



OWNERSHIP IN PRACTICE

Information:

Let countries know what donors are doing

Ownership in Practice

In trying to improve US foreign aid, Oxfam America believes that we must listen to the people who know aid best: those who receive and deliver aid. They understand best how aid should work, how aid delivery affects outcomes, and how aid can motivate governments and communities to invest in their own development. The Ownership in Practice policy briefs reflect perspectives from the field on the kinds of reforms that would improve the usefulness of US foreign aid on the ground, as well as insights from policymakers in Washington as to possible policy options that would put this vision into practice.

Sixty years of foreign aid have shown that donors cannot fix the problems of poor people by themselves. Donor-imposed solutions are often wrong for the context. Even when the solutions are right, successes aren't maintained without buy-in and commitments from governments and citizens.

That's why Oxfam is recommending that foreign aid be delivered in ways that strengthen the voice of citizens and the responsiveness of governments to their people. In short, aid needs to strengthen the "compact" between governments and citizens—a government's commitment to fulfilling its responsibilities in promoting development and the people's efforts to hold their government accountable for these efforts.

To make foreign aid a more useful resource for reducing poverty, Oxfam is calling for specific reforms that help US foreign aid support effective governments and active citizens. In particular, reforms should give those US agencies that deliver development assistance the mandate and resources to support the following three principles:

- **Information:** Let countries know what donors are doing. Unless recipient countries get accessible, comprehensive, timely, and comparable information from donors, recipients can't hold their governments accountable and those governments can't plan, prioritize, or explain to their populations what they are doing; manage their fiscal and monetary policy; or strengthen the investment climate. The least the US can do is be more transparent and predictable with its foreign aid.

- **Capacity:** Help countries lead. The capacity of any given public sector or civil society depends on the incentives for and commitments by people in those countries to invest in their human capital, organizations, and institutions. The US could better support capacity building by being more demand-driven, including by reducing its overreliance on intermediaries, using country systems when these systems are reliable and transparent, and providing aid for capacity building that's more strategic and long term.
- **Control:** Let countries lead. Ultimately, ownership means supporting effective states and active citizens' efforts to determine how they use aid resources as part of their broader development agenda. The least the US can do in this direction is reduce earmarks in order to avoid inconsistencies with country priorities. Ideally, the US also provides at least some budget support to governments that demonstrate a commitment to reducing poverty and that can effectively manage and account for cash transfers.

This brief takes a closer look at the principle of information, assessing why better aid information matters to people in recipient countries and suggesting possible reforms for the Obama administration.

Executive summary

Oxfam America has been recommending reforms to US foreign aid practices to make it more responsive to and supportive of countries' own development priorities. A first step in this direction is improving the information the US provides recipient countries on its foreign aid. In particular, Oxfam is calling for the US to provide countries with information that is more transparent and predictable.

How would more transparency and predictability improve the usefulness of US aid on the ground? To find out, Oxfam interviewed 200 representatives from governments, civil society organizations, and US aid agencies, contractors, and nongovernmental organizations (NGOs) that implement aid programs in Afghanistan, Cambodia, Ethiopia, Kenya, Liberia, and Rwanda.

What we heard was that when governments don't know what the US is funding, it is hard for them to plan. Lack of aid information also makes it difficult for citizens to hold their governments accountable for how their governments are managing aid resources. Moreover, lack of transparency often fuels misperceptions about the intent of the US.

To gain insight on what policy reforms would make US foreign aid more transparent and predictable, in November 2009, Oxfam convened a policy discussion on Capitol Hill with a group of 35 representatives from multiple US agencies, the administration, Congress, and other donors. Participants stressed the challenges that earmarks and the appropriations process present to improving the transparency and predictability of US foreign aid, and some offered these recommendations:

- **Ensure that emerging legislation also speaks to the needs of recipient governments and their citizens.** Participants noted that the Foreign Assistance Revitalization and Accountability Act (S.1524) is a great start at improving the transparency of US foreign aid, but they said that it could go one step further and provide greater detail on the implementation of US foreign aid (such as which organizations implement, how much funding they receive, with what measurable outcomes, and so on.).
- **Enable more systematic informal information exchange.** Participants also noted that the US can improve information exchange on the ground even when it may not be able to provide hard commitments. US agencies and local offices can become more involved in local sector working groups or participate in local donor partner forums where they can meet with the government and other donors to discuss plans at the sectoral or the national level.

- **Consider putting aid on budget.** Putting aid on budget is defined as aid flows that at minimum are reported to the recipient authorities and recorded in the national budget regardless of whether or not donors disburse aid through national budgets. Presenting aid data in country systems makes it easier for governments themselves to account for aid resources in their planning and facilitates oversight by other parts of governments (such as legislatures and auditing agencies) and civil society.
- **Ensure that policies and efforts of the administration promote aid transparency.** Early discussions on the Presidential Study Directive 7 (on US global development policy) and the Quadrennial Diplomacy and Development Review suggest an interest in improving the transparency of US foreign aid. Policymakers need to ensure that the visions in these efforts are put into practice.
- **Provide longer-term funding.** The US should also provide longer-term aid that would allow effective governments and citizens to count on US support for efforts that expand beyond a one-year horizon. It takes time to build some of the key institutions for development, whether they support public agricultural research or the civil society capacity to monitor government budgets.
- **Ease earmarks.** To ease the burden of earmarks on missions, participants questioned whether there could be stronger mechanisms for Congress to communicate with the executive branch ahead of time on setting priorities, other than doing so via the annual appropriations bill.
- **Institute a flexible funding mechanism.** Participants discussed the need for and possibility of a flexible funding mechanism to make earmarks and the appropriations process less disruptive to missions as they try to work more closely with recipients in responding to emerging opportunities or changing priorities. This mechanism would essentially provide more discretionary resources for the field, conditioned on a multiyear country development cooperation strategy.
- **Support capacity for transparency in countries.** In addition to improving its own transparency, the US should support efforts to improve the transparency of governments to their people. The US can do this by helping to strengthen the triangle between efforts of civil society organizations, governments, and donors.

Better aid information alone will not improve the usefulness and effectiveness of US foreign aid as a tool for development. Yet providing the data that matters to countries means that a minister of finance can better prepare for macroeconomic volatilities, a minister of planning can better coordinate public investments, a parliament can keep its president in check, an advocacy group can monitor donor engagements with a local government, and citizens can better hold their governments accountable. Without greater transparency and predictability, donors risk undermining, instead of strengthening, the citizen-state compact that is at the core of development.

Introduction

Oxfam America has been recommending reforms to US foreign aid practices to make it more responsive to and supportive of countries' own development priorities. The US government should tell countries what the US is doing with development aid (information), better support the capacity of countries to manage their development (capacity), and be more responsive to the needs of active citizens and effective governments (control). This brief takes a closer look at the issue of information. Oxfam is calling for the US to provide countries with information that is more transparent and predictable. Transparent information is easily accessible, timely, comparable, and comprehensive. Predictable information reflects aid flows for the coming years.

This brief sets out to answer two questions:

First, how would more transparency and predictability improve the usefulness of US aid on the ground? To find out, Oxfam interviewed 200 representatives from governments, civil society organizations, and US aid agencies, contractors, and NGOs in Afghanistan, Cambodia, Ethiopia, Kenya, Liberia, and Rwanda between May and October 2009.¹

And second, what specific policy reforms would make US foreign aid more transparent and predictable? Searching for answers, in November 2009, Oxfam convened a policy discussion on Capitol Hill with a group of 35 representatives from multiple US agencies, the administration, Congress, other donors, and civil society groups in recipient countries.

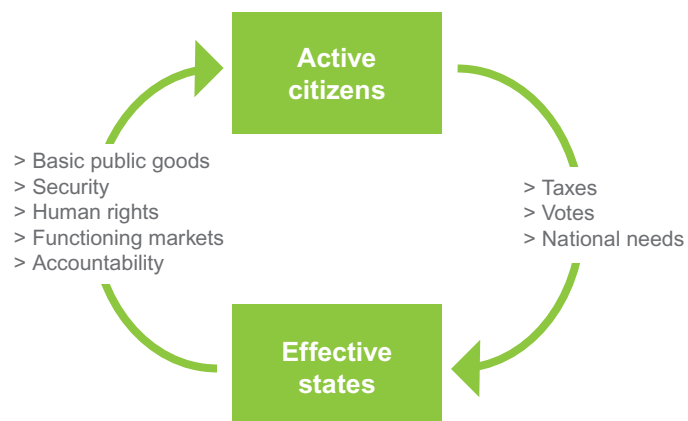
This brief is organized as follows: Section 1 briefly outlines Oxfam's perspective on the role of information in improving country ownership of aid. Section 2 explores why transparency of aid matters and how the US is doing, drawing from Oxfam's cross-country surveys. Section 3 does the same for predictability. Last, in light of the costs of the lack of transparency and predictability on the ground, Section 4 presents some thoughts on reforms that could take the US in the right direction, reflecting the discussions at the November 2009 policy workshop.

1. Information and country ownership

Oxfam knows that 60 years of foreign aid have shown that donors cannot fix the problems of poor people by themselves, no matter how well donors think they understand development. Donor-imposed solutions are often wrong for the context. Even when the solutions are right, successes aren't maintained without commitments from governments and citizens.

Oxfam believes that, in most cases, foreign aid plays an important but small role in a country's development and associated reductions in poverty. A country's pattern of development—including its sources of growth, how that growth is distributed (or not) among its people, the provision of basic services, the state of human rights and justice, and the functioning of its many markets—is first and foremost a function of a government's commitment to its citizens. How a government supports and responds to the needs of its citizens and how citizens engage with and hold their governments accountable are at the core of development (Figure 1). Likewise, the breakdown or absence of this compact—where governments aren't the least bit focused on economic development—explains much of the stagnation and dire social conditions in many poor countries.

Figure 1. The government-citizen compact is key to development



Aid cannot forge a compact between citizens and their government. But the way donors deliver aid can strengthen or weaken that compact. Generous aid given blindly to ill-intentioned elites may lower incentives to raise domestic taxes or make public investments in development, as well as reduce electoral accountability. Yet at its best, aid can help strengthen the government-citizen compact by helping to improve public accountability, complementing government spending on much-needed public goods, and supporting citizen efforts to hold their governments accountable.

Oxfam believes donors should provide aid in ways that strengthen the compact between effective governments and active citizens—the government’s commitment to fulfilling its responsibilities and the people’s efforts to hold their government accountable.² To help foreign aid strengthen the government-citizen compact, Oxfam is calling for reforms that let countries know what donors are doing (information), support countries’ own efforts to manage development (capacity), and better respond to country priorities (control), as illustrated in Figure 2.

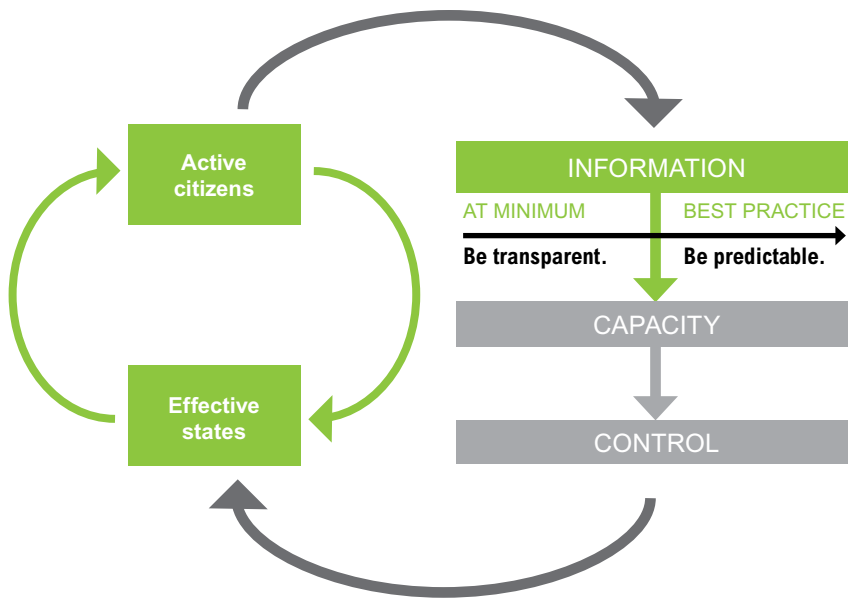


Figure 2. Donors can help strengthen the government-citizen compact

A first step toward ownership is for donors to provide information about their efforts to recipient countries. With greater transparency and predictability of foreign aid, recipients can better plan how they use, leverage, or complement US foreign aid in their country. Even when governments may be completely disengaged from efforts to improve the welfare of their citizens, better information on US foreign aid can still improve the usefulness of aid on the ground. Citizen groups can hold their governments accountable and have a better idea of what to expect. And knowing what the US is doing can help other donors coordinate and tailor their own efforts.

2. Transparency: Why it matters and how the US is doing

Information is transparent when it is easily accessible, timely, comparable, and comprehensive. For donors, this means providing information on all the details that matter to a recipient country; in ways that meet the information needs of a recipient government official, an NGO worker, a university professor, or a journalist in a recipient country; and in time for a country government to include the information in its planning cycle.

When countries do not know what the US is funding, governments cannot plan as well and citizens cannot hold their governments accountable for how they use those aid resources. And despite all the good intentions of the US government, its lack of transparency often fuels misperceptions about its intent.

Planning 101

If donors want their aid flows to support development, they must at minimum inform the recipient country governments of their intentions. This information includes how much aid they plan to provide; the purpose of those funds; how, where, and when those funds will be delivered; and how outcomes will be measured. This kind of information almost always exists inside donor systems, but if it is not shared with recipient governments and their citizens, they cannot appropriately integrate US funding into their budgets and planning strategies.

- In **Kenya**, where the US funded \$502 million for HIV/AIDS in FY08 (74 percent of US foreign assistance in Kenya that year),³ government officials can't track how the US is helping to manage the HIV/AIDS crisis. According to an official from the Ministry of Public Health: "It is easy for us to know what kinds of things and where PEPFAR [the US President's Emergency Plan for AIDS Relief] is funding. But I've been asking for a list of partners, where they are working, how much they are spending, on what—but I can't get it. I'm supposed to be supervising these activities, but I don't have the information."
- In **Afghanistan**, the inadequate engagement with the Afghan government has meant many donor-funded efforts have not matched the real needs of Afghan people. According to an official from the Ministry of Finance, for instance, the

US has funded many schools and health clinics that ended up being used as barns and storage facilities, because the Afghan government hadn't planned to support schools and clinics in those particular locations.

- In **Liberia**, despite very strong ties between government officials and the US government, officials still struggle to get the details they need on US aid flows. According to a Liberian government official, "It is difficult to get numbers that speak to real needs." For instance, the US government says it is spending \$200 million on new security forces, but Liberian officials have no idea regarding the breakdown in terms of specific activities. As the government of Liberia plans to decrease its reliance on foreign aid over time, officials need to know these details in order to assess what the government itself has to plan for in the years ahead.
- In **Ethiopia**, a rural development civil society organization working in a drought-prone region lamented that the US Agency for International Development (USAID) is actually reducing the time frame of its contracts from five to three years and keeping them always subject to annual reapproval. "Five years used to give us more confidence," said a staff member from the organization. "That's what's needed when agricultural development in this region [Tigray] depends so much on investments in irrigation infrastructures."

Improving domestic accountability

Congress is rightly concerned about being accountable to US taxpayers with respect to how the US government is doing with foreign aid. But Congress could also help strengthen the domestic accountability in countries receiving aid. Donors can encourage governments to be more transparent to their citizens by 1) practicing transparency themselves; 2) supporting systems that encourage the financial accountability of governments, such as public financial management systems that allow them to disclose that information; and 3) providing recipient governments with incentives to be more transparent to their citizens. Transparency alone cannot generate accountability,⁴ but knowing what donors are funding at least helps people know how donors are supporting their governments.

- In **Afghanistan**, an official at the Ministry of Finance said that of the \$32 billion pledged by the US since 2001, less than 20 percent (\$6 billion) is recorded in the government's aid database. That means Afghans have no way of knowing what's happening with the other \$26 billion the US has been spending in their country.
- In **Cambodia**, the Council for the Development of Cambodia found that half of US aid to Cambodia in 2006 was in the form of technical assistance. The council questioned the whereabouts of the many advisers funded by the US. The following year, the US simply reclassified technical assistance as "investment cooperation" in the Cambodian aid database but not in the aid database of the Organization for Economic Cooperation and Development (OECD). Not only did the US fall short of providing the details the council requested, but it left Cambodians further confused because, as far as they knew, the US hadn't changed anything about how it was providing aid to Cambodia.

Fueling misperceptions

In addition to making US foreign aid a less useful tool for recipients, the lack of aid transparency can also fuel misperceptions about why the US is providing aid in the first place. Even when the US government has the best of intentions with its aid, its lack of transparency often leaves people in recipient countries second-guessing the intent of the US.

- In **Cambodia**, not having a clear sense of USAID's direction generates uncertainty: civil society groups are concerned about what they perceive to be closer ties between the US and the government of Cambodia, and some government officials perceive USAID to be too close to civil society groups.
- In **Kenya**, a watchdog group noted that “the same government that talks a lot about good governance and anti-corruption has all sorts of military and strategic objectives in Kenya. Yet development aid to Kenya shouldn't be about furthering US interests in Somalia.”

How transparent is US foreign aid?

The US spends considerable resources reporting its efforts with foreign aid. There are the significant internal reporting requirements imposed by Congress on US agencies, which then percolate from USAID, the F Bureau, and others in Washington to field missions.⁵ And there is additional external reporting, as reflected in various websites. For a country like Rwanda, for instance, the US reports its activities on at least six websites: the USAID country website, USAID's “Greenbook,” the Millennium Challenge Corporation (MCC) country website, the PEPFAR country website, the OECD Development Assistance Committee website, and the Rwanda Development Assistance Database. The US also reports its efforts with foreign aid through the Congressional Budget Justification (CBJ), the government's budget request, which is available online as well.

The problem is with what the US does not systematically report: program and project operational details, including how much aid is actually spent on what activities, in what locations, and through which implementing organizations (such as specific contractors or NGOs). These are the details recipients stressed when asked what kinds of information they would like to have on US foreign aid in their countries. These are the details the US rarely supplies (Table 1).

WHAT COUNTRIES NEED	WHAT THE US REPORTS			
	CBJ	USAID	PEPFAR	MCC
Country	●	●	●	●
Sector	●	●	●	●
Purpose	●	●	●	●
Agency	○	●	●	●
Implementers in country	○	○	●	○
Allocation by implementer	○	○	●	○
Activity by implementer	○	●	●	●
Trackable disbursement	○	○	○	●
Disbursements by subnational location	○	○	○	●
Outcomes	○	●	●	●

- Information is not available
- Information is sometimes available
- Information is available

Notes:

"What the US reports" refers to the data available online from each agency or program (or the CBJ), as assessed in January 2010.

"What countries need" refers to data on US foreign aid that people in governments and civil society find helpful to know, as assessed through Oxfam America's field surveys. Below is what is meant by each kind of data.

Country: total amount of aid to the country committed by the agency for the present year

Sector: aid committed for a specific country by sector in the present year

Purpose: description of the intended purpose associated with funding

Agency: US agency managing aid

Implementers in country: lists of implementers funded last year or the current year

Allocation by implementer: committed or disbursed total by implementer in previous or current year

Activity by implementer: list of activities carried out or planned by implementer

Trackable disbursements: information on funding disbursements in the previous or current year

Disbursements by subnational location: total committed or disbursed by subnational units

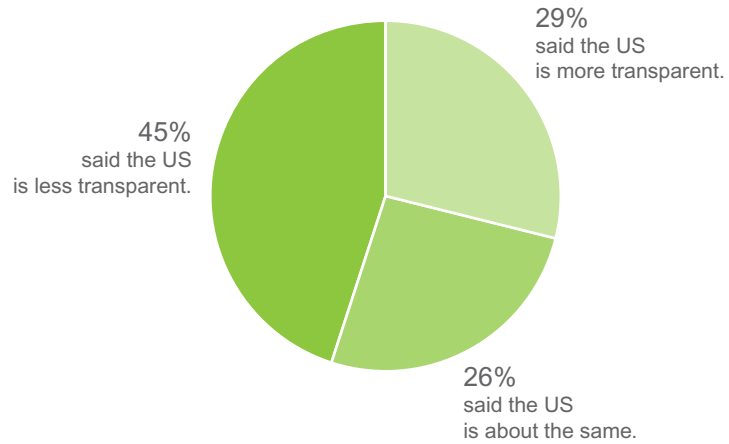
Outcomes: outcomes associated with funding in previous years or deliverable in the current year

Table 1. What the US reports versus what countries need

Not surprisingly, 45 percent of respondents find the US less transparent than other donors. And the 26 percent who find the US to be just about the same as other donors don't think other donors are particularly transparent either (Figure 3).⁶

Figure 3. Mediocre transparency

How transparent is the US compared with other donors? Out of 65 people in government and civil society across six countries ...



US policymakers have acknowledged the lack of transparency as a problem. Proposed legislation from both the US House and the Senate include explicit language on improving the transparency of US aid information (Table 2). Whether these bills will become law remains unclear.

There is also an international effort, the International Aid Transparency Initiative (IATI), to establish international standards for reporting aid data that would facilitate comparability across donors. Comparability means that US taxpayers and people in a recipient country could compare the data with the recipient country's detailed budget classifications and planning and budget cycles from other donors. Though US agencies seem to embrace the principles of IATI, greater participation from appropriate technical and information management staff from the main agencies is needed to ensure that IATI delivers for US systems and priorities.

	H.R. 2139 Initiating Foreign Assistance Reform Act of 2009	S.1524 Foreign Assistance Revitalization and Accountability Act
Accessible	"Taxpayers and recipients of US foreign aid should ... have full access to information."	"US citizens and recipients of US foreign aid should ... have full access to information."
Comprehensive	"[T]he information on US foreign assistance ... shall include planning, allocations and disbursements, terms, contracting, monitoring, and evaluation."	"[T]he information on US foreign assistance ... shall include annual budget presentations and justifications of any programs or projects that provide foreign assistance by any Federal department or agency ... "
Comparable	"The President should fully engage with and participate in IATI."	"The President should fully engage with and participate in IATI."
Timely	"[T]he information ... shall be made available in a timely manner."	"[T]he information is made available on no less than an annual basis."

Table 2. Beyond wishful thinking

Source: Publish What You Fund, personal communication, Aug. 7, 2009, and original bills.

3. Predictability: Why it matters and how the US is doing

Telling countries what the US is doing is an important step. But to really strengthen local ownership, the US government needs to tell countries what it plans to do in the coming years and keep its promises when possible. Aid is predictable when countries can be confident about how much they'll receive and when they'll receive it, whether in a given year (short-term predictability) or in coming years (medium-term predictability).

Sometimes donors are unpredictable for good reasons. At times recipient governments don't do their share in assuring that expected aid flow will pay off: they may fail to implement much-needed reforms, fail to provide complementary funding, or fail to achieve other agreed-upon performance objectives. Yet the bulk of unpredictability—as much as three-quarters of it—is the result of donor behavior, such as a change in our own government policies and priorities, new earmarks, or red tape.⁷ In short, the problem with unpredictability rests mostly with donors.

The costs of not knowing what to expect

Just as aid recipients can do much more with aid resources in a given year when they know what the US is funding, they can also invest those resources more effectively if they know what to expect in the coming years.

What would recipients do differently if they knew with some degree of certainty what the US would provide in the coming years? Responses from Oxfam's field research include the following:

- In **Liberia**, the Ministry of Finance told us it could make better projections for government expenditures in the coming years. According to one official, "Not knowing what to expect from the US makes planning across the whole of government harder and less rational."
- In **Rwanda**, local organizations implementing programs through PEPFAR would have greater certainty about the continuity of their efforts to help reduce the burden of HIV/AIDS on households and communities (Box 1).

- In **Cambodia**, a major NGO-coordinating group would advocate funding in priority sectors that may be underfunded. Not knowing what the US will and won't fund in the next two years makes this type of strategizing largely impossible.
- In **Afghanistan**, as elsewhere, the US government has looked to NGOs to help keep the Afghan government in check. Yet NGOs often don't know how much to rely on US funding in coming years. As a result, NGOs end up spending time raising funds instead of holding the Afghan government accountable.
- In **Ethiopia**, a US implementing partner distributed 20 million malaria bed nets throughout the country that will need to be replaced in three years. Not knowing whether it will receive funding from the US or how much to expect makes this kind of longer-term strategic planning nearly impossible.

Box 1. Predictability and a better PEPFAR

At \$148 million in FY09,* PEPFAR is now the single largest source of funding for HIV treatment medication in Rwanda. PEPFAR Phase I (2003–7) was considered the plan's "emergency phase," and in 2008 PEPFAR moved into Phase II—the "transition phase"—aimed at building country capacity in a sustainable manner to facilitate a future graduation from donor funding. PEPFAR has introduced several changes over the years, including improving its transparency at the country level by developing a five-year Partnership Framework that directly reflects the nation's HIV/AIDS priorities.

However, despite major improvements in the transparency of the PEPFAR program in Rwanda, the efforts to develop a five-year plan for PEPFAR Phase II continue to be undermined by a disabling funding cycle, where Rwandan officials and US aid workers still rely on information on a yearly basis. The result: according to a staff member of the USAID mission in Rwanda, "The way we work is to assume the money will be here." Meanwhile, a US implementing partner, awaiting an overdue announcement from USAID on whether the organization's PEPFAR-funded project would be renewed, explained how in the meantime her organization was drawing on its own reserves to cover the operational costs of itself and its partners.

*Not yet final, according to the Office of Global AIDS Coordinator at www.pepfar.gov/countries/rwanda/index.htm.

The anecdotes above suggest how this costliness plays out: a health minister may underfund a service he thought would be covered by donors, an NGO may spend scarce resources applying for more funding instead of campaigning for the issues it believes in, and an ordinary citizen may doubt what the US is actually funding because she can't find clear information anywhere.

The costs of unexpectedly receiving too little or too much

One measure of predictability is the difference between what donors commit and what donors actually disburse. A related measure is that of aid volatility—the unexpected peaks and ebbs of aid flows. Some aid volatility can be good, such as when donors respond to a major natural disaster. But studies suggest that aid volatility can hurt fiscal planning and reduce investments, making it difficult for governments to manage the economy.⁸ According to one study, “The aid system has generated the same negative shocks to per capita incomes in developing countries, and with more frequency, as the two world wars and the Great Depression generated in developed countries.”⁹

For countries dependent on foreign aid to finance recurring costs (such as salaries) or planned investments (such as improved laboratories or new schools), receiving less than what donors promised to deliver can have serious consequences. Unlike industrialized countries, countries receiving aid generally have limited access to international financial markets and don’t have the capacity to simply increase domestic debt to smooth their spending over time. So when donors fall short on their commitments, receiving countries are often left with a funding gap. As a result, governments have to cut back on recurring spending or particular investments. Governments will generally cut back on both, but especially on investments—it’s easier to put off investments in an improved crop variety than cut back on government worker salaries.¹⁰

There is also a cost associated with Congress allocating more funds than expected by missions and agencies. US aid workers on the ground are the first to admit the burdens of suddenly having a much larger budget than they had planned for, particularly when it’s a result of earmarks that exceed their requested budgets. As described by a senior officer at one of the USAID missions we visited: “When you get plus-ups of \$1 million a year, it’s a planning nightmare when you’re drinking from a fire hose. You have one year to obligate and program. We do pipeline reviews, but there’s only so much that you can do in a reasonable and responsible way in one year. It’s a balancing act.”

How predictable is US foreign aid?

Though the data is limited, available data suggests the US tends to be less predictable than other donors when it comes to both short-term and medium-term predictability. According to data collected by the OECD, in 2007 (the most recent year data is available), the US delivered 66 percent of the aid it promised to deliver, compared with 91 percent on average for all donors.¹¹ The gap between what donors promise and what countries actually receive is substantial—one estimate puts it at about 3.4 percent of GDP across sub-Saharan Africa between 1990 and 2005.¹² That’s why the US, along with other major donors, committed to improving the predictability of its aid as part of the Paris Declaration on Aid Effectiveness in 2005.

In September 2008, the US and other major donors met in Accra, Ghana, to review their progress toward the Paris Declaration principles. Among these principles was that of providing countries with predictable information on aid flows. In Accra, the US and other donors committed to providing aid information on a

three- to five-year rolling basis. This time frame would allow countries to integrate expected aid flows as part of their expenditure frameworks, and it raises the bar on donors to improve both short-term and medium-term predictability.

Currently, the MCC is the only US agency that uses its legislative authority to provide multiyear commitments, doing so via five-year compacts with recipient countries. USAID can also legally enter into obligations for five years, according to the Foreign Assistance Act 635(h), and the organization has Strategic Objective Agreements to negotiate long-term objectives with host countries. Missions, however, are rarely able to implement these long-term plans because of the appropriations process, earmarks, and presidential initiatives. At least three of the USAID missions we visited had nearly 90 percent of their FY08 budgets earmarked. Even if missions had planned to be more responsive to the needs of recipients in those countries, missions were under more pressure to meet the numbers set by Washington.

PEPFAR also works on multiyear agendas, but it, too, has generated unpredictability. In the case of PEPFAR, it's not that an implementing agency (say, a Centers for Disease Control [CDC] field office) doesn't receive what it expected, but rather that it receives a lot more than expected, finding itself under stress to spend substantially more than it had planned.

The US isn't the only unpredictable donor, of course. Yet in countries where the US is a major donor, its unpredictability is costlier than that of other donors. As noted by a government official in Liberia, "The inherent unpredictability of congressional funding makes the US numbers particularly soft on future projections, which are needed for rational planning of the government budget to maximize social impact." In contrast, for instance, many other donors are able to produce entire program estimates for multiple years in Liberia. The UK's Department for International Development (DFID) provides its funding information for Liberia in three-year increments, as do the World Bank and the African Development Bank. The European Union and Sweden go further, with five-year funding envelopes to help recipient countries plan for the future. It's not surprising then that more than half (52 percent) of the people in government and civil society whom Oxfam interviewed who were familiar with the practices of the US and other donors said that the US is less predictable than other donors (Figure 4).

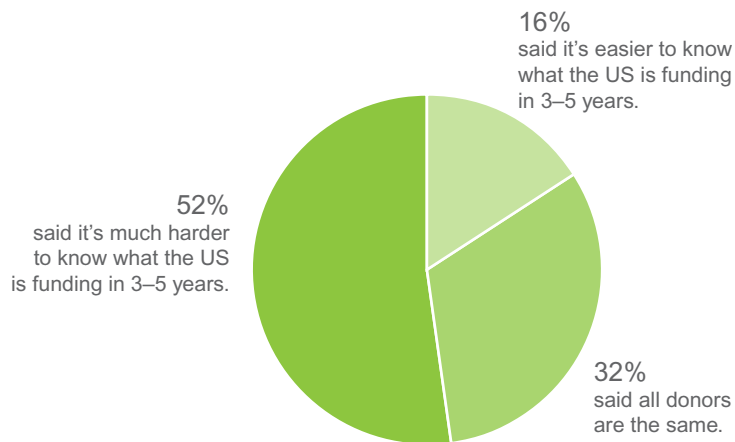


Figure 4. Unpredictable
How predictable is the US compared with other donors? Out of 65 people in government and civil society across six countries ...

4. Reforms in the right direction

In light of the many ways that the usefulness of US foreign aid is reduced by the lack of transparency and predictability of aid flows, Oxfam has been advocating the following:

- At minimum, US foreign aid agencies should be transparent by publishing comprehensive, accessible, comparable, and timely information that is useful to recipient governments, civil society, and US taxpayers.
- For the US to lead in best practices, US foreign aid agencies should be predictable by providing countries with regular and timely information on their three- to five-year expenditure and implementation plans.

What specific policy reforms would make US foreign aid more transparent and predictable? To find out, in November 2009, Oxfam convened 35 policymakers—representatives from USAID, the US Department of State, the executive and legislative branches of the US government, policy think tanks, and other organizations—to discuss the constraints the US faces when trying to provide aid information that's more transparent and predictable, the possible reforms in policy and legislation to overcome these constraints, and the phasing in of possible reforms.

Below are the questions Oxfam posed to meeting participants. Hopefully, what we present here will contribute to tangible reforms in how the US government provides information on its foreign aid.

What should be the transparency and predictability goals of the US government for its foreign assistance programs?

- **Provide the data that matters.** Participants generally agreed that the problem isn't about the US government providing more information, but rather about providing the right information systematically, at the right time, that's accessible, comprehensive, and accurate. The "right" information includes data on the purpose of aid (what the US is trying to accomplish in the first place through aid), actual aid implementation details and transactions (who's implementing US aid projects, how, where, and when), and outcomes (instead of outputs).

As one participant put it: "If aid is partly about the politics and about relationships and about how you do business, it isn't about drowning people with data. It's actually about being honest about some of the really key things."

- **Provide the right data for the right context.** Participants recognized that the “right” data may differ by context. In countries where the government has effective planning and budgeting cycles, the US should provide aid information that feeds into government budget cycles, including indicative longer-term commitments. In countries with ineffective governments, the US shouldn’t feed into an inoperative planning system but should nevertheless still be transparent; even if governments do little with this information, it may help some citizen groups in the countries hold their governments accountable and help other donors coordinate their investments.

At the same time, some participants stressed that at times it may also be strategic for the US to restrict access to information on its development activities, such as when the US desires to make it look like particular projects are being undertaken by the country government itself, not a US agency, or when the US is supporting civil society groups that may be threatened by their government. Nondisclosure of aid data, of course, should be the exception and not the rule. (According to legislation on freedom of information, nondisclosure is only justified when the potential harm of disclosing information exceeds the potential benefit to the public of disclosure.)

- **Consider an international standard for transparency.** Some participants stressed the importance of the US providing aid information that’s comparable to data provided by other donors and usable in data systems of recipient governments. IATI was noted as one particular effort to ensure donor comparability that the US should actively embrace. Participants said the US should participate in the definition of standards to ensure that IATI works for US assistance efforts.

What keeps the US from providing the data that matters to countries?

Participants shared some initial thoughts on why the US government is unable to consistently provide data that matters and at the right time:

- **Unclear mandate for greater transparency toward countries.** Participants agreed that US government agencies providing aid have a clear mandate to be transparent to Congress, but not to recipient countries. As such, US government agencies have few incentives to translate whatever information they do have on aid into information that’s useful to recipient countries.
- **Lack of transparency at home.** Another challenge participants identified is that no single US agency has complete information about what the US provides in foreign aid. USAID certainly cannot easily know what the military is doing. And information sharing across agencies has only gotten worse as new agencies (like the MCC) and programs (like PEPFAR) have emerged, each with a very substantial budget of its own.
- **Uncertainty generated by annual appropriations and earmarks.** Participants repeatedly pointed to the appropriations process and earmarks as major impediments to improving the transparency and predictability of US foreign aid. They noted how, in the absence of any long-term, multiyear strategy for US foreign assistance or any functional authorizing framework for the past 25 years, the foreign operations appropriations bill has become the primary mechanism for Congress to interface with the executive branch about setting priorities.

Several participants stressed the challenges that earmarks impose on missions wanting to respond to country priorities. One example, raised by a former USAID deputy mission director, was that of working with a government that was focused on macroeconomic policy, an area where USAID could have made some contributions. But USAID had a PEPFAR budget of \$300 million, a small education budget, and not much for economic growth. So USAID's strategy was to work with the World Bank and other donors in supporting macroeconomic policy and implementation. "But it was very difficult to do with earmarks that drove us in one direction," said the former director. "And you have the government saying back to you, 'Well, you know, that's really nice, but it has nothing to do with what we're doing.'"

Other donors, like the UK's DFID, have a different business model that makes transparency and predictability much easier for their missions. DFID is highly decentralized, and the missions themselves decide which programs to fund, how to move payments, and how to manage the money.

- **The politics of information.** Some participants suggested that even when the US government provides better data to governments, some governments don't commit to transparency themselves. At worst, the governments don't want to give away the power that better information would yield to their citizens; at best, they may feel ambivalent about the information itself. Other participants mentioned that some people in countries repeatedly complain about not having data, even though they may not be using the data that is available.

What key reforms in policy or legislation would overcome the above challenges?

Participants suggested possible options for specific ways the US administration and Congress could improve the transparency and predictability of US foreign aid data:

- **Ensure that emerging legislation also speaks to the needs of recipient governments and their citizens.** Participants noted that the Foreign Assistance Revitalization and Accountability Act (S.1524) is a great start at improving the transparency of US foreign aid, but they said that it could go one step further and provide greater detail on the implementation of US foreign aid that people in countries need (such as which organizations implement, how much funding they receive, with what measurable outcomes, and so on). As one participant expressed, information that matters to recipient countries "is a burden, but it's a burden we have to bear."
- **Enable more systematic informal information exchange.** Participants also noted that a lot of information sharing is informal and that there are ways the US can improve this information exchange on the ground even when it may not be able to provide hard commitments. US agencies and local offices can get more involved in local sector working groups or local donor partner forums to meet with the government and other donors to discuss plans at the sectoral or the national level. This kind of engagement currently happens, but to varying degrees across countries.
- **Consider putting aid on budget.** Putting aid on budget is defined as aid flows that at minimum are reported to the recipient authorities and recorded in the national budget regardless of whether or not donors disburse aid through national budgets. Presenting aid data in country systems makes it easier for governments

themselves to account for aid resources in their planning and facilitates oversight by other parts of governments (such as legislatures and auditing agencies) and civil society.

- **Ensure that policies and efforts of the administration promote aid transparency.** Early discussions on the Presidential Study Directive 7 (on US global development policy) and the Quadrennial Diplomacy and Development Review (QDDR) suggest an interest in improving the transparency of US foreign aid. Policymakers need to ensure that the visions in these efforts are put into practice.
- **Provide longer-term funding.** The US should also provide longer-term aid that would allow effective governments and citizens to count on US support for efforts expanding beyond a one-year horizon. It takes time to build some of the key institutions for development, whether they support public agricultural research or the civil society capacity to monitor government budgets.
- **Ease earmarks.** On the topic of overcoming the problems imposed by earmarks, the question was raised as to whether there's a process that can, over a number of years, yield a dynamic similar to that of the defense budget. The defense budget is set through its own Quadrennial Defense Review (QDR), a process that establishes all of the US government priorities on defense within a national military strategy. Congress engages in the QDR, the QDR plan is put in place, and budgets are built around it. So although there is still pressure for earmarks, these pressures at least have to push against a broader consensus that's already at work.

To ease the burden of earmarks on missions, participants questioned whether Congress could have stronger mechanisms to communicate with the executive branch ahead of time on setting priorities, other than doing so via the annual appropriations bill.

One participant argued that the QDDR is precisely an effort toward this aim. The agencies involved in the QDDR discuss how to accomplish goals and objectives across a number of areas, including needed changes to the budget process, so that what's presented to Congress is much more rational and reflects greater consensus to begin with.

- **Institute a flexible funding mechanism.** Several participants recognized that changing the appropriations process would be nearly impossible. As an alternative, they discussed the need for and possibility of a flexible funding mechanism to make earmarks and the appropriations process less disruptive to missions as they try to work more closely with recipients in responding to emerging opportunities or changing priorities. This mechanism would essentially provide more discretionary resources for the field, conditioned on a multiyear country development cooperation strategy.

Participants noted that Congress may be understandably weary of new proposals for contingency funds, given that these funds were often used improperly in the past. Looking forward, they suggested that Congress may be more receptive if the executive branch proposes discretionary resources and/or contingency funds to facilitate aid effectiveness while containing clear and enforceable parameters for accountability.

- **Support capacity for transparency in countries.** In addition to improving its own transparency, the US should support efforts to improve the transparency of governments to their people. The US can do this by helping to strengthen the triangle between efforts of civil society organizations, governments, and donors. In Ecuador, for example, a partnership was created between the government—which is receiving aid for education reform—and a coalition of civil society organizations serving as watchdogs for investments at the school level.

What should be the timing and phasing of reforms?

- **First, define a mission, goals, and strategies for development.** A participant pointed out the pitfalls of asking Congress to change the way it does business before the aid community in the US reassures Congress that foreign aid has a clear mission and strategy for using aid resources.
- **Three phases.** Participants recognized that some goals for reform may be attainable in the short term but that broader changes will certainly require more time. In particular, three phases were suggested: first, focus on releasing the data that already exists but is not disclosed, such as aid per implementer, for which activities, and by subnational units; second, implement contingency funds so that missions can smooth funding across changes in strategy and gaps in funding cycles; and third, implement reforms to allow aid budgets on a three- to five-year rolling basis.
- **A pilot project.** Another suggestion was that of a pilot effort where the US government would release data across five US aid-dependent countries, assess what's most useful to users, and use that experience as a basis for broader reforms.

Better aid information alone will not improve the usefulness and effectiveness of US foreign aid as a tool for development. Yet providing the data that matters to countries means that a minister of finance can better prepare for macroeconomic volatilities, a minister of planning can better coordinate public investments, a parliament can keep its president in check, an advocacy group can monitor donor engagements with a local government, and citizens can better hold their governments accountable. With greater transparency and predictability, donors can support, rather than weaken, the citizen-state compact that is at the core of development.



Blackboard in the staff room at Kalobeiyei school, Turkana District, Kenya. The school relies on the Kenyan government, a variety of donors and NGOs, and parents for support. Knowing precisely what each supporter brings to the school helps teachers keep the school in operation.

Crispin Hughes / Oxfam

SCHOOL DEVELOPMENT	BA
COMMUNITY	DONOR
TENT BOOKS STD 1-8	OXFAM
LOCKABLE CUPBOARD	OXFAM
OFFICE FURNITURE	OXFAM
TRAINING SCHOOL COMMITTEE	OXFAM
5 PERMANENT CLASSROOMS	LW.F
3 PERMANENT CLASS ROOM	UNHCR
3 TOILETS	

Notes

- We used surveys with both structured and semistructured questions designed to capture perspectives on how the US foreign aid system delivers on the ground, particularly with respect to information, capacity, and control. The sample of 200 people interviewed included 55 government officials, 55 civil society representatives, 46 US aid workers (USAID, MCC, PEPFAR, State), and representatives from 44 US contractors and NGOs. Unless otherwise noted, the field examples and quotes used throughout this brief are drawn from these surveys.
- See Oxfam America's *Ownership in Practice: The Key to Smart Development* (Washington, DC: Oxfam America, 2009), www.reformaid.org.
- See "USAID Kenya Fact Sheet: FY2007–09 USAID-State Foreign Assistance Appropriations," www.usaid.gov/locations/sub-saharan_africa/countries/kenya/kenya_fs.pdf
- Jonathan Fox "The uncertain relationship between transparency and accountability," *Development in Practice* nos. 4–5 (2007): 663–671.
- Documented also in Richard Lugar, *Embassies Grapple To Guide Foreign Aid*, report to the Senate Committee on Foreign Relations, Nov. 16, 2007.
- AccessInfo monitored the availability of aid information across five major donors (but not yet the US) and found that they too are below the information commitments made in Accra. See AccessInfo, *Not Available! Not Accessible! Aid Transparency Monitoring Report* (Madrid: AccessInfo, 2009).
- That was the finding in Oya Celasun and Jan Walliser, from the International Monetary Fund and World Bank, respectively. Celasun and Walliser, "Predictability of Aid: Do Fickle Donors Undermine Economic Development?" (paper presented at the 46th Panel Meeting of Economic Policy in Lisbon, Oct. 19–20, 2007).
- See Homi Kharas, "Measuring the Cost of Aid Volatility," Wolfensohn Center for Development Working Paper No. 3 (Washington, DC: The Brookings Institution, July 2008), and Aleš Bulif and Javier Hamann, "Volatility of Development Aid: From the Frying Pan into the Fire?" *World Development* 36, no. 10 (2008): 2048–2066.
- Kharas, "Measuring the Cost of Aid Volatility," Working Paper No. 3, Wolfensohn Center for Development, The Brookings Institution, July 2008.
- Celasun and Walliser, "Predictability of Aid."
- These shares are estimated by using data on aid actually disbursed and aid scheduled by donors to be disbursed in 2007, as presented in the OECD's 2008 *Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010* (Paris: Organization for Economic Cooperation and Development, 2008), p. 96, Table B.7.
- Celasun and Walliser, "Predictability of Aid."



COVER: A rice producer group meets in Chela village, Tanzania. Oxfam supports the producers' efforts to improve their irrigation methods, and therefore, increase their production. Joseph Majegga (pictured in the red shirt) said the group wants to work closely with agriculture experts who can educate them about the best ways to produce their crops. Clear communication—and knowing what to expect—from donors helps people, from farmers to governments, make better use of foreign aid in their development efforts. *Geoff Sayer / Oxfam*

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