aid effectiveness; a government that had an aid policy and an aid effectiveness plan trying its best to get donors into harmonious slots; and a government that encouraged general budget or sector support for harmonization, alignment and other PD principles.” Another interviewee noted that “anywhere there is an MCC program, USAID has more opportunity to implement PD principles, because we are working with governments that have threshold requirements, meaning they are more likely to have a cooperative, transparent and friendly relationship with the U.S.” “The Paris Declaration principles may work once counties have reached a certain level of development,” noted yet another interviewee, “but it may be deleterious before that. We could create more problems than solutions by applying the Paris Declaration in weak states.”

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<sup>26</sup> Of course, host country officials cannot reasonably be asked to become proficient in the specific and varying requirements of each donor. If the “capacity” commitments of the PD are to become truly meaningful and operational, perhaps the donors will need to “align” their requirements better with one another. That is the intent of USAID’s new administration in developing a financial management risk assessment tool for all the donors. See Section 5.2 below.

Indeed, USAID’s policies include these considerations, especially as they relate to the PD principle of country ownership. “In *progressive reform-oriented countries*, their own national development strategy should provide a basis for developing a U.S. assistance plan that respects partner country leadership, is strongly supported in country, and helps strengthen partner country capability to implement the plan.”<sup>27</sup>

A somewhat different problem, but with a similar result, arises when there is a fundamental tension between the U.S. and the recipient country, yet an assistance program exists. When the U.S. has an assistance program in a country with which it has tense relations, both the recipient country and the U.S. often doubt the intentions of the other. The U.S. may suspect that its assistance resources are being used by the host country for purposes with which it does not agree, perhaps even to support domestic actors working directly against U.S. interests. Meanwhile, the recipient country may suspect that the U.S. is simply using assistance resources to support critics or enemies of the host government, or worse, to organize against it. Any attempt by the one to organize around the PD principles is interpreted by the other as a way of undercutting the purpose of assistance. In countries where the relationship is adversarial, the host country is even more likely to point to the PD, accuse the U.S. of not using host country systems, and push for budget transfers and complete control of the assistance program, noted one former mission director. That tension makes it difficult to give practical effect to “respect for the host country leadership” and to align USAID assistance with the host country system. In that environment, the attempt to use country systems has the potential to exacerbate the tensions: USAID insists on financial controls or free and open competition, which the host country may view as an attack on its sovereignty, as a way to find out more about its budgeting and finances, or as a way of subverting its governmental systems—and probably all three.

In those cases, but also in many others, many USAID staff see the host country emphasizing only one aspect of a PD relationship: budget transfers. “Many just want our funds,” said one former mission director; “[T]hey just want the budget transfer and then for us to go away or at least to get out of the way.” Budget transfers are the most desirable form of assistance for the recipient country but, for the reasons noted above, the most problematic form for USAID. In theory, the budget transfer aligns perfectly with the host country priorities, even when it comes under some agreements or conditions, because money is fungible.<sup>28</sup> The host country can easily say the funds have been used for a common purpose and USAID can worry that they were indirectly diverted into purposes inconsistent with those goals. Naturally, that worry is greater when there is tension or animosity in the overall relationship. In fact, USAID once did quite a bit of “non-project assistance” (i.e., direct funding or funding transfers), but because of some of the oversight issues and congressional and administration demand for quick turnaround and directly attributable outputs, “we have lost our ability to do it,” said one officer. “USAID will need to rise to the challenge in countries that to implement according to PD principles but don’t have the capacity

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<sup>27</sup> USAID ADS 202.3.4.2; emphasis added.

<sup>28</sup> For example, the country might technically comply with conditions on the use of assistance funds but then use its own, “freed-up” budgetary funds for precisely the purposes that the donor has circumscribed. The classic example, of course, is the use of donor assistance funds for social services (even with conditions) but then using the budgetary funds that it would otherwise have had to spend on the social services for its military and security forces.

to do so, including budget support,” said a former mission director, “and to train host country officials where they are willing to learn but don’t have the capacity now.”<sup>29</sup>

The problems of budget transfers expose a more fundamental problem: the idea of partnership and the mutuality of roles between the donor and the recipient. Many USAID officials see the PD principles as the foundations, even the guiding tenets, of a partnership. From their perspective, they impose *mutual* roles and obligations. It does not lay out a different path *only* for the donors. The recipients have their responsibilities, as well. To be sure, one of the PD principles is “alignment”, which includes use of country systems and procedures “to the maximum extent possible.”<sup>30</sup>

## 2.4 Mutual Accountability

Another PD principle is mutual accountability. Under the PD, the partner countries commit to strengthen “as appropriate [their] parliamentary role in national development strategies and/or budgets” and to reinforcing “participatory approaches” in the formulation and assessment of progress in implementing national development strategies. Donors commit to providing “timely, transparent and comprehensive information on aid flows” to their partners. They mutually commit to “jointly assess through existing and increasingly objective country-level mechanisms *mutual* progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments.” USAID has spent considerable resources developing objective, measurable impact indicators for results, not just outputs, of its assistance.<sup>31</sup> The of many USAID staff is that accountability for results, which they are required to meet under the Government Accountability and Results Act of 1993,<sup>32</sup> is not shared by the partner countries: they are not *mutual* because many partner countries do not share USAID’s commitment to accountability and managing for results. “Either reduce the requirements for handling public funds or build their capacity and allow for monitoring and evaluation,” said one former mission director. “They need to commit as well. [Country A] in which I served never sent its people for the training offered by USAID. It’s got to be a partnership, and they need to commit to that and take responsibility as well.” “Most USAID officers would agree to the PD principles,” said another, “but believe that many, even most, recipient countries may not be willing to do so. The recipient governments don’t necessarily want the transparency, aren’t willing to train their staffs, won’t pay their trained officers well enough to retain them, and then we have to start over again. And so on. It’s got to be a partnership, and they need to commit to that and take responsibility as well.” “Many recipients are just as happy to have the U.S. manage the finances and procurements so long as the programs are aligned with the country plan,” observed a third. “That way they wouldn’t have to deal with the social pressures for providing jobs to their relatives or supporters,

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<sup>29</sup> USAID is paying more attention to building capacity. See pp 5, 7, 21, and Executive Summary, Epilogue.

<sup>30</sup> Paris Declaration on Aid Effectiveness, Statement 21, <<http://www.oecd.org/dataoecd/11/41/34428351.pdf>>.

<sup>31</sup> Unfortunately, “results” are not mentioned specifically in the PD section on mutual accountability, although that may be what is meant by “aid effectiveness.” This paragraph could be expanded to deal with “joint assessments” *à la* PD commitment 50 and perhaps repeat the point on “transparent and comprehensive aid flows”, *à la* commitment 49. Results are of course mentioned in the Managing for Results principle and, in commitment 44, the “partner countries commit to . . . endeavor to establish results-oriented reporting and assessments framework that monitor progress against. . . a manageable number of indicators . . . . Moreover, in commitment 46, “partner countries and donors jointly commit to work together . . . to strengthen country capacities and demand for results based management.”

<sup>32</sup> See pp. 4–5 above

deal with alternative requests from different constituencies, and so forth.” Another former mission director was uncertain about how much responsibility the host country governments really want to assume, for political and social reasons: “I’m not so sure about [Country B]. They didn’t seem too interested in handling the funds and being responsible for the decisions about their use.” On a similar theme, another mission director noted that “some projects could/would break some rice bowls.”<sup>33</sup> They may not be appropriate [for the application of PD principles].” Another remarked that the government of [Country C] resisted internalizing the PD principles itself. As indicated in Section 4.3, one mission director described the difference between two countries in which he served. In the first, the mission simply “couldn’t get the government to take the [PD] host country role; they had higher priorities.” Yet the government of the second, a neighboring country, was exactly the reverse and the mission director worked extremely closely with it so that all USAID programs really were jointly conceived and approved.

## **2.5 Managing for Results and Harmonization**

Part of mutual accountability, stressed several former mission directors, is the major PD category, ‘Managing for Results’. While host countries emphasize the alignment principle, especially unilateral alignment by the donors with host country development strategies and the use of host country systems, they do not often want to discuss the results management principles or to be held accountable for results. “They want the one but not the other,” noted one former mission director.

One of the most interesting comments came from a former mission director deeply engaged with the PD process. “Some of the countries are fatigued with the PD process. Many of them care about country systems but not harmonization. Many are feeling fatigue about the PD: too much effort with too little return. They don’t really care as much if there are a lot of different missions as they do to control the resources. On the flip side, it’s a lot easier for a donor to align with the country priorities than to use the recipient’s country systems.” Another noted that the government of [Country D] resisted internalizing the PD principles, perhaps out of the fatigue mentioned above, perhaps out of the difficulties of a true partnership, perhaps because of the “social pressures” required of a PD partnership, perhaps for other reasons.

Another former mission director discussed the potential discrepancy between what some in the government request and what USAID thinks the country needs: “Conversely, sometimes the host country counterparts want state-of-the-art equipment, when the broader needs are more rudimentary.” Alignment would favor the country officials’ views. Assume, for example, said the officer, that the health ministry or some doctor wants MRI imaging to build a state-of-the-art facility as part of the country’s health plan, but that USAID, based on its own experience, analysis *and* many discussions with health officers in the country, concludes that the funds would be better spent on more primary care for more people. The PD country ownership and alignment principles would seem to require that USAID purchase the equipment.<sup>34</sup> USAID officials resist the conclusion that host country judgment should prevail. Finally, one officer

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<sup>33</sup> Assistance projects may undermine the interests of some political or economic allies of those in power—for example, anticorruption programs, or those that support small medium enterprises may undermine state or private monopolies.

<sup>34</sup> This kind of difference means, of course, that USAID and the partner country do not agree on objectives and results, so it would probably not be conducive to an agreement or a USAID investment choice.

implicitly proposed some kind of scaling system: perhaps the application of PD principles would be good “after a certain level of development, but they may be deleterious before that.”

All told, these are more than individual concerns. They are raised by USAID’s senior officers, in part on their own behalf, but mostly on behalf of the agency as a whole. As already noted, every USAID officer takes a personal risk in approving any activity that does not completely comply with the regulations and their interpretations, however conservative, imposed by USAID’s overseers. However, these officers are mostly concerned, as a matter of principle, with following the law and safeguarding taxpayer investments, and, as a practical matter, protecting USAID from criticism, or worse. So these are not idle concerns, nor do they arise primarily out of an exaggerated attempt at self-protection.

### 3 USAID’S RESPONSE AND NEW PD-RELATED INITIATIVES

USAID Administrator Shah and several of his senior management staff are very committed to the Paris Declaration and to the implementation of its principles. Indeed, for many reasons, of which the PD is only one, the new USAID administration has started down a path to major reform. If pursued and implemented, the proposed reforms are intended to provide a different basic business model for USAID, including how it manages risk. The new business model would provide substantial cover for the agency and officer concerns described above.

#### 3.1 Delivering Assistance Differently

In January 2010, Administrator Shah appointed a general task force on procurement reform, the USAID’s Procurement Reform Group. The task force has undertaken a substantial review of USAID’s procurement procedures with an eye toward the ways in which procedures can be modified to allow greater implementation of PD principles. For example, the General Counsel’s office undertook a review of the statutes and regulations governing USAID’s procurements, and also of USAID’s own regulations and guidance. It acknowledges that, along with other negative consequences, some existing laws, regulations, policies, and guidance have impeded implementation of the PD.

In early August, Administrator Shah issued an internal General Notice, “Building Development Leadership: USAID’s Operational and Procurement Improvement Plan” announcing and attaching the task force’s report. The Paris Declaration features prominently in the report. The lead sentence of its third paragraph reads, “The recommendations outlined below are intended to increase the impact of USAID foreign assistance efforts in accordance with. . . the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.” As a result of its current procurement model, the report continues, “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. . . .”<sup>35</sup>

USAID has identified several areas where implementation and procurement reform can help meet the goals of the Paris Declaration on Aid Effectiveness.”<sup>36</sup>

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<sup>35</sup> “Building Local Development Leadership: USAID’s Operational and Procurement Improvement Plan” on p. 1. NB. The pages are not numbered in the draft, but have been numbered by the authors for purposes of this case study.

<sup>36</sup> Ibid. at p. 3.

The report identifies six objectives and targets to be phased in over five years, with the majority to be completed over the next two to three years. Objectives and targets related to *ownership, alignment, and harmonization* are specifically included. Objective 1 is to “strengthen partner country capacity to improve aid effectiveness and sustainability.”<sup>37</sup> This objective provides two targets:

- 1) An immediate target: “[I]n FY 2013, USAID will obligate no less than 14 percent of its program funds through partner country systems in 18 countries”; and
- 2) A medium target: “in FY 2015 USAID will obligate no less than 20 percent of its program funds through partner country systems in 25 countries and be actively working in additional countries. . . .”<sup>38</sup>

Objective 5 is to “strengthen collaboration and partnership with bilateral donors, multilateral and international organizations to increase synergies and avoid duplication.”<sup>39</sup> Under Objective 5, USAID will “strengthen [its] 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 [its] ability to focus its development efforts in particular sectors or areas and avoid duplication with development activities carried out by other donors.”<sup>40</sup>

Where USAID can make changes on its own in its guidance and policies, the Administrator intends to do so after substantial consultations, especially with Congress. Policies and guidance would be revised and, consistent with the report, some of those revisions would affect USAID’s implementation of PD principles. Administrator Shah also proposes to ask Congress to revise certain laws and regulations. For example, USAID hopes to identify and establish legal “safe harbors” so that if missions use host country systems—including host country procurements—within the boundaries of those legal safe harbors, then the mission and its staff would not be held accountable for subsequent allegations of misuse that fall within the safe harbors parameters. In those cases, the agency would assume the risk, including the cost of a legal defense, if necessary.

Even if all of the reforms are approved, however, there will be clear limits. “We acknowledge that not enough has been done on PD reform, and we need a drastic change, including the use of host country systems *where they meet at least minimal standards of fiduciary responsibility*,” said a member of the task force (emphasis added). “We should support the country’s national development strategy. We also want to engage more with other donors and with host country strategies and priorities. We definitely need changes in the rules and procedures, but we also need change in the culture.” As an example, a member of the task force noted that many mission directors believe that host countries cannot undertake USAID procurements or procurements for USAID or may not even want to do so:

But, even under the current legal, regulatory and policy structure, 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

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<sup>37</sup> Ibid.

<sup>38</sup> Ibid. at p. 4.

<sup>39</sup> Ibid. at p. 8.

<sup>40</sup> Ibid. at p. 7.



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.

In this brief quote, a senior USAID officer and member of the task force acknowledges that greater harmonization, capacity building, ownership, alignment (including host country procurement), training, and incentives are possible even under current rules, procedures and policies and that they will be attempted.

Another new member of the Shah team noted that the PD is becoming “a second language” within the donor community and that the new administration would redouble its support for it. Although USAID may be something of a late-learner in terms of the broad PD agenda, he noted that, even under current procedures, USAID is complying with the PD more than people think, especially at the field level. However, he continued, USAID still has not done enough to make field offices PD-compliant. Particular attention should be paid to ownership, predictability and managing for results. USAID tries to align assistance with country priorities, within the constraints of congressional earmarks, lack of ability to make long-term commitments (because the White House Office of Management and Budget will not allow official budget projections in order not to presume on, let alone constrain, presidential or congressional options), and perhaps excess centralization. USAID has performed budget support and procurement through country systems in the past, he said, but that was some time ago and many of the officers who knew how to do so have retired. At the very least, countries should have a fuller accounting of what assistance is being provided in their countries, which means greater transparency, but also assistance to improve the technical capabilities of their governments as well as USAID's.

However, donors are not the only ones with responsibilities under the Paris Declaration, he noted. “We also need more discussion of, and emphasis on, the mutual accountability element of the PD, not just the alignment and harmonization aspects. We need also to look at managing for results. The PD is a package. In particular because the PD has empowered the central ministries of finance in the recipient countries and reduced the powers of line ministries, we need to keep our eyes on managing for results at the sectorial level.”

In short, USAID's senior management intends to:

- Move further down the road of alignment and long-term assistance;
- Establish training systems to incorporate government priorities in its plans and programs;
- Delegate authorities and build partnerships with recipient countries;
- Better disseminate aid effectiveness language to its officers, especially in the field;
- Create better guidance and toolkits, especially for strengthening country systems; and
- Establish greater trust by Congress, in part by informing its members and committees about problems before, not after, they arise.

### 3.2 Financial Management Reform

As part of USAID's Procurement Reform Group's efforts, the agency has reviewed its policies, rules and procedures relating to financial management. The modifications it hopes to develop could have a substantial effect on implementation of PD principles, because (as noted by many USAID staff in the section on Findings, above) the need for fiscal accountability often constrains USAID's implementation of PD principles.

The Office of the Chief Financial Officer (CFO) is responsible for the agency's comptrollers and financial managers, and for the policies they apply. The comptrollers implement, warrant, and certify USAID's expenditure of public funds, including certification that PD-motivated ownership arrangements conform to the fiduciary standards demanded by Congress and the president. The comptrollers are the immediate budgetary fiduciaries for the U.S. taxpayers.

Recognizing that it is the Administrator who will ultimately decide what USAID's policies are—and what financial management risks it will assume within the bounds of the law and the president's directions—a senior officer in CFO noted the limitations on his assignment. USAID will probably not dramatically increase the extent of host country contracting; paragraph 15 of the Accra Agenda requires the use of country systems or an explanation of why they will not be used. Indeed, as the USAID's Procurement Reform Group's report states: “[Reforms] will require simplifying the procurement processes while maintaining legal and quality assurance as USAID builds local capacity. . . . Helping build more robust country systems will also enable greater alignment of donor funds to identified priorities . . . [and] facilitate donor alignment around the country's agenda . . . .”<sup>41</sup> Indeed, Objective 1 of the report—“Strengthen partner country capacity to improve aid effectiveness and sustainability”—includes the following bullet: “Increase use of *reliable* 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.*”<sup>42</sup>

Consequently, said the CFO interviewee, USAID needs to assure itself of the reliability of host country systems before they are used. In the 1970s, just over half of USAID's funding flowed through host country systems. Now it is close to two percent. The agency was badly burned by the misuse of its funds in many countries. As a result, he noted, the late Senator Jesse Helms, then-chairman of the U.S. Senate Committee on Foreign Relations, regularly upbraided USAID about “pissing funds down a rat hole.” In addition, Congress requested several separate General Accounting Office investigations that included many findings and recommendations. USAID was required to respond to each one, justifying its policies and procedures or promising to amend them to “fix” the problems. As the CFO said, in the face of those reports and the investigations of its own inspector general, investigations of fraud and abuse, source, origin, and nationality statutory requirements, a declining workforce, public and congressional pressure, and the obvious and sometimes massive abuses by host countries abroad, USAID became a risk-averse organization.

One interviewee said, “For USAID, any host-country contracting must, like our own, comply with the U.S. Federal Acquisition Regulations,” said the interviewee. “If it does not, USAID will

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<sup>41</sup> Ibid. at pp. 1-2.

<sup>42</sup> Ibid. at p. 3; italics added.

not be able to process vouchers. Absent relief from its provisions, USAID will impose the FAR. It should be clear that in some countries, USAID will not do sector support or work on country systems. In other countries, where they are making serious reforms, we should support their efforts.”<sup>43</sup>

Within that political and legal context, USAID is developing a mechanism—a country public financial management system assessment tool—intended to gauge, if not also manage, donor risk. It is trying to develop an effective method for evaluating the country system, especially its financial strengths, weaknesses and risks, *before* using host country procurement and financial systems. The assessment tool would provide a measure, up front, of the systemic risks of using any given host country system.

The new tool should provide “ninety percent reliability”, so USAID managers can decide and document how much risk the agency will accept and how much personal risk contracting officers will be asked to take on, he said. The greater the risks, the less budget support would be provided, or the greater the limitations USAID would impose on it. For example, if some ministries have proper procedures and safeguards that include an accounting system of integrity and sound due diligence, USAID may be able to provide sector budget support through those ministries even if it cannot provide budget support to the country as a whole. Another possibility would be to embed accounting firms within ministries and contract with the accounting firm to conduct due diligence, document the risks, and submit its findings to the mission director, who would then need to make a judgment and bear the consequent risks.

Once USAID has a system of risk identification and risk management, it will need to decide what kinds of controls are needed where, as well as who will have the authority to approve taking on what level of risk under what conditions. Under different risk scenarios, it might be the mission director alone or the assistant administrator of the region or the chief financial officer. Cases of greater risk might call for multiple approvals or tighter conditions.

Depending on the Administrator’s policy decision, he said,

[We] would be giving up immediate impact and control with longer financial pipelines, but we want to move to sustainable development, so we need to harmonize our programs with the country’s development plan and if possible put our funds through their systems. We understand that there is a cost of doing development business. We understand the risks, and we need to find ways of reducing them. We have a responsibility to tell host countries where they are deficient in managing public funds, theirs as well as ours. We are trying to make our comptrollers development specialists, not just accountants, but we need a policy umbrella for public accountability and the use of public funds. At the end of the day, we, in general, and chief financial officers in particular, are trustees for the U.S. taxpayers.

USAID is undertaking this financial management design effort after discussions with (and to a certain extent in collaboration with) other donors, including Canada, the United Kingdom, the

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<sup>43</sup> As noted by one USAID reviewer, USAID does have other mechanism by which funds may be transferred to host countries for use under their procurement rules which do not require imposition of the FAR. USAID is developing other exceptions, including a waiver issued by the administrator for any procurement under \$5 m. to encourage local sourcing.

World Bank, and even the OECD’s own task force on public financial management. By working with other donors, USAID hopes to reach consensus on a standard global tool, rather than depending on comptroller standards and procedures donor-by-donor, or just “scolding the recipient governments.” If so, it may be possible to rely on the assessments done by others, under a global standard tool. The administrator is likely to announce general changes that would make the use of host-country systems possible, at least under certain conditions and with certain limitations.<sup>44</sup>

In sum, the new Obama administration team at USAID begins with the intent to make USAID more PD compliant and to take the PD very much into account within its larger reforms. It does so with a clear understanding of the limitations on the agency – some self-imposed, and others imposed by Congress or the president, by laws and regulations, or by deeply embedded political processes. Various reform proposals and options ultimately will be submitted to the administrator of USAID. It remains to be seen how much risk he is willing to assume on behalf of PD principles and how much headway the new team can make with Congress, with the GAO, with their IG, and with the rest of the administration.

### **3.3 The “Whole of Government” Approach: Implications for the PD**

Like former Secretary of State Condoleezza Rice during the Bush administration, a number of senior Obama administration officials within and beyond USAID are intent on reducing the fragmentation of U.S. foreign assistance over twenty agencies and cabinet-level departments. Although begun under the Bush administration, the Obama administration has championed the “whole of government” approach to assistance: several agencies working together, usually under a multi-agency coordinating committee. Often the approach is embodied in a presidential initiative, stemming from, or at least nurtured by, the National Security Council. USAID is almost always included, usually as the major implementer. Three such “whole-of-government” initiatives – Feed the Future, the Global Health Initiative and the Global Climate Initiative – each with a very substantial budget, have been launched. USAID is a member of the core management of each and in all cases will be a major, if not the prime, implementer. As in previous administrations, these presidential initiatives will constitute a large portion of USAID’s budget.

#### ***Feed the Future***

Feed the Future (FTF) is the U.S. government’s long-standing food program, repackaged and enhanced. For it, President Obama has pledged \$3.5 billion over three years.

Of the three initiatives, FTF is the one most rooted in PD principles and the one most explicit about them:

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<sup>44</sup> The General Notice of August 9, 2010 (ibid.) includes an attachment, “Frequently Asked Questions on Procurement Reform,” which contains the following:

Question: How do I know if the country where I am working has adequate public financial management or procurement systems in place?

Answer: The CFO’s office is developing an assessment tool that Missions can use to determine whether a specific Ministry or government department has the requisite systems in place. You should contact the CFO’s office to get support if you would like to work with partner country systems.

The five principles of a common approach, first articulated at L’Aquila, embrace the *Paris Declaration 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.<sup>45</sup>

In particular, FTF will emphasize ownership and alignment: “The country-owned plans . . . serve as the foundation for countries to mobilize resources and coordinate with development partners . . . [so] we commit to work in partnership to invest in country-owned plans that support results-based programs . . . [in which] host governments must decide on their own needs, priorities and development strategies . . . based on evidence and experience and in consultation with their development partners, including donors, civil society, and the private sector.”<sup>46</sup> The magic word, *alignment*, appears, as well as *transparency* and *accountability*: “We are expanding our government’s commitment to aligning our investments with partner country priorities and increasing our own transparency and accountability.”<sup>47</sup> Moreover, managing for results runs throughout the program’s principles, not only for the United States but also for the partner country.<sup>48</sup> Less explicitly than the other PD principles, harmonization is also an important part of FTF: “We will support the implementation of country-owned plans through investments that draw on our areas of comparative advantage, such as research and innovation and private sector-led growth . . . .”<sup>49</sup>

Nevertheless:

While a country-led planning process is the central mechanism for coordination in our approach, country-led *does not mean “government only.”* Meaningful consultation with multiple stakeholders is critical to ensuring equitable growth and poverty reduction. Stakeholders comprise a broad range of local, national, regional, and international actors affected by or interested in food security, including affected populations, host governments (including local and legislative bodies), non-governmental organizations (NGOs), cooperatives, foundations, universities, donors and multilateral institutions, local civic and religious actors, private sector entities, labor unions, and women-focused organizations.<sup>50</sup>

FTF will have a (still-unnamed) coordinator who will “align and integrate FTF with complementary efforts in agriculture, trade, health, climate change, and economic policy in service of a common strategy,”<sup>51</sup> to “improve coordination within our own government, . . . and will strengthen collaboration with the international community, including other bilateral donors, multilateral development banks, and other international organizations.”<sup>52</sup> The coordinator will have two deputy coordinators, one for diplomacy and the other for development; the deputy for development is a veteran USAID Foreign Service officer. USAID will almost certainly be the

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<sup>45</sup> Feed the Future Guide, <[http://www.feedthefuture.gov/FTF\\_Guide.pdf](http://www.feedthefuture.gov/FTF_Guide.pdf)>, pp iv, 1.

<sup>46</sup> *Ibid.* at pp. iv-v, 1, 4.

<sup>47</sup> *Ibid.* at p. 4.

<sup>48</sup> *Ibid.* at p. 9.

<sup>49</sup> *Ibid.* at p. v.

<sup>50</sup> *Ibid.* at p. 6 (emphasis added).

<sup>51</sup> *Ibid.* at p. iii.

<sup>52</sup> *Ibid.* at 6-7.

lead agency for FTF and, at least within that program, USAID officers and their supervisors will become much more familiar with, and further internalize, the PD principles.

### ***Global Health Initiative***

The president's new Global Health Initiative (GHI) will provide US \$63 billion over six years, although some is "already underway,"<sup>53</sup> which means that the value of current programs, including many USAID programs, is contained in this \$6 billion figure. The president's Emergency Plan for AIDS Relief (PEPFAR) is the lead agency, but USAID is a primary implementer of GHI:

The GHI will help partner countries improve health outcomes through strengthened health systems, with a particular focus on improving the health of women, newborns and children through programs including infectious disease, nutrition, maternal and child health, and safe water.<sup>54</sup>

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

*Through the Global Health Initiative, 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.*<sup>55</sup>

PD principles, especially country ownership and alignment, are even more explicit in the subsequent discussion of how GHI will work:

Partnership with countries: It is ultimately those within countries—the governments, non-governmental organizations, the private sector and others who are responsible for making and sustaining progress. They must be accountable to those served by their own health systems. Accordingly, a core principle of the GHI is to encourage country ownership and invest in country-led plans. In implementing this principle, the U.S. government will support partner countries in managing, overseeing, and operating the functions of their national health systems. The GHI will work closely with partner governments, as well as civil society organizations in country, to ensure that investments are aligned with national priorities, and to support partner government's commitment and capacity so that investments are maintained in the future. The partnership will be based on support for country-level processes of policy development and planning, along

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<sup>53</sup> Implementation of the Global Health Initiative: Consultation Document; <<http://www.pepfar.gov/documents/organization/136504.pdf>> at p. 5.

<sup>54</sup>Ibid, p. 4.

<sup>55</sup> Ibid p. 3 (italics and bold, original) The initiative is still under construction: "In the coming months this implementation roadmap will be refined and finalized, through consultation with Congress, partner countries, civil society organizations, other donors and governments, the private sector, and multilateral and international institutions." *ibid.*

with the provision of technical assistance through a model of mutual respect, responsiveness to demand, and dedication to capacity development.<sup>56</sup>

In addition to country ownership and alignment, GHI places substantial emphasis on the PD principles, managing for results, and mutual accountability:

The performance of a health service delivery platform is ultimately measured in outcomes, or in indicators closely linked to outcomes. The GHI will support innovations that promote a results-oriented, rather than expenditure- or input-based, approach to system strengthening.

While the GHI program will apply everywhere U.S. government global health dollars are at work, GHI will launch an intensified effort in a subset of up to twenty ‘GHI Plus’ countries that provide significant opportunities for impact, evaluation, and partnership with governments.<sup>57</sup>

Nine criteria will be used to select the focus countries, including two PD principles:

- 1) Partner country interest in participation, including commitments regarding monitoring and evaluation, as well as transparent reporting; and
- 2) Engagement of partners in collaborative health systems strengthening and support of national health plan.<sup>58</sup>

Work in global health has been a central feature of USAID’s assistance for decades. Indeed, for much of that time, USAID has had an entire bureau devoted solely to health and a series of special congressionally-appropriated accounts devoted solely to elements of global health, particularly maternal health care. Moreover, long before PEPFAR was created in 2003 by President George W. Bush specifically to address AIDS, USAID had been partnering with other U.S. departments and agencies, like the Centers for Disease Control, that receive USAID funding for most of their international programs. It remains to be seen how the new whole-of-government approach will affect USAID’s long-standing programming.

### ***Global Climate Change***

Within USAID, the Global Climate Change Initiative is the least developed of the three new, large, whole-of-government presidential initiatives.<sup>59</sup> Like the other whole-of-government initiatives, it will be governed no doubt by an inter-agency working group (almost certainly including the Environmental Protection Agency, for example) and probably a coordinator.

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<sup>56</sup> Ibid. at p. 7.

<sup>57</sup> Ibid. at p. 9.

<sup>58</sup> Ibid. at 10.

<sup>59</sup> The only site for Global Climate Change seems to be on the USAID website and, as of the date of this report, includes the following disclaimer: “Please note, many links in the Global Climate Change portion of USAID’s web sites point to information on the U.S. State Department and White House web sites. Some of these materials may be under review and temporarily unavailable. These links will be updated on USAID’s web sites as soon as possible. Thank you for your patience.” <[http://www.usaid.gov/our\\_work/environment/climate/](http://www.usaid.gov/our_work/environment/climate/)> (accessed September 3, 2010). However, neither the White House website nor the State Department website seems to have a discussion of the Global Climate Initiative.

The Global Climate initiative represents the United States' "commitment to the full implementation of the Copenhagen Accord . . . [and to] mainstreaming climate considerations into development activities."<sup>60</sup> It will be managed by USAID, State, and Treasury. For fiscal year 2011, the president has requested a congressional appropriation of \$1.4 billion. Of that amount, about thirty-five percent would be managed by USAID and eleven percent by the Department of State; nearly fifty-five percent would go through the Department of Treasury to multilateral organizations.<sup>61</sup> The USAID and State funding would support three "pillars"—adaptation, clean energy and sustainable landscapes—as well as "enabling activities" like monitoring, evaluation, verification, and low-carbon strategies."<sup>62</sup> Between them, the funds will support programs in 49 individual countries and regional programs in every hemisphere. They will also support a global engagement program that, perhaps even more than the others, incorporates PD principles through "an integrated U.S. government approach that is strategic, sustainable, informed by interaction with local stakeholders, and takes advantage of the U.S. government's ability to convene, catalyze, and leverage a broad range of organizations and individuals outside of government. The U.S. government will engage in a spirit of respect to pursue partnerships in areas of shared interest and promote mutual understanding while addressing a wide range of shared concerns."<sup>63</sup>

As USAID's website notes, "Addressing the causes and effects of climate change has been a key focus of USAID's development assistance for over a decade".<sup>64</sup> In fact, during the Clinton administration, USAID's Global Bureau had five "centers of excellence," one of which was the Environment Center. In the time that USAID has had an environmental focus, it has often partnered with the Environmental Protection Agency and environmental NGOs. Consequently, what exactly will be new or different about this initiative remains unclear as of this report.

Nevertheless, whether long-standing or newly created, some PD principles are embedded in the modalities of the Global Climate Change Initiative:

USAID places particular emphasis on partnerships with the private sector and on working with local and national authorities, communities, and nongovernmental organizations to create alliances that build on the relative strengths of each. Bringing together a diverse range of stakeholders helps avoid unnecessary duplication and lays the foundation for a sustained, integrated approach. Through training, tools, and other means of capacity building, USAID helps developing and transition countries address climate-related concerns as a part of their development goals.<sup>65</sup>

### 3.4 Some Additional Questions

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<sup>60</sup> Department of State; U.S. International Climate Change Finance, <<http://www.state.gov/documents/organization/140689.pdf>> .

<sup>61</sup> Congressional Budget Justification, Volume 2, Foreign Operations. pp. 5-16. <[http://www.usaid.gov/policy/budget/cbj2011/2011\\_CBJ\\_Vol\\_2.pdf](http://www.usaid.gov/policy/budget/cbj2011/2011_CBJ_Vol_2.pdf)>.

<sup>62</sup> Ibid. at p. 9.

<sup>63</sup> Ibid. at p. 15.

<sup>64</sup> <[http://www.usaid.gov/our\\_work/environment/climate](http://www.usaid.gov/our_work/environment/climate)>.

<sup>65</sup> Ibid.



During the course of the interviews, several broader questions were raised by interviewees about the Paris Declaration's provisions themselves, questions that did not immediately and proximately engage the primary focus of the review, which was USAID's implementation of the PD.

One quite senior officer wondered what evidence showed that the PD principles, even if fully implemented, actually contributed to aid effectiveness: "PD principles are like motherhood, but has anyone evaluated whether PD principles actually result in more effective assistance? I have not seen any statistics on aid effectiveness. What is the evidence? . . . Right now, it seems like the [PD principles] are a religious experience, not a scientific experience . . . I haven't seen any statistics that measure the effectiveness of these principles and, interestingly, no one has asked."<sup>66</sup>

Reiterating the comments of others discussed above, the same officer noted that sometimes, the host country engages on the PD, but sometimes it does not. Leaving capacity aside entirely, the PD assumes at least a willing, if not also able, host country counterpart. The PD is an agreement between host countries and donors and, as several interviewees noted, the agreement includes reciprocal obligations. Recipients, not just donors, have undertaken commitments under the Paris Declaration, particularly in the area of managing for results. The conversation at Korea should include all of the PD provisions, not only the ones, for example, on alignment and harmonization, which apply primarily to donors.<sup>67</sup>

Third, even in the areas of alignment and harmonization, this officer noted that sometimes the host country interlocutors are clearly self-interested in their requests of donors. The officer noted the case (cf. Section 4.4) in which a Western-educated doctor requested very advanced and expensive equipment through the health program to create a state-of-the-art hospital with MRI imaging, dialysis equipment, and the like, when millions of his countrymen were dying from more rudimentary diseases that could be addressed with much simpler, less expensive measures. This shows that the recipient counterpart makes a big difference, and that ministries may not necessarily reflect the greatest needs. This raises the questions of who should make the decision about what the donors supply and whether a particular host-country counterpart really represents the greatest need?

Finally, but perhaps most critically, the officer wondered about the standards by which host country governments are equated with host countries. Both the Paris Declaration and the Accra Agenda for Action make that same equation. Yet, clearly there are many unrepresentative recipient governments. Should donors treat all recipient governments equally? Should they align and harmonize with governments like those of Cambodia and Congo or, even worse, Burma and Zimbabwe?<sup>68</sup>

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<sup>66</sup> Note: The overall Paris Declaration Evaluation, of which this case study is a part, will review the Paris Declaration itself, including an assessment of its effects on aid effectiveness. This issue will be on the agenda of the Fourth High Level Forum on Aid Effectiveness to be held in Seoul in December 2011.

<sup>67</sup> Note: The overall Paris Declaration Evaluation will assess the implementation and impact of all five PD principles and this assessment will be on the agenda of the Seoul High Level Forum.

<sup>68</sup> Note: While the Paris Declaration tends to emphasize the role of host country governments, it does not equate them with host countries. The roles of legislatures and civil society are mentioned in several commitments under the Country Ownership, Managing for Results, and Mutual Accountability principles.

A different officer wondered, without much specificity, whether the PD principles might do more harm than good. The question, or comment, was posed somewhat in passing and no details were offered—or requested (since that was not the purpose of the interview). But the question conforms to the general idea that a review of actual experiences with the PD and the Accra Agenda is in order to show if there is evidence that the assumptions underlying these commitments actually improve aid effectiveness, and that the meeting in Korea ought to do more than just reiterate the delinquency of the donors.

#### 4 CONCLUSIONS

Several conclusions emerge from this review of USAID's implementation of the Paris Declaration.<sup>69</sup> Perhaps the most important is that USAID senior staff members, and many junior staff members, are generally aware of the five PD principles that apply to donors, as well as the contents of those principles, even if they cannot recite them without some prompting. Some are very conversant with the principles and have experience in implementing or trying to implement them.

USAID's implementation of the PD principles is heavily constrained by the many congressional earmarks, administrative (especially presidential) initiatives, and other directives that it is asked to implement. Some of recent initiatives actually contain PD principles – some even prominently – but most do not.

Within those limitations, USAID has a mixed record on PD implementation, including many attempts to implement the PD principles, even if those attempts are not agency-wide. That conclusion may be surprising to some because, as several interviewees pointed out, USAID has a better record on implementation than most people think, even acknowledging that there is plenty of room for greater implementation.

Notwithstanding structural and procedural limitations imposed on USAID, several USAID officers expressed doubts about the applicability of PD principles, especially to some of the countries in which USAID works. They question both the ability and, in some cases, the willingness of the host governments to assume the counterpart role expected of them under the PD. More importantly, they note the personal and professional risks they would assume if the financial management requirements of the U.S. government were breached by, for example, mismanagement of funds by the host government following a budget transfer. USAID is undertaking a review of its procedures, in part to improve its incorporation of PD principles, and in part to deal with the management of financial risks attendant on greater country ownership.

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<sup>69</sup> Although this review concentrates on USAID's headquarters, in the case of USAID—perhaps unlike some donors, because USAID is so decentralized and so many of the details of execution and initial planning are left to the field missions, and because so many of USAID's senior headquarters officials are on tour in Washington between assignments as field-based USAID mission officers—most of the interviewees spontaneously referred to their field experiences when asked more neutral questions about USAID's PD implementation. Were the review limited only to headquarters activities, narrowly defined, it would be limited to policies, directives, briefing papers, cables, e-mails, program guidance, announcements, training courses, and the like. It would say little about USAID's actual implementation of the PD in the partner countries. That said, this report does not, and does not purport to, comprehensively reflect USAID's implementation in its partner countries. A much more extensive, field-based review would be necessary for that purpose. Still, for USAID and for its officers it is all but impossible to isolate headquarters from the field when discussing programs and their implementation.

### ***Ownership***

The ownership commitment by donors—“respecting countries’ priorities, investing in their human resources and institutions” (to use the Accra language)—is a bit more vague than the other PD principles and donor commitments. At the very least, the Accra Agenda for Action matches the commitment of donors with the commitment of developing countries to “take stronger leadership of their own development policies, and...engage with their policies and citizens...” USAID staff say that, within their substantial legal, political, and organizational constraints (see below), they do match the reciprocal commitments, but there are many cases in which the recipient governments do not meet their commitments, and even some in which the recipient countries abjure their “strong leadership” role, quite apart from the rest of their commitments. Still, this is not an easy commitment to measure.

### ***Alignment***

Of the donor-applicable PD principles, USAID’s implementation of alignment is perhaps the most uneven. Basing USAID’s support on the country’s development strategy (assuming there is one), its provision of reliable, predictable and indicative commitments for a number of years, and (most particularly) “using country systems” are spotty at best, in part because USAID’s own degrees of freedom are highly constrained.

In particular, the degree to which USAID uses country systems in a manner consistent with the PD principle of alignment depends in great measure on that principle’s qualification: “to the maximum extent possible”. USAID believes that in many cases, it *is* using country systems to the maximum extent possible. Nevertheless, even under a generous definition of that term, USAID hardly uses host-country systems to manage its programs and almost never uses country systems for procurement. USAID rarely channels its funding through host country budgets. Although USAID consults with the host country, it designs, manages, and procures most of its own programs—cognizant of, but ultimately independent of, the host country’s systems.

In explanation (especially of the qualification “to the maximum extent possible”), USAID points to the many constraints under which it operates. It receives many congressional directives. It would not have enough funding to meet all of the congressional directives, even if it developed no other programs at all, especially if it took the report language of its congressional authorizing and appropriating committees literally. It receives many presidential and other administrative directives. It labors under a plethora of legal and regulatory restrictions. It has been investigated by the GAO and its own inspector general on multiple occasions, and both have left many findings and “recommendations” that USAID rightfully takes as binding upon it. It has a stringent funds-accountability regime requiring it to monitor and audit funds in a way that most recipient country systems are ill-equipped to accommodate—and its own interpretation of these limitations is arguably more narrow than required. USAID’s own policies restrict its actions. Under these considerable constraints, “to the maximum extent possible” is a very narrow extent, indeed.

Moreover, USAID’s staff is held professionally and personally accountable for designing and managing programs consistent not only with all of the constraints listed above but also with a

long list of financial management requirements, and the agency offers precious little defense to those accused of violating these restrictions. Consequently, USAID staff is understandably extremely risk-averse.

In addition, USAID staff is dubious, to say the least, about the bona fides of many of the governments in the countries in which it works, especially those with high levels of corruption or controlled by nepotistic, kleptocratic elites. In “fragile” or “conflict” states, its staff is even more dubious about the host country government, to the extent it exists at all. USAID staff regards the country plans of such governments skeptically, to say the least. It has doubts about the authenticity of their official development strategies, of the political will, and sometimes faculty, for implementation.

In addition, unlike some other donors, USAID is responsible for designing and implementing development programs more tied to U.S. diplomatic efforts as part of U.S. national security policy and architecture than before. It is working in greater harmony with the Department of State and the Department of Defense, especially with military forces deployed abroad, than it was in the past, and therefore also working less independently.

As to providing “reliable indicative commitments of aid over a multi-year framework”, USAID is prohibited by the White House Office of Management and Budget from making many detailed, long-term budget commitments because both Congress and the president view such commitments as indirect constraints on, respectively, its appropriations authority and his budget construction and submission authority. For just those reasons, USAID would be reluctant to see a multi-year commitment ascribed to the U.S. government as part of a public recipient budget report by its executive to its legislature. Consequently, USAID is wary of providing such commitments, especially if they imply “timely and predictable disbursements on agreed schedules.” In any event, *all* multi-year commitments by USAID are made “subject to the availability of funds”, and the availability of funds is almost always determined on an annual basis.

### ***Harmonization***

USAID participates in donor “coordination”, meaning at least the sharing of information and sometimes a division of labor with other donors. However, under the PD, harmonization means more than just information-sharing.

Within the definition of the Paris Declaration, harmonization is first a kind of taxation-reduction principle: “common arrangements . . . for planning, funding, disbursement, monitoring, evaluating and reporting . . .” among donors and a reduction of separate duplicative missions and training in order to avoid “taxing” recipient country officials with a steady stream of donor visitors, requests for information, inconsistent standards and the like, all of which drain the recipient government officials’ time and divert them from attending to their *domestic, internal* responsibilities. Second, harmonization envisages greater division of labor amongst the donors so that multiple donors are not providing different (often inconsistent) programs in the same sector or subsector, thereby requiring the recipient county to try to “harmonize” them to comply with different conditions and standards.

### ***Managing for Results***

USAID has been in the lead on managing for results, a major effort within USAID following the 1993 “reinventing government” program of then-Vice President Gore and Government

Performance and Results Act. In that respect, it is the recipient governments that often are reluctant, in USAID’s experience, to engage in “results-based management”, including ties to an *ex ante* results framework, indicators of progress or regress, etc.

**Mutual Accountability**

The White House Office of Management and Budget prohibits USAID from making many detailed, long-term budget and disbursement projections, lest those projections be taken as commitments and therefore indirect constraints on the appropriations authority of Congress and the budget construction and submission authority of the president. Still more could be done by way of budget projections and transparency. Within those boundaries, USAID does attempt to be transparent. However, it is almost certainly less transparent than its partners—both other donors and recipients—would like.

Based on the discussion above, the following table summarizes the agency’s overall rating, as given by the case study evaluation team. The team used a 1-5 scale, with “5” being the highest, to rate the agency on each PD principle. The rating consists of how the principle is actually practiced by the agency and its staff, any agency policies or procedures related to the principle and overall commitment to the principle by agency leadership and staff. It does not include all of the constraints that prevent USAID from performing better, and in that respect, a simple numerical score on PD performance is misleading.

Table 2. USDA Implementation of Paris Declaration on Aid Effectiveness and the Accra Agenda For Action Principles					
Overall Rating	Ownership	Alignment	Harmonization	Mutual Accountability	Managing for Results
USAID	3	2	2	3.5	5*

\* Rating based on USAID alone, not host-countries.

**Plans for Improvement**

Under the Obama administration, USAID’s new senior leadership consciously recognizes USAID’s shortcomings under the Paris Declaration and the Accra Agenda for Action and it intends to take action for improved implementation. For example, the administrator has appointed a task force, USAID’s Procurement Reform Group, to design reforms, including procurement reform. The task force report prominently quotes the Paris Declaration and the Accra Agenda for Action as touchstones for the reform. It identifies five objectives, focused on alignment and harmonization, but also including ownership and mutual accountability. It sets explicit objectives under those targets, some with concrete dates. Some of the reforms can be accomplished within USAID’s current authorities, but others will require changes to USAID’s regulations, statutes, and directives that would require congressional action or action by other executive branch entities.

Simultaneously, the Office of Chief Financial Officer is working with other donors and USAID’s representative to the DAC to design a financial assessment and audit tool by which USAID could identify financial management risk if it were to use host country systems, and could also identify

and help correct host country deficiencies in financial management. Once corrected, USAID would be able to gauge risk *ex ante* and decide what conditions it might require to implement the Paris Declaration, particularly in the use of host country systems.

Based on such reports and recommendations, the general counsel will propose some “safe-harbor” provisions under which USAID would define conditions for alignment and harmonization that, if followed, would protect, and perhaps indemnify, USAID staff against punitive action, or at least would commit the agency to mount a defense at its own expense.

## 5 CONSIDERATIONS

- The “Delivering Assistance Differently” review initiated by Administrator Shah is a big step toward the Paris Declaration and its implementation. One can speculate on how far those reforms will advance, given the many constraints under which USAID is operating—from Congress, the administration, the “overseers” like the IG and the GAO, and from the generally risk-averse climate under which USAID operates politically because of the low priority enjoyed by foreign assistance in U.S. public opinion. Those “headwinds” make the effort all the more daunting. And for just those reasons, as one senior official in the new Obama team noted, “There will be a shift at the margins, not a massive shift.”
- USAID should seek what reforms it can make, even if they seem marginal, as long as they improve aid effectiveness.
- Clarifying risk management and conveying USAID’s risk management policies, especially to USAID officers, are among the most important steps USAID can take to implement the PD. Its staff is now asked to work in a “Catch-22” environment where it is pushed to implement PD and Accra reforms, but is held professionally, legally, and personally accountable for laws, regulations, USAID rules and policies, and informal understandings inconsistent with some of the PD principles—however unrealistic they may be.
- USAID should therefore clarify which of the PD commitments it expects staff to implement, how it interprets those commitments and under what conditions they apply. It should also clarify what measures it will take to protect staff from accusations of mismanagement or worse if the staff adheres to that guidance. The protection offered must be meaningful. In the absence of such measures, staff will be too risk averse to apply even reasonable interpretations of the PD and Accra Agenda. Contrary expectations are unrealistic and probably unsupportable.
- So long as they ensure adequate protections, “safe harbors” are precisely the kind of policy guidelines or reforms that could generate greater implementation of PD principles and Accra actions.
- Positive incentives for PD compliance might also induce more staff support. Inclusion of appropriate elements in performance measures would be one possibility, although in most cases, performance evaluations are already too cluttered with many other elements.
- The greater transparency of USAID’s plans and funding scenarios planned by the new USAID leadership would also contribute to the “timely, transparent and comprehensive

information on aid flows” committed to under the PD, even if the funding scenarios are highly contingent. Such scenarios may be suboptimal solutions to the predictability of USAID assistance flows, but they would be an improvement over the current opacity.

- Similarly, the measures planned by the Chief Financial Officer for funds management clarification—a general “public financial funds management systems” assessment tool and a clarification of the conditions under which use of host country systems would be sanctioned or encouraged—would help a great deal, especially if they engage other donors and become general standards to which donor and recipient countries can both reliably adhere.
- As lesser matter, the provisions of the PD principle of harmonization could be clarified. Harmonization, within the meaning of the PD, does not apply to consistency within the donor government, nor does it mean donor coordination in the sense of information sharing. Harmonization under the PD is, first, a burden-reduction principle geared towards “common arrangements . . . for planning, funding, disbursement, monitoring, evaluating and reporting. . . .” among donors and a reduction of “separate duplicative missions” and training in order to avoid “taxing” recipient country officials with a steady stream of donor visitors, requests for information, and inconsistent standards, all of which drain the time of recipient government officials and divert them from attending to their domestic, internal responsibilities.<sup>70</sup>

Second, harmonization envisages greater division of labor between the donors so that multiple donors are not providing different, inconsistent, or duplicative programs in the same sector or sub-sector and requiring the recipient county to try to “harmonize” them to comply with different conditions and standards. Harmonization in the PD sense is also intended to apply to cross-cutting issues, like gender equality and environment, although they are not formally included in the PD itself. To comply with the PD principles, USAID would need to substitute its unilateral assessments for increased participation in multi-donor assessments. In addition, it would need to engage in greater division of labor with other donors and probably in more multi-donor funding mechanisms. All of that would reduce USAID’s degrees of freedom, although it would also provide many benefits, such as greater focus to the USAID programs, reduced areas of USAID programming in a staff-constrained environment, reduced duplication with other donors and therefore clearer attribution of results to specific donor activity. USAID must decide whether such a course is wise or possible, but that is what the implementation of harmonization principle under the PD would require.

- Finally—although this recommendation has become almost a cliché—better training on the PD, particularly for USAID’s incoming officers, would probably improve PD implementation. Written guidance is helpful, but people learn and remember in different ways—like discussions—not just as initial junior officers but throughout their careers. USAID officers are inundated with a surfeit of written material.

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<sup>70</sup> Note: While the PD tends to emphasize the role of host country governments, it does not equate them with host countries. The roles of legislatures and civil society are mentioned in several commitments under the Country Ownership, Managing for Results, and Mutual Accountability principles.

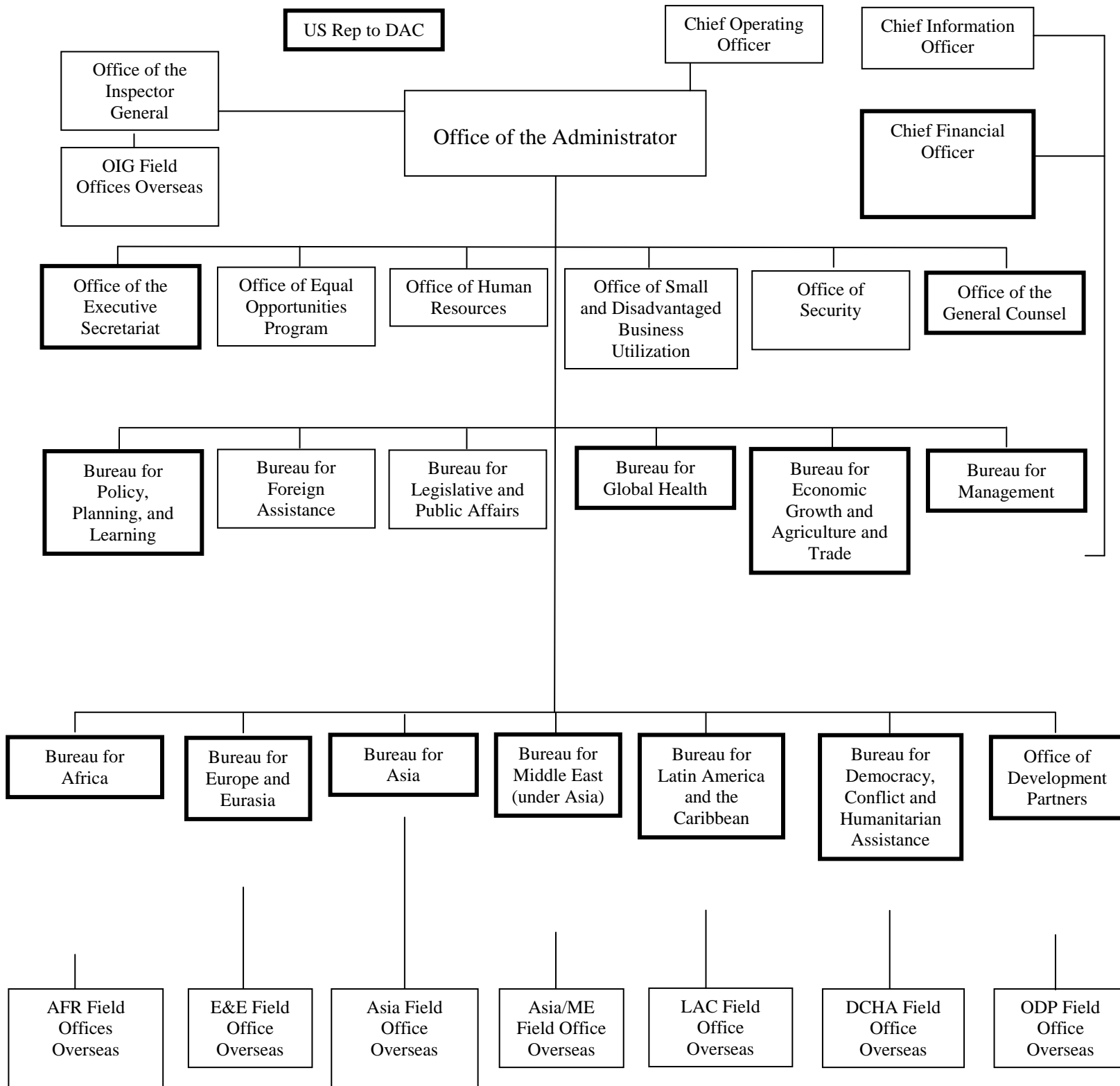
- Due to frequent use, the word “priority” has lost meaning, and invoking it has lost most of its force. Even if the PD were a “priority,” it would be lost among the many other priorities summoned for U.S. government officers. Most of those we interviewed had a dim recollection of e-mails and attached guidance related to the PD, but none of them could recall specific guidance or other written material and they seemed to have no specific impact other than improving the generic knowledge of the PD and its principles. This is an additive, not a substitutive, recommendation and by no means does it imply that the written material had no impact or that it should be discontinued.
- Of course, the PD commitments apply to the U.S. government, not just to USAID. Especially after the greater centralization and control pioneered by the Bush administration, improvements at USAID should be mirrored by the myriad of other foreign assistance providers within the U.S. government.



# ANNEXES

ANNEX 1 ORGANIZATIONAL CHART OF INTERVIEWEES\*

(\*Those in which interviewees were assigned are in bold.)



ANNEX 2            LIST OF PD-RELATED USAID INFORMATION, POLICY AND  
GUIDANCE SENT TO USAID OFFICERS

1. “Notice to Mission Directors: The Paris Declaration on Aid Effectiveness,” circulated March 2005.
2. “PPC Guidance for USAID Missions on Implementing the Paris Declaration on Aid Effectiveness,” circulated on May 31, 2006 and May 24, 2007.
3. “Guidance to USAID Field Missions: Frequently Asked Questions,” circulated in March, 2006.
4. “Reference Guide to Existing USAID Automated Directives Systems (ADS) Guidance on Use of Country Systems” circulated by APCC on December 16, 2009.

## ANNEX 3 KEY INFORMANT INTERVIEW QUESTIONS

1. Have you heard about the PD principles?
  - a. How? When?
  - b. Can you identify its major principles?
2. How aware is the agency of the PD principles?
  - a. At the top leadership?
  - b. At the mission/country level?
  - c. How did they learn about them? Were there any official directives, guidance, or policy statements?
3. In general, do you think USAID officers agree with these principles? If so, how committed is USAID to the implementation of the principles? What are the reservations? What are the constraints?
4. Has USAID taken any active steps to incorporate PD principles into actual strategic plans & operations? Into policies or guidelines? Into operational directives?
5. How much, if any, operational effects have the PD principles had on USAID programs? Have there been any gains to cost-effectiveness of USAID's assistance?
6. If so, has there been any noticeable improvement in aid effectiveness? How would you rate your agency on actual implementation of principles ownership, alignment, harmonization, MfR, mutual accountability (scale 1-5)? What about USG?
7. Is there capacity within USAID to support implementation? If not, have any steps been taken to strengthen USAID's capacity for PD implementation?
8. Are there any direct perceived incentives to USAID staff to implement PD principles? Any disincentives or perceived disincentives?
9. What recommendations do you have to better facilitate effective implementation of the PD principles by USAID and/or the USG in general?

## ANNEX 4 INTERVIEW AND COMMITMENT GUIDES

### 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
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**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
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Probing Questions:

- o How has top leadership shown commitment to implementation of PD principles?
  - o 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
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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
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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
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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
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- 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
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**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
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- 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
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**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 Paris Declaration**

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 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., Project Implementation Units – “PIUs” - this is]

- 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.