



Ownership in practice

The key to smart development

Contents

Executive summary	2
1. Introduction	4
2. Information: Let countries know what donors are doing	9
3. Capacity: Help countries lead	18
4. Control: Let countries lead	26
5. A context-based approach to ownership	34
6. Conclusion	36
Notes	38

“Ownership has to prepare us to stand on our own two feet. We learn by doing.”

Tanzanian ambassador to the US¹

Executive summary

Why is it so important to improve US foreign aid? Because one billion people have been left behind by current global development trends. Aid, used in smart ways, can save lives and help people get themselves out of poverty. Better yet, smart aid can help make other local, national, and global economic and political forces work for poor people.

Sixty years of foreign aid have shown that donors cannot fix the problems of poor people by themselves, no matter how well donors understand development. Donor-imposed solutions are often wrong for the context. Even when they're right, successes aren't maintained without local buy-in.

It is because we believe in human rights and the responsibilities they invoke that Oxfam aims to strengthen local ownership of aid, such that foreign aid is delivered in ways that strengthen the voice of citizens and the responsiveness of the state. In short, aid needs to strengthen the "compact" between states and citizens—a government's commitment to fulfilling its responsibilities and the people's efforts to hold their government accountable. At its best, aid can strengthen public accountability.

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

INFORMATION | Let countries know what donors are doing

Unless recipient countries get 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.

- **At minimum, US foreign aid should be transparent**, publishing comprehensive, accessible, comparable, and timely information that is useful to recipient governments, civil society, and US taxpayers. The US should sign on to the International Aid Transparency Initiative (IATI) and commit to its principles as part of this process.
- **To lead best practice, US foreign aid should be predictable**, providing countries with regular and timely information on their three-to-five-year expenditure and implementation plans.

CAPACITY | Help countries lead

The best way to build capacity is to use local systems and people in the provision of aid.

- **At minimum, the US government should make our technical assistance more demand-driven** and untie it so that US aid workers and recipient countries have the option to use the best possible technical advisers for the job, be they US nationals or not.

Sustainable development requires local solutions, even to environmentally driven disasters. Once-rich pasture around Okarey-Af, Ethiopia, is now barren, leaving local people dependent on food aid. Successive years of poor rains have left many pastoralists in Ethiopia increasingly vulnerable. *Nick Danziger / Oxfam*

- **To lead best practice, US foreign aid should support local efforts to improve domestic accountability,** including by using public financial management systems when appropriate and supporting efforts by citizen groups, parliaments, and auditing agencies.

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.

- **At minimum, the US should limit earmarks** and presidential initiatives that are inconsistent with country priorities.
- **To lead best practice, the US should increase budget support** for development purposes to responsible governments.

At the end of the day, we cannot reduce poverty exclusively through increasing the amount of foreign aid. Rather, we need to take a closer look at how that aid is delivered. Aid, used in smart ways, can empower recipient citizens, help ensure equitable economic growth, and catalyze other global economic forces to benefit those in poverty.

Ultimately, the best hope for poor people lies in their own capacity to demand accountability and performance from their governments. That is why ownership matters.

The Obama administration has given early indications that it is committed to implementing better information, capacity, and control. During her first trip to Africa as secretary of state, Hillary Clinton said, "We will focus on country-driven solutions that give responsible governments more information, capacity, and control as they tailor strategies to meet their needs."² The challenge will be to follow through on this commitment and to turn these words into action.



1. Introduction

A child born today in South Asia, sub-Saharan Africa, or Latin America is more likely to survive her birth, go to school, earn more money, give birth safely, vote for her political leaders, and die of so-called “old age” than ever before.³

Effective aid can take some credit for this progress, but not most of it. More often, citizen self-help, accountable country leadership, sound regulation of markets, good macroeconomic policy, trade, foreign direct investment, remittances, or debt relief makes a bigger difference. Aid is only a small part of the global development story.⁴

So why is it so important to improve US foreign aid? Because a billion people have been left behind by current global development trends.⁵ Aid—used in smart ways—can save lives and help people get themselves out of poverty. In short, smart aid can help make other local, national, and global economic and political forces work for poor people.

Development happens when a father sends his daughter to secondary school because the labor market can use her skills; when a shopkeeper from an ethnic minority expands her store because she knows her goods are safe; when a journalist challenges national development plans without fear of being silenced; and when citizens know their votes make a difference because chosen leaders can’t get away with corruption.

Yet 50 years of foreign aid have proven that even when they understand how development happens, donors cannot reduce poverty by themselves. When donors impose solutions, the solutions are often wrong for the context. Even when development solutions are right, they are rarely implemented properly. That is history’s lesson.

Poverty: A denial of basic rights

Oxfam values local ownership as a means to an end. Our goal is for poor people to realize their human rights—economic rights, political rights, and the right to live in safety and security. Poverty is not an accident; it is the outcome of “chronic, historically entrenched political-economic oppression and social inequality”⁶—systems and policies that deny basic human rights. Only when the unjust rules that prevent people from escaping poverty are dismantled will all people share in the right to develop their potential.⁷

If poverty is fundamentally a denial of rights, then who is responsible? When we ask people living in poverty, some fault themselves, but more point to their own local and national leaders. Others fault international aid efforts—including our own.



A way forward: Ownership of aid

It is because we believe in human rights and the responsibilities they invoke that Oxfam aims to strengthen local ownership of aid. Countries should provide foreign aid in ways that strengthen the voice of poor people and the responsiveness of the state. In short, aid needs to strengthen the “compact” between states and citizens—the government’s commitment to fulfilling its responsibilities and the people’s efforts to hold their government accountable.

Without sound governance, economic growth is seldom broad-based. Markets may create opportunity, but poor people cannot fully access that opportunity to help themselves. The poorest countries are also often the ones with the most ineffective governments—where a few individuals thrive precisely because of poor governance and where policy makers lack the minimum capacity to prioritize, raise revenues, and manage development.

Aid cannot generate enough market access or sufficient growth to tackle a country’s poverty on its own. Nor can it forge a compact between a citizen and her state. But the way that countries deliver foreign aid can strengthen or weaken



Supporting active citizens sometimes means helping them enjoy basic rights so that they can help themselves. Young women in the town of Independencia, Peru, carry buckets of drinking water home. The clean water comes from a filtration tank installed by Oxfam with the support of Action Against Hunger and other nonprofit organizations. *Evan Abramson / Oxfam America*

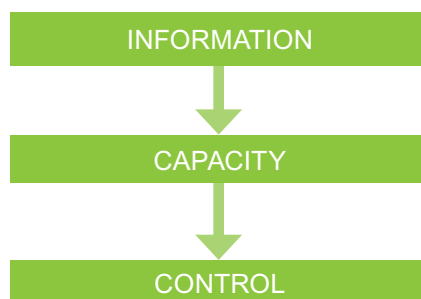
that compact.⁸ At its best, aid strengthens public accountability, complements government revenues in providing public goods, and supports citizen efforts to hold governments accountable.

How US aid must be reformed

To make foreign aid more useful for development, Oxfam is calling for the following reforms (Figure 1):

- **Information: Let countries know what donors are doing.** Regardless of a country's fragility or lack of capacity, it has both the right and the need to know what donors are funding and planning to fund within its borders.
- **Capacity: Help countries lead.** Countries need to manage their own development. Donors should support governments' efforts to strengthen how they manage their development and support citizens' efforts to keep their governments in check.
- **Control: Let countries lead.** If donors want recipient governments to lead their own development responsibly, they should gradually cede control of aid funding and hold countries responsible for development outcomes.

Figure 1. Ownership in practice



Encouraging signs from the Obama administration

We are encouraged by early indications that the Obama administration understands the importance of supporting state and citizen ownership. As Jacob J. Lew, deputy secretary of state, recently testified to Congress:⁹

[W]e must promote long-term development and human security—both from the top down and bottom up. ... Our top-down development strategy must strengthen the ability of governments to support just and capable institutions that meet the basic needs of their populations; and the enabling environment for broad-based, equitable economic growth, including access to the global economy. Our bottom-up development strategy partners with citizens and civic groups to build human capacity, ultimately spurring the power of individuals and societies to innovate, cooperate, and solve problems—both locally and globally.

More recently, during her first trip to Africa as secretary of state, Hillary Clinton said, “We will focus on country-driven solutions that give responsible governments more information, capacity, and control as they tailor strategies to meet their needs.”¹⁰ The challenge will be to follow through and to turn these words into action.

Early commitments to reform

The US and 127 other countries and 27 multilateral organizations have already committed to reforming foreign aid through the Paris Declaration on Aid Effectiveness (2005). The same countries and organizations reinforced their commitments in the Accra Agenda for Action (2008).¹¹ Recipient governments, in turn, committed to managing aid resources more effectively.

As part of the reform process, the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD DAC) has been measuring these commitments through a series of performance indicators. While the Paris Declaration Survey indicators are imperfect,¹² they are the one tool available to compare donor commitments to principles of ownership. The US tends to fall short of best practice almost across the board (Figure 2).

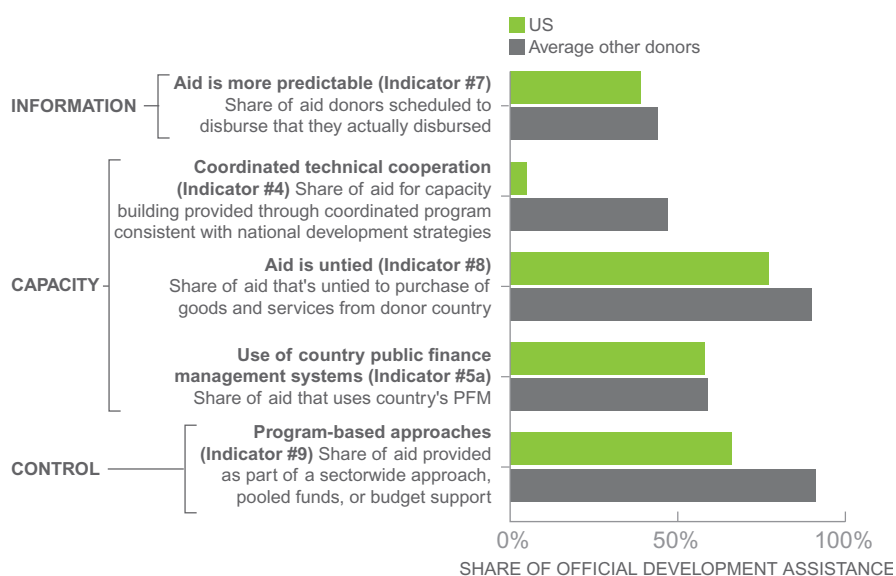


Figure 2. The Paris Declaration indicators and Oxfam’s ownership framework

Source: 2008 Survey on Monitoring the Paris Declaration (Paris: OECD, 2008), Appendix B, data for 55 countries surveyed in 2007.



Even in the worst circumstances, when people have information and resources, they will plan for a better future. After the devastation caused by the 2004 tsunami, Tom, 55, hangs panels on his new shelter in Aceh Province, Sumatra, Indonesia. *Jim Holmes / Oxfam*

▲ This paper translates the concept of ownership into specific policy reforms to improve the usefulness of US foreign aid for effective states and active citizens.

- Sections 2, 3, and 4 discuss each principle, summarizing evidence on how ownership shapes development outcomes, how US performance compares with other donors, and policy reforms that would take the US closer to best practice.
- Section 5 shows how our ownership framework could operate in different country contexts.
- Section 6 concludes by summarizing our proposed policy reforms.

2. Information: Let countries know what donors are doing

For years, Afghans have heard about billions of dollars being promised by foreign donors, yet they have no way to find out where that money is going. Even their government does not know how one-third of all aid (some \$5 billion) has been spent since 2001.¹³ In Uganda, a mapping exercise in 2005 found twice as much aid being spent than what the government was told.¹⁴ In Sierra Leone, the government knows little of the 265 different aid projects that donors are funding.¹⁵ And in Malawi, there was a \$119 million difference in what donors reported they were providing to the government of Malawi and what donors reported to the OECD.¹⁶

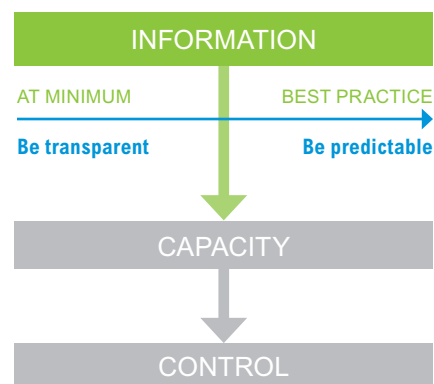
How can recipient governments use donor aid to plan in such circumstances? How can civil society, journalists, the business community, and others hold their governments accountable for how they use aid resources without knowing how much aid money their governments receive?

Of course, recipient countries must step up, too. Governments need to have systems to capture and use the data. They must also commit to transparency.¹⁷ Unless citizens are willing and able to hold their government accountable for its development policies, corruption and waste are inevitable.

To help states be more effective and citizens be more active in holding states accountable, the US, at minimum, should transparently communicate how much aid it provides and for what purposes. To be a leader in best donor practice and to keep its international commitments, the US needs to make its aid far more predictable so that countries and citizens can plan their own development priorities.

Be transparent

Making US foreign aid transparent is not just important to US taxpayers. It's fundamental to smart development. Unless recipient countries get comprehensive, accessible, timely, and comparable information from donors, intended recipients can't hold their governments accountable, and those governments can't plan, prioritize, or explain to their populations what they are doing.



Transparency helps governments use aid as part of their own development. Recipient countries need to know how much a donor plans to spend—be it \$10 million or \$100 million. They also need to know what a donor plans to support and how it will provide that support. Is it going to focus on rural roads or provide drought-resistant seeds? Will it support the Ministry of Agriculture or work exclusively through contractors?

Transparency also helps parliaments, auditing agencies, and civil society hold policy makers accountable for how they use aid.¹⁸ Having this information is essential as citizens strive to reduce corruption and ensure that government spending aligns with national or local priorities (Box 1).

Box 1. Local transparency in Indonesia

Source: USAID Indonesia, "Budget transparency: Local governments hold public consultations," Jan. 2, 2008, <http://indonesia.usaid.gov/en/Article.291.aspx>.

United States Agency for International Development (USAID) has been promoting budget transparency across Indonesia. By working with local partners, USAID helped local governments seek community input in the budget process. Simultaneously, USAID trained civil society organizations on how to engage in that process. Finally, USAID guided local governments in making the final budget available for public scrutiny.

This was a well-publicized process. For the first time last year, local councils in three districts in Aceh ran the schedule for upcoming budget planning in local newspapers. In the district of Probolinggo in East Java, the district head published the details of the budget negotiations with the local council. Elsewhere, in the city of Banda Aceh and in the smaller city of Padang Panjang in West Sumatra, the government published the approved annual budget in the local press and also distributed 1,000 posters of the budget to be displayed throughout the district. Local residents now know what to expect from their councils.

The challenge for US agencies is to be transparent without adding more reporting. The US already requires more burdensome reporting than most donors. Most reporting is for Congress and US government auditors and is not coordinated or usable by the US public. According to US aid workers we interviewed in Mozambique, Afghanistan, El Salvador, southern Sudan, and Cambodia, the costs of reporting often outweigh its benefits.¹⁹ A member of the United States Agency for International Development (USAID) mission in southern Sudan tells this tale:

You could safely say that for almost a month, the mission shuts down to dedicate efforts into the operational plan and about three weeks for the performance report. That's a tremendous amount of time for a glorified accounting program.²⁰

The story is consistent across countries. In 2007, the USAID mission in Mozambique had up to 152 staff members and nonmission staff members and consultants dedicating 618 workdays planning their work and reporting to Washington, DC (Table 1).²¹

Type of report	No. of people involved	No. of working days to complete report
Operational Plan	38	120
PEPFAR Country Operational Plan	55	65
Malaria Operational Plan	7	25
Mission Strategic Plan	15	12
Country Strategic Plan	152	150
Performance and Accountability Report	11	10
Environmental Compliance Report	5	4
Disability Report	2	3
Global Development Alliances Report	8	2
Initiative to End Hunger in Africa Report	11	15
Evaluation List Report	5	3
Closeout Report	15	25
Congressional Budget Justification	38	20
Congressional Notification	5	8
Earmark Reports	28	15
PEPFAR Annual Report	55	35
Microenterprise Report	5	10
PL 480 Reporting Cable	4	10
Federal Managers Financial Integrity Act	45	15
Environment Reporting IEE	38	30
Program Audit Reporting	12	15
Report on Reports	3	2
Global Climate Change Reporting	5	3
Biodiversity Reporting	5	3
Water Report for Congress	2	3
Donor Reporting	4	15
Subtotal reporting only (excludes plans)		246
Total		618

Table 1. Burdensome reporting: A snapshot from the USAID mission in Mozambique

Source: Adapted from Richard G. Lugar, "Embassies grapple to guide foreign aid," a report to the Senate Committee on Foreign Relations, 110th Cong., 1st sess., Nov. 16, 2007. Note that "people involved" includes mission staff members, nonmission staff members, and consultants.



Sometimes, supporting local ownership doesn't mean working directly with a government. Food being distributed at an Oxfam feeding program in Harare, Zimbabwe, in late 2008. At that time, four million people in the country were in desperate need of food. *Robin Hammond / Oxfam*

In addition to the internal agency reporting, the US government also reports the aid it provides to generalized and country-specific data systems.²²

While the reporting requirements are extensive, it's difficult to evaluate the quality of US reports compared with those of other donors. Oxfam heard from governments, civil society organizations, and other donors that there's often confusion simply because of the sheer number of US agencies, private voluntary organizations, and nongovernmental organizations (NGOs) in a country. For USAID alone, governments may know the broad outlines of a USAID country operational plan but not know how much is allocated, who the implementers are, how they will engage with communities, and what may result from these efforts. And though USAID is often skeletally staffed in a country, it often has more development expertise on the ground than other US agencies, such as the Millennium Challenge Corporation (MCC), Department of Defense, Department of Agriculture, or others providing aid. Even US ambassadors may not have a full picture of what the US is funding in their assigned countries.

Of course, when the US provides official aid data to country governments, it's up to those governments to determine how broadly they disseminate that data to the public. That said, US agencies could publish their data more transparently for everyone to see, from a journalist in Zambia to a ministry official in Nigeria to an international humanitarian agency. As it is, some US agencies are more transparent than others (Box 2).

Need to find out how much USAID and the MCC are spending in Mali? For USAID, four clicks from the USAID home page will get you to the Congressional Budget Justification, in which you'll need to do a search for Mali and get something like this:

Request by Account and Fiscal Year

(\$ in thousands)	FY 2008 Actual	FY 2009 Estimate	FY 2009 Pending Supp	FY 2009 Total	FY 2010 Request
TOTAL	59,963	97,089	-	97,089	174,035
Development Assistance	23,400	51,700	-	51,700	64,775
Foreign Military Financing	-	-	-	-	200
Global Health and Child Survival - State	1,430	1,430	-	1,430	1,430
Global Health and Child Survival - USAID	11,199	59,659	-	59,659	48,900
International Military Education and Training	285	280	-	280	350
Public Law 480 (Food Aid)	3,627	10,000	-	10,000	10,000

Request by Program Area and Fiscal Year

(\$ in thousands)	FY 2008 Actual	FY 2009 Estimate	FY 2009 Pending Supp	FY 2009 Total	FY 2010 Request
TOTAL	59,963	97,089	-	97,089	174,035
1 Peace and Security	285	280	-	280	5,530
1.1 Counter Terrorism	-	-	-	-	4,000
1.3 Stabilization Operations and Security Sector Reform	285	280	-	280	550
1.6 Conflict Mitigation and Reconstruction	-	-	-	-	1,000
2 Governance, Justice and Democracy	800	2,400	-	2,400	5,900
2.2 Good Governance	500	1,400	-	1,400	4,750
2.3 Political Competence and Consensus Building	100	-	-	-	-
2.4 Civil Society	-	1,000	-	1,000	750
3 Investing in People	50,742	55,800	-	55,800	70,885
3.1 Health	18,742	37,600	-	37,600	51,750
3.2 Education	17,100	17,500	-	17,500	18,635
4 Economic Growth	7,800	39,000	-	39,000	48,800
4.1 Trade and Investment	430	-	-	-	2,500
4.2 Financial Sector	580	250	-	250	2,000
4.3 Agriculture	4,800	38,000	-	38,000	33,000
4.4 Private Sector Competitiveness	-	-	-	-	2,000
4.5 Environmental	1,350	750	-	750	2,100
5 Humanitarian Assistance	1,647	-	-	-	-

In contrast, three clicks from the MCC home page gets you to country-specific obligations and disbursements along a regularly updated timeline. Not only is the USAID information harder to access, but it is displayed in a manner that is not as easily interpreted by the recipient state or citizens as the information provided by the MCC.



Box 2. Better info in fewer clicks

Note: This box was inspired by William Easterly and Laura Freschi's resourceful exercise comparing the transparency of USAID and the UK Department for International Development (DFID), as discussed in <http://blogs.nyu.edu/fas/dri/aidwatch/2009/04/usaiddontaskdonttell.html>.

This problem is often rooted at home, where the US government itself doesn't have complete or even consistent numbers for what it's funding abroad. When former Secretary of State Condoleezza Rice asked her staff the total amount that the US spent on democracy promotion around the world, she couldn't find out, which led to the creation of the F Bureau and many of the information management tools the State Department uses today.²³

While providing information to US policy makers and US taxpayers is important for accountability, it is even more important for effective development that information is made available to aid recipients. When people know how external resources are being used in their communities, they are better equipped to fight for their rights (Box 3).

Box 3. The right to know, the right to decide: Lessons from extractive industries

More and more, poor people are asserting their rights to know about the impacts and benefits of oil, gas, and mining development and to decide if and how projects take place in their community. If they are consulted in advance, communities can decide whether they want companies to begin or expand operations on their land. And if they know how much extractive companies are paying their government for their natural resources, they can ensure that a fair share of the profits go to community needs like education, health care, and jobs.

Oxfam America has a long history of supporting the rights of communities affected by mining in Africa, Asia, and Latin America.

- In Ghana, we help communities access information about government revenues flowing from mining projects.
- In Cambodia, we support a coalition of local NGOs working to ensure that the revenues from the country's imminent oil boom are collected and shared in a transparent way.
- In Peru, we work with NGOs and indigenous organizations to promote greater transparency of oil, gas, and mining payments to the government and greater public input into budget decisions regarding these revenues at the local government level.

In some ways, foreign aid is like the money governments make from selling rights to oil, gas, and mining to companies: both tend to go directly to governments with little public oversight. If people in aid-dependent countries are consulted about the use of public resources and know how much aid is going to their communities, they, too, can work toward ensuring that aid is invested in ways that will be most supportive of local livelihoods.

Many donors—but not the US—have already committed to providing information as part of the International Aid Transparency Initiative (IATI) (Box 4).

The UK Department for International Development (DFID) and a group of bilateral and multilateral donors launched the IATI in September 2008 at the Accra High-Level Forum on Aid Effectiveness. Through IATI, donors agree to common standards for the publication of information about aid, such as the following:

- Comprehensive information about where and how aid is spent and what it is spent on;
- Timely information that feeds domestic budget and planning cycles;
- Comparable information that allows comparison across donors; and
- Reliable information on future aid flows.

By February 2009, 16 donors had signed on to the IATI: the Netherlands, Germany, Australia, New Zealand, Spain, Norway, Finland, Ireland, Sweden, Denmark, the European Commission, the World Bank, the UN Development Program, the Hewlett Foundation, the GAVI Alliance, and the UK. The US has yet to sign up.

Box 4. The International Aid Transparency Initiative (IATI)

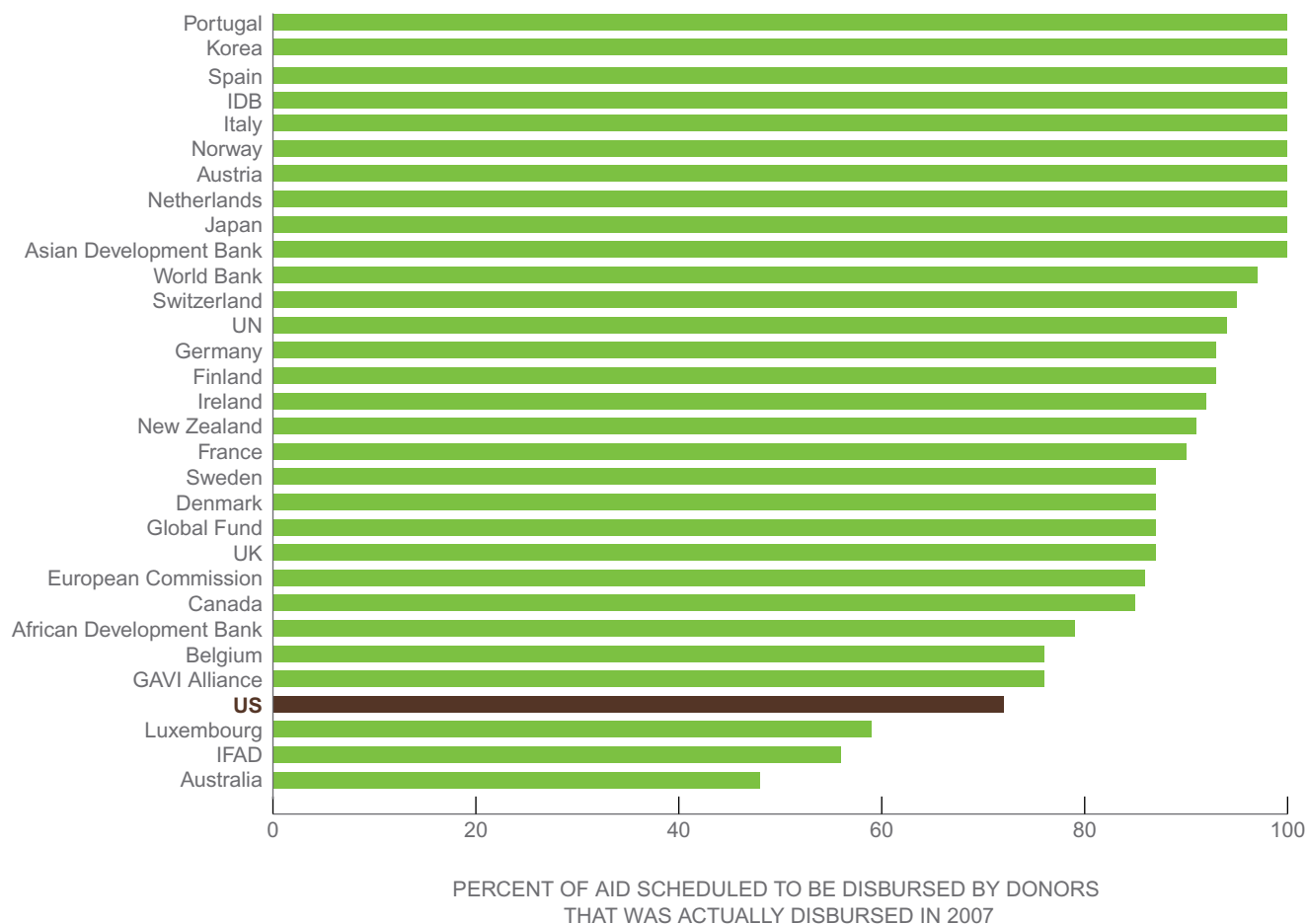
Be predictable

Telling countries what we're 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 to keep its promises when possible. The rationale here is obvious: future resource flows largely shape what aid-dependent governments can plan on doing. Predictability is also important for developing countries to identify medium- and long-term objectives and priorities for poverty reduction, including through Poverty Reduction Strategy Papers (PRSPs).

Predictable funding allows governments, entrepreneurs, and citizens not only to plan but also to take on longer term development initiatives like institution building and large infrastructure programs. Countries have other sources of funding and can adjust as needed, but only when they know what to expect. Unexpected oscillations in aid make it harder for governments to use aid as part of their overall expenditures or to commit to multiyear investments. As a result, aid volatility—where the flow of aid monies peak and ebb unexpectedly—can actually reduce the value of each aid dollar. This volatility can be disastrous. 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.”²⁴ This same study notes that aid from the US is the most volatile.

Figure 3. How are we doing on Paris? Not bad on this measure of predictability (Paris Indicator #7)

Source: 2008 Survey on Monitoring the Paris Declaration (Paris, OECD, 2008).



According to the Paris Declaration Survey, most donors disburse close to what they scheduled to disburse in a given year (Figure 3).²⁵ What the Paris Declaration predictability indicators don't capture is how well donors report how much they plan to provide in the coming three to five years, a commitment donors made in Accra in 2008.

Unlike most other DAC donors, each US agency managing foreign aid has its own approach to planning, engaging with the partner country, and implementing its aid.²⁶ As a result, some US agencies are more predictable than others. Currently, the MCC is the only agency with the legislative authority to make multiyear commitments. USAID has also signed multiyear agreements for at least 30 years and more recently has used Strategic Objective Agreements (SOAGs) to negotiate

long-term objectives with host countries. But SOAGs are not legally binding, and the appropriations process, Congressional earmarks, and presidential initiatives have hampered the predictability of SOAGs to a point where missions barely have any say over their portfolio for a given year, much less for several years. Being predictable for only a fraction of the aid we provide defeats the purpose of providing a comprehensive picture of our spending.

At times, the problem is exacerbated by budgetary confrontations between Congress and the administration. In fiscal year 2007, for example, Congress passed the foreign aid appropriations bill nearly five months late. After several more months of consultations, funds were not released to the field until almost a full year after the money was supposed to be available. In fiscal year 2009, appropriations were enacted nearly six months late.

US law prohibits US government agencies from committing funds that have not been appropriated. Because US appropriations happen annually, spending priorities can change dramatically from one year to the next. US development agencies are reluctant to commit to multiyear funding they cannot guarantee will follow.

However, even if the US government cannot legally commit funding, there is nothing to prevent government agencies from estimating what they intend to provide over the next three to five years—even if subject to appropriations or Congressional approval. In fact, that is what the US committed to in the Accra Agenda for Action, which stated:

Para. 26 (c): Beginning now, donors will provide developing countries with regular and timely information on their rolling three-to-five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate in their medium-term planning and macroeconomic frameworks. Donors will address any constraints to providing such information.²⁷

Citizens everywhere have a right to know what is being spent in their countries. Increasingly, they are using that information to hold their governments accountable to their development responsibilities. Reforms to make our aid system more transparent and predictable are minimum steps for enhancing local ownership over aid.

At minimum, US foreign aid should be transparent, publishing comprehensive, accessible, comparable, and timely information that is useful to recipient governments, civil society, and US taxpayers. The US should sign on to the IATI and commit to its principles as part of this process.

To lead best practice, US foreign aid should be predictable, providing countries with regular and timely information on their three-to-five-year expenditure and implementation plans.

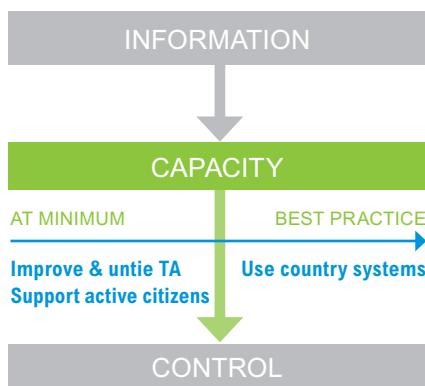
“They don’t want to make commitments until August or September for funds we need to spend by December, just in case other priorities come up.”

Mozambican civil society organization staff member

❖ POLICY RECOMMENDATIONS

TO IMPROVE HOW THE US FOREIGN AID SYSTEM PROVIDES INFORMATION ON ITS AID AGENDA

3. Capacity: Help countries lead



When asked for his top concern on US foreign aid, President Obama said that “western consultants and administrative costs end up gobbling huge percentages of our aid overall.” He wants the US “to minimize our footprint and maximize the degree to which we’re training people to do for themselves.”²⁸ To do that, the US will have to rethink how it spends the one-third of its aid—more than \$7 billion—each year on technical cooperation and assistance.²⁹

Technical assistance cannot create lasting capacity without local political will. The commitment to development has to come from the government and citizens themselves.³⁰ What technical assistance can do is support reforms and efforts to which governments and citizens are already committed.³¹

At minimum, the US can help build capacity by ensuring that aid is driven by actual need and by “untying” its technical assistance so that recipients are not required to hire US contracting firms and, thus, are able to keep more value in the country.³² To lead best donor practice, the US needs to use the financial systems of the recipient government (when these are transparent and linked to a development agenda) and invest in domestic efforts to improve government accountability.

Redefine technical assistance

US technical assistance reflects broader problems with the US foreign aid system: aid for capacity building remains donor-driven and overpriced, rarely helping recipients to build the kind of in-house development of skills for which one might hope.³³

Some US aid for capacity building has worked. For example, USAID accomplished the following:

- Helped El Salvador’s Legislative Assembly emerge as an independent institution;
- Strengthened bill-drafting and research services for the legislature in the Philippines;
- Facilitated public hearings in Mozambique;
- Spread civil education and services in Guatemala; and
- Supported the rebuilding of the central bank and Ministry of Finance in Afghanistan.³⁴

Yet given the sheer scale of US aid for technical cooperation—one out of every three US aid dollars³⁵—it should deliver much more lasting capacity.

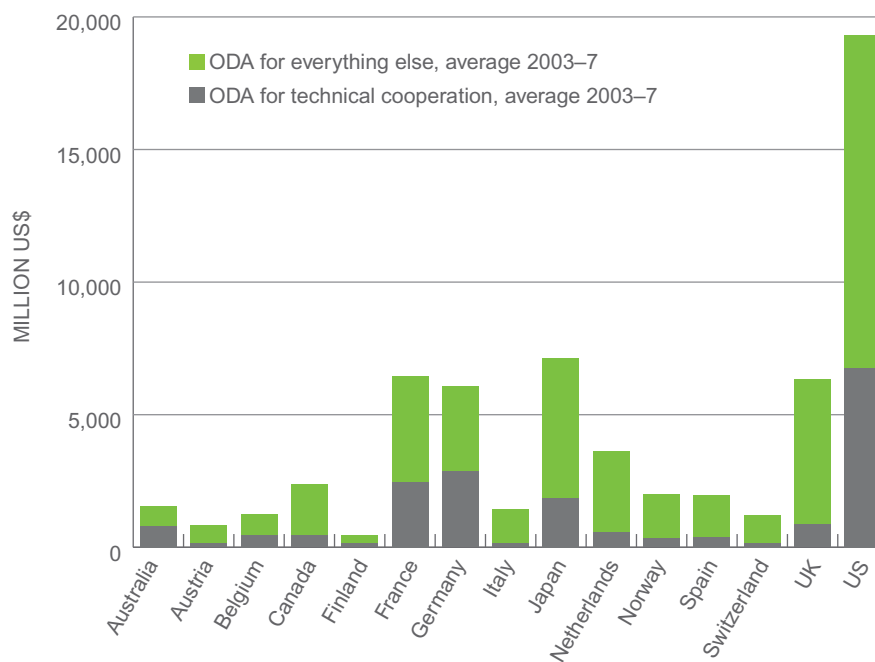


Figure 4. Official development assistance (ODA) for technical cooperation and everything else across selected donors

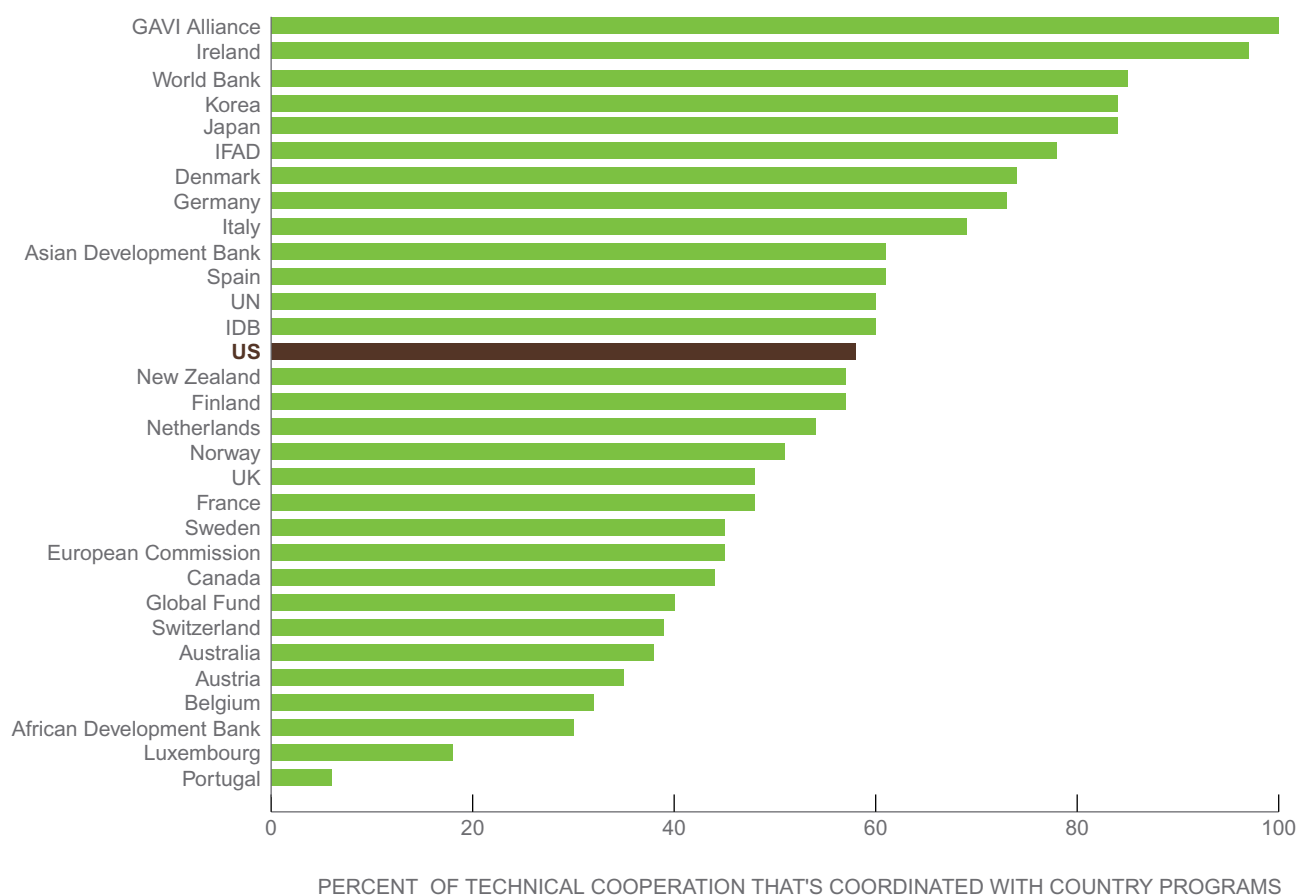
Source: OECD Creditor Reporting System.

▲ Oxfam helps communities to mobilize to demand their rights. Here, Marta Cobo Ceto of Guatemala's National Indigenous and Peasant Council records names at a community meeting. Indigenous people in Guatemala have endured centuries of violence and discrimination. Most recently, they bore the brunt of a 36-year armed conflict in which 100,000 Guatemalans died and 50,000 disappeared.

Annie Bungeroth / Oxfam

Figure 5. How are we doing on Paris? Technical assistance like they need it, sometimes (Paris Indicator #4)

Source: 2008 Survey on Monitoring the Paris Declaration (Paris, OECD, 2008).



The effectiveness of US technical assistance is undermined by two facts. First, much of our technical assistance doesn't necessarily respond to the needs of recipient countries. According to the Paris Declaration Survey, only about 60 percent of US technical cooperation is aligned with recipient government capacity-building objectives. This figure is about average across major donors (Figure 5).

Second, US aid for technical assistance is often legally or functionally tied—meaning recipients have to hire US contracting firms to provide that assistance regardless of cost- or impact-effectiveness.³⁶ Unlike the MCC and the US President's Emergency Plan for AIDS Relief (PEPFAR), USAID operates under the Congressionally mandated "Buy American" clause. While missions can seek waivers, bureaucratic and administrative requirements are often beyond the capacity of local providers—even when they have development expertise. As a result, the largest provider of aid for capacity building is also the most constrained compared with other major donors. In addition, many of the contracting firms charge such significant overheads that Secretary Clinton recently concluded, "Fifty cents on the dollar never even gets into the program, because it goes into contracting-related costs."³⁷

Most donors have recognized the value of untying aid over the years. DAC donors tied roughly 70 percent of all ODA through the 1980s, but only 10 percent in 2006.

The inefficiencies of tied aid are many:

- It often costs 15 to 30 percent more to use contractors from the donor country than contractors from elsewhere.³⁸
- The goods and services provided through tied aid aren't necessarily better than that of aid sourced from other places, including locally.³⁹
- Tied aid keeps local contractors from using resources that would develop their own capacity and generate much-needed local jobs.⁴⁰

Untying aid won't resolve all of these problems, of course, just as it won't prohibit USAID field missions from using US goods and services when appropriate. If US firms are the best providers of the service, then they'll be hired—not because they're American, but because they're the best providers in a given context. But if aid is meant to help countries lead their own development, then untying aid to countries that are willing to lead is a good start.

Use and strengthen country financial management systems

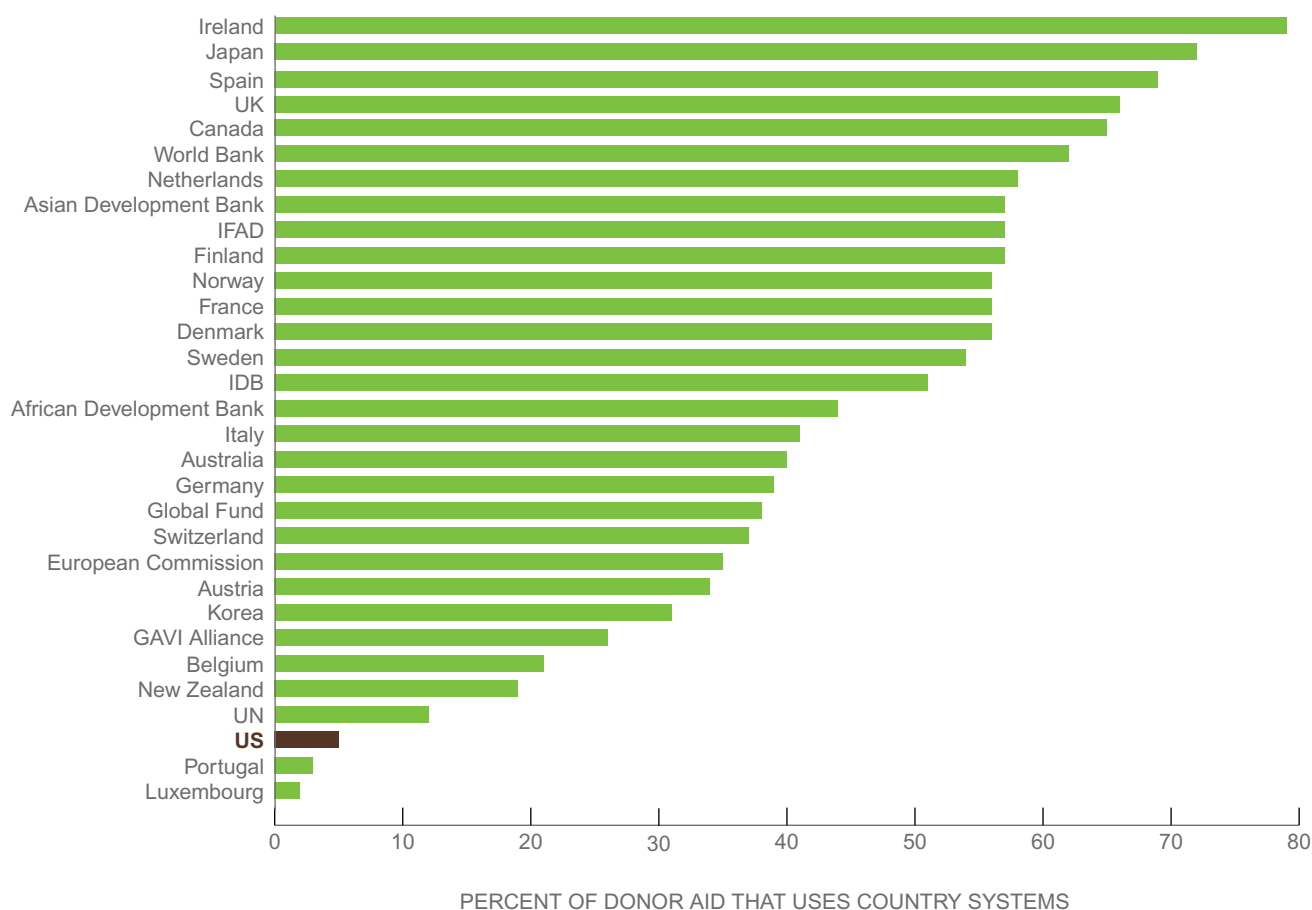
If donors really want to help strengthen recipient country governments' ability to manage their development agenda, they need to use country systems for public finance management (PFM) when these systems are functional (which usually means the recipient government has a credible budget, a working financial management system, and timely and accurate accounting and reporting).

PFM refers to how a government raises, manages, and spends public resources. Donor use of PFM systems covers the entire budget cycle, from strategic planning to oversight. In the Paris Declaration, recipient country governments committed to improving their systems and donors committed to using existing systems as much as possible.

Using local PFM systems helps donors better align with the recipient country's priorities and policy processes. It also creates incentives for government- and donor-provided technical assistance to improve these systems over time. As is, less than half of all aid is recorded in recipients' national budgets. The US did not commit to the financial management targets in the Paris Declaration and allocates only about 5 percent of its aid through PFM systems (Figure 6).⁴¹

Figure 6. How are we doing on Paris? Rarely using country systems (Paris Indicator #4)

Source: 2008 Survey on Monitoring the Paris Declaration (Paris, OECD, 2008).



Support active citizens

The US and other donors have already demonstrated support for citizen efforts to hold their governments accountable—and have helped expand the space for citizen voices in the policy process (Box 5). Even so, there is room for improvement.



When newspapers pick up on a public audit report detailing what's gone right and wrong with public finances, you know something's working well.

Consider the laudable progress of Mozambique's Administrative Tribunal, the country's public auditing agency responsible for overseeing and monitoring public funds. Sweden first supported efforts to develop the tribunal in the mid-1990s. Germany, Norway, Finland, and other donors have since supported the tribunal as part of their efforts in the donor coordinating group on technical assistance. By 2008, the tribunal was conducting 350 audits, covering about 35 percent of the government budget.

Not only has the Mozambican Parliament been acting on information from these audits, but so has the public media. Following the release of the tribunal's latest annual report, the state-owned newspaper, *Notícias*, bore the headline, "State Accounts With Fewer Discrepancies." Focusing on the fact that many firms still hadn't repaid their debts to the state, the opposition newspaper, *Zambeze*, instead stressed, "Public Funds in Corrupt Hands." Public scrutiny across party lines is a sure sign that donor support for the tribunal is paying off.

Box 5. Supporting checks and balances in Mozambique

▲
Lasting health care solutions need functioning public health systems. In Rwanda, budget support has allowed the government to increase health expenditures fivefold. Here, a nurse gives a prescription to a female patient at Kibuga Health Center, near Nyagatare in Rwanda. *Kate Holt / Oxfam*

When effective media and civil society groups focus on poverty and budget monitoring, for instance, they can ensure that governments are accountable for spending and policies that will reach poor people. Examples abound⁴²:

- In Mexico, the NGO Fundar reported in 2002 that then-newly elected President Vicente Fox was falling short of his commitments to help lower the soaring maternal mortality rates in rural areas. As part of a broader coalition, Fundar help secure a 10-fold increase in government funds for these programs.
- In South Africa, the NGO Idasa showed how low capacity in local governments limited community access to Child Support Grants. Mobilization with other groups led to increased funding for the grant program.
- In India, the civil society organization Developing Initiatives for Social and Human Action (DISHA) holds the government accountable to indigenous populations for its spending commitments. DISHA's work has helped dramatically reduce underspending for these groups.
- In Armenia, a US-funded citizen group used adverse publicity, legal action, press releases, and petitions to halt a former senior municipal administrator's attempt to illegally transfer protected land to high-ranking government officials.⁴³
- In the Philippines, USAID funded the Philippine Center for Investigative Journalism (PCIJ), a nonprofit media agency that scrutinizes democratic institutions (Box 6).

Box 6. USAID and “journalism with an impact” in the Philippines

Source: Karol Olgan, “Big infra spending fails to lift plight of poorest,” PCIJ, www.pcij.org/stories/2009/infra-spending.html.



The US has a long history of supporting strong civil society groups as a check on state power. As it embraces the concept of local ownership, it needs to provide long-term financial and political support that local institutions can rely on when they seek to hold the powerful accountable. In particular, the US should find ways to nurture media and civil society groups that are willing to hold governments accountable for their development plans, their commitment to transparency, and their general management of the budget and public finances.⁴⁴

In a study of aid to civil society by the US and other donors, researchers found the following:

[S]ome donors' unwillingness to cede real control over the nature and direction of NGOs' activities to NGOs themselves impedes the development of trust. And they assert that donors' persistent tendency to define programs' priorities in advance leads to the activities that do not correspond to the realities or requirements of the recipient societies.⁴⁵

Whether citizen groups have any political power depends on their ability to voice their interests and concerns.⁴⁶ Here, too, donors can give governments incentives to engage with citizens in the policy process and to ensure that the citizen voice at the table actually speaks on behalf of minority groups and very poor people.

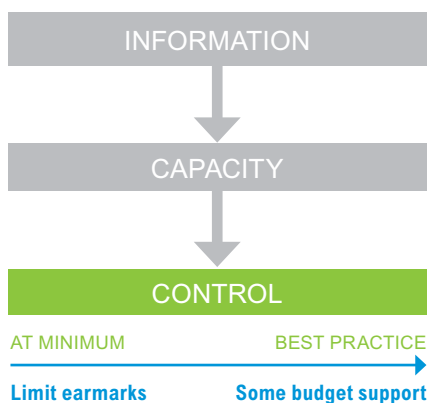
At minimum, the US government should ensure our technical assistance is driven by actual need and untie it so that US aid workers and recipient countries have the option to use the best possible technical advisers for the job, be they US nationals or not.

To lead best practice, US foreign aid should support local efforts to improve domestic accountability, including by using public financial management systems when appropriate and supporting efforts by citizen groups, parliaments, and auditing agencies.

❖ POLICY RECOMMENDATIONS

THE US SHOULD ADOPT MEASURES
TO IMPROVE HOW IT SUPPORTS
CAPACITY BUILDING IN RECIPIENT
COUNTRIES

4. 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. In some countries, donors should exert as much control as possible over the use of aid resources. In particular, donors may need to exert control in places where governments:

- Are ill-intentioned;
- Lack the gender or ethnic diversity to represent the development aspirations of all their people; and
- Are facing conflict environments and simply cannot do their jobs.

Yet many governments, in whole or in part, are committed to developing the economy, running fair elections, supporting entrepreneurs and businesses, and improving social indicators. At minimum, the US should limit earmarks and other micromanagement of the development agenda so recipient countries can set development priorities. To lead the donor community on country ownership, the US also needs to give countries greater control over US aid dollars when the conditions for effective development are right.

“What we want from donors is for them to sit with us. There's a planning cycle that we have here. It's alignment, alignment, alignment.”

Mozambican civil society organization staff member

Reduce earmarks to improve alignment

A major challenge for USAID country missions is reconciling Congressional earmarks and presidential initiatives with what recipient countries see as priorities. Too often, most or all of the aid monies the US offers a recipient country are already designated for particular causes—regardless of whether these causes align with the country's developmental priorities.

Washington sees Congressional earmarks as a rational response to an irrational situation.⁴⁷ Of course, earmarks and presidential initiatives aren't always misguided: they often address important investments like basic education, support for orphans, uses of clean energy, trade capacity building, and the conservation of biodiversity. The MCC, which gets high marks for supporting recipient governments' long-term priorities, was itself a presidential initiative that worked around existing foreign aid legislation.



But earmarks and presidential initiatives have skyrocketed in recent years, reflecting a breakdown in trust between the legislative and executive branches. When Congress fears the administration will waste aid on buying political favors, it uses earmarks to guarantee that poor people get some benefit from our tax dollars. When the administration fears Congress will turn aid into a nonstrategic morass of individual preferences, it uses initiatives to further its strategic goals.⁴⁸ Over time, these tools have undermined our efforts to fight global poverty.

Earmarks also reflect a breakdown of trust between Washington and the field. Every Congressional and executive earmark sends a message to field-based professionals that Washington does not trust them to make the right decisions.

The victim is local ownership. When earmarks are imposed on aid dollars, US development professionals in the field lose the flexibility to listen to recipients and align with their priorities. With recipients having no voice in this process, US development workers lose the ability to put countries in charge of their own development.

The problem has only gotten worse in recent years as earmarks have taken up an ever-greater share of budgets across missions. For instance, the FY08 budgets for the field missions in Mozambique and Cambodia were entirely earmarked.⁴⁹ The problem has also worsened to the point where entire budget accounts are more than 100 percent earmarked (as illustrated in Table 2).



Budget support in Vietnam is being used to stimulate strong and inclusive economic growth. Duong Quoc Toan, 10, uses small fish as bait to catch crabs while his mother, Vo Thi Be, catches fish in their family pond in the hamlet of Hai Thu in Vietnam. Hai Thu belongs to a coastal biodiversity conservation area, a project funded by Oxfam America and supported by the government of Vietnam. *Chau Doan / OnAsia.com for Oxfam America*

Table 2. Congressional earmarks for development assistance, FY2005
\$1.4 billion, \$1.7 of which is earmarked

Earmarks are greater than the total appropriations because some funds are double counted.

Source: Carol Lancaster, "Foreign Aid: Diplomacy, development, and domestic politics" (Chicago: University of Chicago Press, 2006), 89.

Earmark	\$ million
Basic education	300
Biotechnology research	25
International Fertilizer Development Institute	4
World Food Program	6
American schools and hospitals	20
Clean energy	180
Biodiversity	165
Plant biotech research	25
Orphans	375
Trade capacity building	194
Women's leadership capacity	15
Clean drinking water	100
Water treatment	2
Haiti	25

These mandates from Washington have forced USAID country missions to refocus their agenda away from investments the country would prefer.

- In El Salvador, a watershed management project was slashed by two-thirds to accommodate an earmark on biodiversity.⁵⁰
- Elsewhere, USAID missions have been forced to build more schools when recipient countries would have preferred to spend money ensuring there were enough teachers to staff existing classrooms.⁵¹

Other USAID missions spend precious time searching for creative workarounds to satisfy Washington instead of focusing on how to do their jobs well (Box 7).

Box 7. The hidden costs of earmarks

How much do earmarks really cost? Here's what we heard from a former USAID mission director for the Democratic Republic of Congo:

We examined our portfolio and saw we had lots of funding in health, but could use more in livelihoods. So we asked to keep health spending steady—they were good programs and our implementers were ramping up gradually over time. We also asked for increased livelihood funding, adding that, if for any reason we were resourced out, then under no circumstances should we reduce health.

Washington came back with just the opposite: they cut health by half and increased livelihoods a bit. They did it because money comes in different flavors, from different earmarks, with Congress and the administration having different criteria to decide what to fund. Their bottom line: “The numbers all add up now.”

Instead of spending time with visits, talking with people, examining what works and what doesn't, we had to engage in guerrilla warfare with Washington. We got our senior people in the mission, our best staff, and worked all of our contacts. We were lucky to find some people who understood [Washington's approach] was a crazy approach. Over time, we found \$300,000 free here and \$500,000 free there. In the end, we managed to get the same amount as the previous year, but the opportunity cost of the process was immense.

Even the MCC—which has been designed to reflect country priorities—is questionable in terms of whether its priority setting is genuinely government-led. The MCC negotiates Compacts with a local implementing agency composed of representatives from government, the private sector, and civil society. The Compacts aren't entirely country-driven, even on their face, since the MCC evaluates proposals and selects investments that are likely to generate higher returns.⁵²

Of course, ownership by government is not necessarily ownership by the people. Even when donors mandate consultation processes, these range from genuine dialogue to mere box-checking exercises.⁵³ The US must commit to strengthening citizen ownership to ensure that citizen participation in developing national anti-poverty strategies is deep and transformative, not cosmetic. All donors should challenge governments to demonstrate how engaging with civil society groups and their political representatives in legislatures has changed their priorities in a concrete way.⁵⁴

A useful proxy for assessing whether citizen representation is genuine is the extent to which it results in national development plans that address gender disparities among poor people. With few exceptions, most government leadership is male-dominated. The rules, structures, and procedures of decision-making are not always inclusive. As a result, women disproportionately pay the cost.⁵⁵ If a consultative process is thorough and legitimate enough to reflect the priorities of women living in poverty, it will usually have captured the priorities of men as well.

Further, unless PRSPs make concrete institutional and programmatic commitments to address the priorities of women and girls across development sectors and take steps to strengthen the political and institutional voice of women to help them influence the PRSP agenda, PRSPs cannot work for the majority of poor people (Box 8).

Box 8. Is donor insistence on gender approaches consistent with ownership?

Most donor governments have strong gender policies for good reason: in developing countries, women are often underrepresented politically, even though they make up half or more of the population and most of the world's poor. Women are also most likely to make the best decisions for the welfare of households—especially decisions regarding nutrition, health, and schooling.

For ownership to advance development, governments must be accountable to their citizens; yet in many countries, there is no government accountability to women. This is an important issue from a donor perspective, since the goal of development is to reach those living in poverty. Unless ownership means a government is accountable to both its female and male citizens, it will reinforce the disenfranchisement of large segments of the population.

Yet some recipient governments see donor gender policies as a form of cultural colonialism. Afghan leaders, for example, have argued that focusing on achieving gender equality too forcefully and too quickly will undermine the government's legitimacy in conservative areas—not to mention the international community's broader state-building agenda. These arguments are problematic when they perpetuate rights violations in the name of a so-called "greater good." They beg the question, "Whose ownership do we care about?" Ensuring that Afghan women and men are both at the table leads to better programs, including ones that empower women.

Where there is political will, there is a way to reconcile ownership and gender tensions. Even in southern Afghanistan, programs like the National Solidarity Program have found innovative ways to ensure that women have a say in setting development priorities. For Oxfam, strengthening local ownership is a powerful means of overcoming injustice and poverty, but not an end in itself. Real change in power relations, whether at community or policy levels, is needed to ensure progress for women and girls. Only when development priorities genuinely reflect citizen concerns across the power map does local ownership become a litmus test of donor effectiveness in any country.

The same argument holds true for class, geography, nationality, and ethnicity. Supporting civil society to hold government accountable in meaningful ways helps ensure that development plans not only tackle the real causes of poverty but recognize its different voices and solutions. Men and women experience poverty differently. Rural and urban poor people don't always share interests. Ethnicity, sex, class, geography, and nationality can make all the difference in determining who does or does not benefit when resources are scarce.

Consider genuine budget support

Ultimately, if donors want responsible leadership, they need to let countries lead. That means ceding control over development spending by providing direct budget support (DBS)—aid that goes directly to a government's treasury without earmarking.

Some level of DBS should be a part of any donor's portfolio. The US is the second largest provider of budget support in absolute terms (2005–7), but it supports a very different kind of budget support than other donors and is often driven far more by political considerations. Between 1998 and 2007, the US gave nearly 80 percent of its general budget support to Jordan, Turkey, and Pakistan. Other donors tend to spread budget support over a more diverse set of low-income countries (Table 3):⁵⁶

Budget support from the US		Budget support from other donors	
Jordan	29%	Tanzania	10%
Turkey	27%	Pakistan	7%
Pakistan	22%	Indonesia	6%
Micronesia	7%	Mozambique	6%
Egypt	5%	Uganda	5%
Marshall Islands	3%	Ghana	5%
Palau	2%	Vietnam	4%
Palestinian Adm. Areas	1%	Burkina Faso	3%
Serbia	1%	Zambia	3%
Bolivia	0%	Rwanda	3%
Top 10 as % of total	98%	Top 10 as % of total	53%

Table 3. Top 10 recipients of budget support from US and other DAC donors

Source: OECD Creditor Reporting System. Percentages reflect how much US assistance was given to each country as budget support between 1998 and 2007. So in this period, 29 percent of all the aid provided by the US in budget support went to Jordan.

For most of the global donor community, budget support means something very different from what it means in the US. Most donors give their budget support to governments that have demonstrated a willingness to tackle corruption, a capacity to manage their own development finances, and a commitment to fighting poverty. The US, by contrast, appears more driven by diplomatic rather than development criteria in determining who gets budget support.

The extent to which budget support has contributed to better outcomes for poor people is often difficult to assess, since donors still provide the bulk of aid in other ways and since aid alone cannot ensure the quality of service delivery. Yet donors have increased their use of budget support because, in the right circumstances, it can help increase and improve public spending to reduce poverty.⁵⁷

- In Burkina Faso, Mozambique, Rwanda, Uganda, and Vietnam, budget support helped build the capacity of governments to manage resources effectively.⁵⁸
- In Tanzania, budget support (along with rising domestic revenues) allowed the government to double per capita spending on PRSP priorities in 1998–99 and 2002–3, allowing a major expansion in education and health services.⁵⁹
- In Uganda, budget support allowed a 30 percent increase in public expenditures between 1998–99 and 2006, including PSRP priorities.⁶⁰
- In Rwanda, in just five years, budget support helped the government to increase spending on water and sanitation, as well as spending on health, approximately fivefold, and to double education spending (Box 9).

Box 9. Supporting Rwandans' efforts to rebuild

Source: "Poverty Reduction Budget Support" (London: DFID, 2008), <http://blog-pfm.imf.org/pfmblog/files/prbspolicy0702081.pdf>; DFID, "Good taxes reduce poverty in Rwanda," www.dfid.gov.uk/Media-Room/Case-Studies/2008/Good-taxes-reduce-poverty-in-Rwanda/.

In 2000, the DFID became the first donor to provide budget support to Rwanda after the 1994 genocide. Providing predictable financing to a reforming government helped build financial and political stability and reduced the fragility of the state. Budget support allowed Rwanda to fully implement the first PRSP, which has helped reduce the number of people living in poverty since the genocide by more than 25 percent, from 74 percent of the population in 1994 to 57 percent in 2006.

Along with budget support, DFID and other donors provided technical assistance to help the government of Rwanda modernize its tax system. This included the creation of the Rwanda Revenue Authority (RRA) in 1998. Since then, domestic revenue generation has soared, reliance on foreign aid has declined, and social investments have boomed: in five years, spending on water and sanitation, as well as spending on health, have increased approximately five-fold, and education spending has more than doubled.

According to Mary Baine, commissioner general of the RRA: "The great thing about DFID's assistance is its reliability ... It has always been flexible and responsive to our needs, even as our needs have changed rapidly over the years."

Donors also provide sector budget support to help finance investments in a particular sector, most commonly health and education (Box 10).

Box 10. Letting countries lead in the education sector

Source: For enrollment figures, see FTI's 2008 Annual Report, "The road to 2015: Reaching the education goals," (Washington, DC: FTI Secretariat, 2008), www.education-fast-track.org/library/Annual_Report_2008_EFA_FTI.pdf.

In 2002, a group of donors launched the Education for All—Fast Track Initiative (FTI) as a partnership to help low-income countries meet the education Millennium Development Goal that all children complete a full cycle of primary education by 2015. Through the FTI, developing countries design and implement education plans that donors commit to supporting either bilaterally or through a common fund. This model breaks ground by turning over control to responsible national governments so they can set their own sectorwide priorities. One way donors have supported this process is by providing sector budget support to FTI-endorsed countries.

To date, the FTI has endorsed 37 developing country sector plans and has begun to show some promising results: FTI countries in Africa show considerably higher primary enrollment rates than those outside the initiative (with 52 percent as compared with 23 percent) over the period 2000–6.

President Obama recently made a promise to prioritize global education by creating a \$2 billion Global Education Fund. The US has not participated in the FTI, but Oxfam hopes the administration will use this opportunity to become a leading donor for education by championing a Global Education Fund as part of a more coherent US development structure. This initiative should become the "next generation" FTI, improving on its limitations and building on its notable successes.

In fact, donors agree that some developing countries shouldn't receive any budget support, particularly where corruption remains high and transparency of public finances and capacity to manage are low.⁶¹ But in many developing countries, budget support should be an optional element in the US portfolio to help build systems that, in the end, will no longer need donor support.

Indeed, the US should have the flexibility to use the best aid tool for the context. This might mean continuing project aid in most states, using sector budget support in others, and using general budget support elsewhere as part of a broader aid package. Even the most generous provider of budget support (the UK) provides under 20 percent of its aid as budget support (Figure 7).⁶²

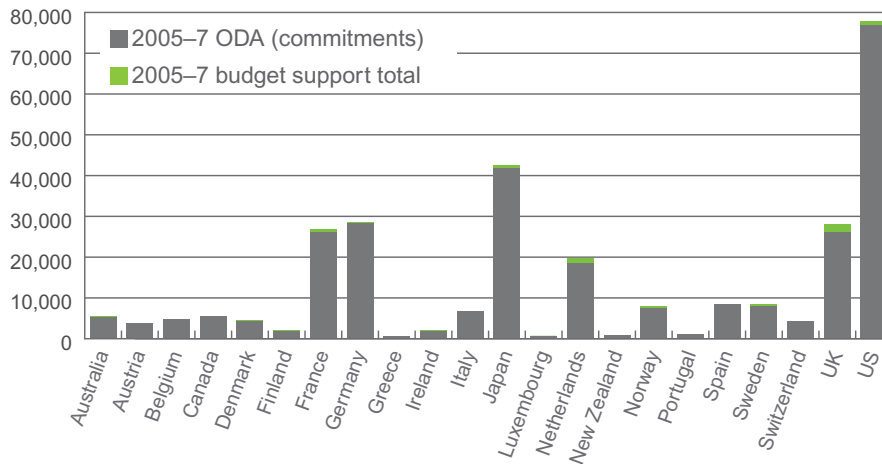


Figure 7. DBS as share of ODA by major donors

Source: OECD Creditor Reporting System. Data reflect total amount of ODA provided as DBS to all countries.

In no country should the entire US portfolio go toward budget support; rather, countries receiving DBS should always, at minimum, get support for civil society groups to hold the government accountable.

- At minimum, the US should limit earmarks and presidential initiatives that are inconsistent with country priorities.
- To lead best practice, the US should increase budget support for development purposes to responsible governments.

- ❖ **POLICY RECOMMENDATIONS**
- THE US SHOULD ADOPT MEASURES TO MAKE US FOREIGN AID MORE SUPPORTIVE OF EFFECTIVE STATES AND ACTIVE CITIZENS IN THEIR EFFORTS TO REDUCE POVERTY

5. A context-based approach to ownership

Oxfam has been working with producers to pressure policy makers in Mali and internationally to ensure farmers get better prices. Organic cotton farmer Fanta Sinayogo hitches her donkey to a cart, which she also purchased with the help of Oxfam America, in the village of Sibirila, Mali.
Rebecca Blackwell / Oxfam America

► Oxfam believes aid can be most effective when it:

- Helps recipient governments lead more effectively;
- Helps citizens become more active in realizing their rights; and
- Strengthens the compact between citizens and state.

This is true in every context, regardless of poverty or wealth, capacity or corruption, geopolitical importance or irrelevance. What should change in different contexts are the types of interventions.

Consider a country with an MCC Compact like Ghana. The government there meets some basic criteria on promoting political and economic freedom, investing in education and health, supporting the sustainable use of natural resources, controlling corruption (it ranks 67th out of 180 countries on Transparency International's corruption index), and respecting civil liberties and the rule of law.⁶³ In such a country, the US should focus on communication and hand over greater amounts of control to the country—in part, by joining other donors in providing DBS—as long as the Ghanaian government continues to improve its transparency and remains focused on development. Since Ghana has demonstrated its commitment to reducing poverty and shown indicators of an effective state, the MCC can align with Ghana's national priorities, like agricultural development and transportation infrastructure (Figure 8A).

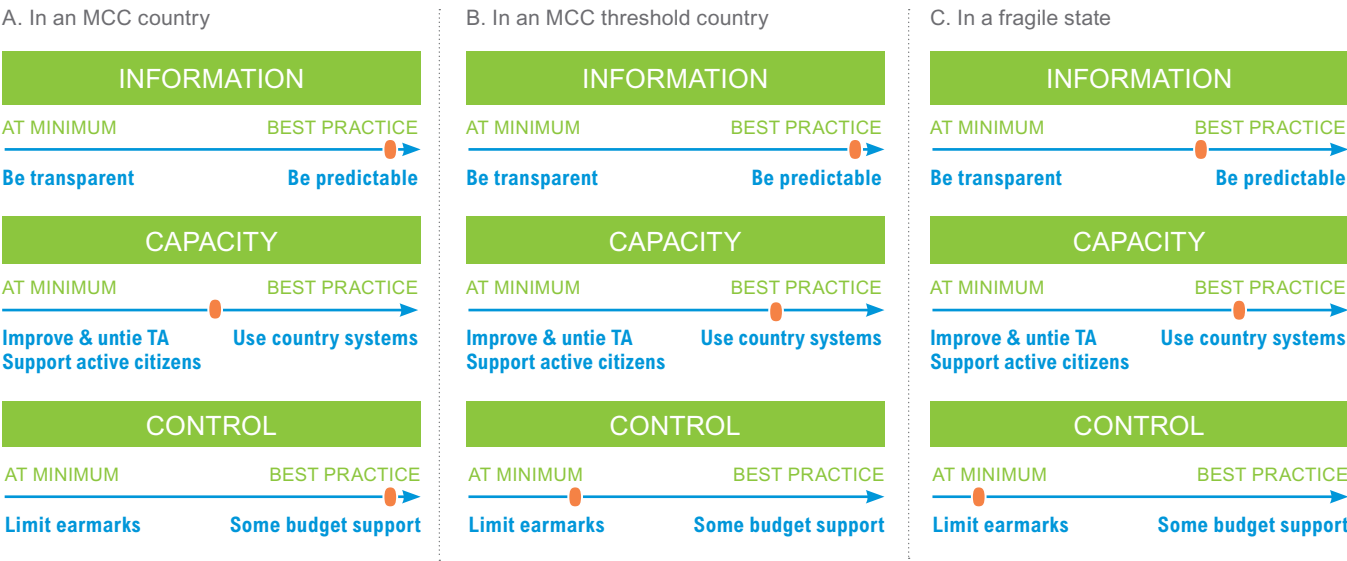
Conversely, in a country not yet fully eligible for the MCC (“an MCC threshold country”) like Kenya, which ranks 147th on Transparency International's index, the US may want to focus more on transferring information to Kenya's powerful civil society and building the capacity of the government, but may not want to cede much control to the government until it demonstrates the ability and willingness to lead responsibly (Figure 8B).

Finally, in a failed state like Somalia, where authorities have little control over the illegitimate use of force, are unable to provide basic public services, or are widely corrupt, the US may want to work more closely with citizens, including communities, business coalitions, and NGOs. The US should recognize, of course, that civil society is just as varied as governments; some organizations are more legitimate than others in whom they represent, what they advocate, and their means of political engagement. In these contexts, donors need to focus more on communication and capacity, while giving less control to the government (Figure 8C).

Effective donors seek to understand what kinds of ownership strategies to employ with citizens and states in different contexts, based on realities as they find them.



Figure 8. Ownership in practice across different contexts



6. Conclusions

In 1961, the Foreign Assistance Act acknowledged, “Development is primarily the responsibility of the people of developing countries themselves; US assistance shall be in support of, rather than in substitution for, self-help efforts.”

The real challenge with local ownership of foreign aid is not in understanding its importance to smart development, but in turning that understanding into action. Today, we face a historic window of opportunity to reform US foreign aid. It is clear that sustainable poverty reduction cannot be achieved exclusively through increasing the amount of foreign aid to countries in need. We urge policy makers to seize this opportunity to make aid more useful to the countries we’re trying to help.

INFORMATION | Let countries know what donors are doing

Unless recipient countries get comprehensive, accessible, 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 planning; and strengthen the investment climate.

- **At minimum, US foreign aid should be transparent**, publishing comprehensive, accessible, comparable, and timely information that is useful to recipient governments, civil society, and US taxpayers. The US should sign on to the IATI and commit to its principles as part of this process.
- **To lead best practice, US foreign aid should be predictable**, providing countries with regular and timely information on their three-to-five-year expenditure and implementation plans.

CAPACITY | Help countries lead

The best way to build capacity is to use local systems and people in the provision of aid.

- **At minimum, the US government should make our technical assistance more demand-driven**, and untie it so that US aid workers and recipient countries have the option to use the best possible technical advisers for the job, be they US nationals or not.
- **To lead best practice, US foreign aid should support local efforts to improve domestic accountability**, including by using public financial management systems when appropriate and supporting efforts by citizen groups, parliaments, and auditing agencies.



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.

- **At minimum, the US should limit earmarks** and presidential initiatives that are inconsistent with country priorities.
- **To lead best practice, the US should increase budget support** for development purposes to responsible governments.

Aid, used in smart ways, can help ensure equitable economic growth and can catalyze other global economic forces to benefit poor people. For the billion people who have been left trapped in poverty despite decades of global economic growth, effective aid can help states get on the self-help ladder.

Ultimately, the best hope for poor people lies in their own capacity to require accountability and performance from their governments. That is why ownership matters. And that is why the US government needs to focus on specific policies that communicate what it is doing with its aid, help countries expand their own development capacity, and ultimately allow countries to lead in prioritizing and implementing US aid investments.



Sustainable economic growth needs local entrepreneurship. Because the indigenous Peruvian village of Pampa Michi lacks sufficient land for farming, local people have worked to promote the region as a travel destination. This indigenous woman and other members of her community craft souvenirs and run restaurants and other services to attract tourists. *Percy Ramirez / Oxfam America*

Notes

- 1 Statement made at ownership event sponsored by Oxfam America and the Millennium Challenge Corporation at the National Press Club, February 18, 2009.
- 2 Secretary of State Hillary Rodham Clinton, Remarks at the 8th Forum of the African Growth and Opportunity Act, Nairobi, Kenya, August 5, 2009.
- 3 Compared to the early 1990s, across these regions child mortality rates fell by an average of 37 per 1,000 births (Millennium Development Goal (MDG) Millennium Indicators official UN site, <http://millennium-indicators.un.org/unsd/mdg/Default.aspx>); primary education rates increased on average by 14 percent (also on the MDG Indicators site); the incidence of poverty fell (Shaohua Chen and Martin Ravallion, "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty," Washington, DC: The World Bank); maternal mortality rates fell by 1.8 percent ("Maternal Mortality in 2005," Washington, DC/ New York: WHO, UNICEF, UNFPA, and the World Bank, 2005). In addition, the number of countries allowing free elections more than doubled since 1972 (<http://www.un.org/esa/population/unpop.htm>).
- 4 Aid plays a relatively small role in terms of global economic growth and the improved goods and services that often result. In 2007, official development assistance (\$104 billion) was less than half of recorded remittances from migrants (\$240 billion); less than a third of foreign direct investments (\$368 billion in 2006); and a fraction of sovereign wealth funds (which now total \$30 trillion globally). Natural resource extraction and trade—which grew by 9.3% annually from 2003 to 2006—are growing far faster than aid levels, even as donor countries say they want to meet their MDG commitments by 2015.
- 5 Paul Collier, "The Bottom Billion" (Oxford, Oxford University Press, 2007).
- 6 As defined by Philippe Bourgois, "The Continuum of Violence in War and Peace: Post-Cold War Lessons from El Salvador" in *Violence in War and Peace* (Malden, MA: Blackwell Publishing 2008).
- 7 Duncan Greene's *From Poverty to Power: How Active Citizens and Effective States can Change the World* (Oxfam International, 2008) argues that breaking the cycle of poverty and injustice requires a major shift of power between states and their citizens.
- 8 Todd Moss, Gunilla Pettersson, and Nicolas van de Walle, "An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa," Working Paper Number 74 (Washington, DC: Center for Global Development) January 2006.
- 9 Testimony before the House Foreign Affairs Committee, May 13, 2009.
- 10 Secretary of State Hillary Rodham Clinton, Remarks at the 8th Forum of the African Growth and Opportunity Act, Nairobi, Kenya, August 5, 2009.
- 11 "Accra Agenda for Action" (Accra, Development Gateway Foundation, Conference September 2-4, 2008) Third High Level Forum on Aid Effectiveness. Accessed from <http://www.dgfoundation.org/fileadmin/templates/pdfs/accraseptagen-dafin.pdf>
- 12 For example, the tied aid indicator excludes technical assistance and food aid, major portions of aid from the US. And, the definition of "program based approaches" is so vague that governments and donors have reported different things.
- 13 Matt Waldman, "Falling Short: Aid Effectiveness in Afghanistan," ACBAR Advocacy Series (Kabul: Agency Coordinating Body for Afghan Relief, March 2008). [http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20\(25%20Mar%2008\).pdf](http://www.acbar.org/ACBAR%20Publications/ACBAR%20Aid%20Effectiveness%20(25%20Mar%2008).pdf)
- 14 Karin Christiansen, as described in <http://www.publishwhatyoufund.org/issues/why-it-matters>
- 15 EURODAD, "Old habits die hard: Aid and accountability in Sierra Leone" (Brussels: European Network on Debt and Development, 2008). <http://www.eurodad.org/whatsnew/reports.aspx?id=2038>
- 16 Rob Tew, "Aid Information in Malawi: Aidinfo Project Case Study," initial draft (Development Initiatives), November 2008.
- 17 See the 2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010 (Paris: Organization of Economic Cooperation and Development, 2008), pp.14-15.
- 18 For a recent discussion, see William Easterly and Tobias Pfutze (2008), "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22 (2 Spring): 3-7; and Michael Bratton and Carolyn Logan (2009), "Voters But Not Yet Citizens: Democratization and Development Aid," in Richard Joseph and Alexandra Gillies (2009), *Smart Aid for African Development*, Rienner Publishers. From an operational perspective, see the International Aid Transparency Initiative.
- 19 See Oxfam America's "Smart Development in Practice Field Reports," available at www.reformaid.org
- 20 See Oxfam America's "Smart Development in Practice: Field report from southern Sudan," (Washington, DC: Oxfam America, 2008). Available at www.reformaid.org
- 21 See "Appendix IV: Reports prepared by Embassy Staffs," in Richard Lugar, "Embassies Grapple to Guide Foreign Aid," a report to the Senate Committee on Foreign Relations, 110th Congress, 1st session, Nov. 16, 2007.
- 22 Like other donors, the US reports sector commitments and disbursements to country-based systems like the Development Assistance Database or Aid Management Platform. Additionally, the US reports its commitments and disbursements to the Organization for Economic Co-operation and Development's Development Assistance Committee (OECD/DAC). The DAC isn't meant to help countries plan (it reports with an 18-month lag), but it is useful in holding donors accountable for what they delivered and governments for how they used those resources.

- 23 Gerald Hyman, "Assessing Secretary of State Rice's Reform of US Foreign Assistance," *Democracy and Rule of Law Program*, No. 90 (Washington, DC: Carnegie Endowment, February 2008). Some staff across USAID field missions and US embassies feel the F process continues to impose unreasonable burdens without enhancing the effectiveness of their work. See Oxfam America's "Smart Development in Practice Field Report" from southern Sudan and Cambodia (Washington, DC: Oxfam America, 2008). Available at www.reformaid.org
- 24 Homi Kharas, "Measuring the Cost of Aid Volatility," draft paper, Wolfensohn Center for Development, The Brookings Institution. June 2008.
- 25 The Paris Declaration Survey also measures predictability as the difference between donors' disbursements and what's captured in country budgets, reflecting how well donors ensure that their aid information is reported to countries and how well countries actually capture that data.
- 26 OECD 2007:3.
- 27 See "Accra Agenda for Action" (Accra, Development Gateway Foundation, Conference September 2-4, 2008) Third High Level Forum on Aid Effectiveness. Accessed from <http://www.dgfoundation.org/fileadmin/templates/pdfs/accraseptagen-dafin.pdf>
- 28 See <http://allafrica.com/stories/200907021302.html>,
- 29 Estimated from total ODA and total ODA to technical cooperation, average over 2003-2007. ODA from OECD/DAC and ODA for technical cooperation from OECD 2009 Report on Development Cooperation. Data on technical cooperation is used as a proxy for data on technical assistance. Aid for technical cooperation includes aid for technical assistance plus aid for training (such as graduate training for government officials from recipient countries)
- 30 In a 2006 survey of its capacity development cooperation in Ghana, Kenya, and Zambia, DFID found that "None of the activities reviewed resulted in clear evidence of improved organizational capacity within government, except in agencies where there was both sufficient clarity about, and government commitment to, their role and objectives." DFID, "Developing Capacity?: An evaluation of DFID-funded technical cooperation for economic management in Sub-Saharan Africa, Synthesis Report." June 2006:xv.
- 31 On the imperative of governments committing to reforms, see Tony Addison (2001), "Do Donors Matter for Institutional Reform in Africa?" Discussion paper No. 2001/141. United Nations University, World Institute for Development Economic Research (UNU/WIDER). On how donors need to support citizens on citizen's own agenda, see Marina Ottaway and Thomas Carothers (Eds), *Funding Virtue: Civil Society Aid and Democracy Promotion* (Washington, DC: Carnegie Endowment for International Peace, 2000).
- 32 Easterly (2008) finds a strong correlation between a country's share of technical assistance and its share of tied aid. William Easterly and Tobias Pfutze (2008), "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22 (2 Spring): 3-7.
- 33 "Real Aid 2: Making Technical Assistance Work" (Johannesburg, South Africa: ActionAid International, May 2006).
- 34 For other examples see, USAID, "USAID's Experience Strengthening Legislatures," Center for Democracy and Governance (Washington, DC: US Agency for International Development).
- 35 As estimated from OECD/ DAC and shown in Figure x. ActionAid (Real Aid 2: Making Technical Assistance Work, 2006) also estimates about one-third of US ODA was spent on technical assistance in 2004, and Matthew Martin (ref) estimates that 45 percent of US ODA was spent on technical assistance in 2006.
- 36 Easterly (2008) finds a strong correlation between a country's share of technical assistance and its share of tied aid. William Easterly and Tobias Pfutze (2008), "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22(2 Spring): 3-7.
- 37 Secretary of state Hillary Clinton, Hearing of the State Foreign Operations and Related Programs Subcommittee of the House Appropriations Committee, April 23, 2009
- 38 Jepma, CJ (1991), "The untying of aid." Paris, OECD.
- 39 Edward Clay and others. "The developmental effectiveness of untied aid: evaluation of the implementation of the Paris Declaration and of the 2001 DAC recommendations on untying ODA to the LDCs." (London: Overseas Development Institute, 2008).
- 40 ActionAid International, *Right Aid 2: Making Technical Assistance Work*; WB 2005: 38-40 also stresses that capacity development involves "unleashing existing capacities and making better use of local and diaspora talent." Describing a highway project in Ghana financed through tied aid from several donors, one study mentions that "only foreign contractors worked on the road projects. While this ensured that quality roads were constructed, the practice did not promote local capacity building...it would have been more appropriate if foreign contractors teamed up with local firms to strengthen existing local capacity." Ernest Aryeetey, Barfour Osei, and Peter Quartey, "Does tying aid make it more costly? A Ghanaian case study." Paper presented at the Workshop on Quantifying the Impact of Rich Countries' Policies on Poor Countries, organized by the Center for Global Development and the Global Development Network, Washington, DC, 23-24 October 2003.
- 41 Ricardo Maggi and Anthony Hegarty, "Report on the Use of Country Systems in Public Financial Management," Working Party on Aid Effectiveness, Joint Ventures on Public Financial Management. Third High Level Forum on Aid Effectiveness, Accra, Ghana. September 2008. See also the DAC Peer Review, 2006.

- 42 For these and other examples, see Paolo de Renzio and Warren Krafchik, "Lessons from the Field: The Impact of Civil Society Budget Analysis and Advocacy in Six Countries—A Practitioner's Guide" (International Budget Project, 2007).
- 43 USAID, "Promoting Transparency and Accountability: USAID's Anti-Corruption Experience." January 2000. http://www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/pnacf740.pdf
- 44 Paolo de Renzio and Warren Krafchik, "Lessons from the Field: The Impact of Civil Society Budget Analysis and Advocacy in Six Countries—A Practitioner's Guide" (International Budget Project, 2007).
- 45 Marina Ottaway and Thomas Carothers (Eds), *Funding Virtue: Civil Society Aid and Democracy Promotion* (Washington, DC: Carnegie Endowment for International Peace, 2000).
- 46 In explaining the role of information in reducing corruption in Uganda's education sector, Paul Hubbard argues the government needs to allow its people the right and means to voice complaints about discrepancies in aid promises and disbursements. See Paul Hubbard, "Putting the Power of Transparency in Context: Information's Role in Reducing Corruption in Uganda's Education Sector," Working Paper No. 135 (Washington, DC: Center for Global Development, 2007).
- 47 A comment from a Congressional staffer in a recent meeting.
- 48 For an interesting study of tensions within the US government on ownership, see Simon Burall, Jonathan White, and Andrew Blick, "Ownership of the Aid Budget in Donor Countries: The Impact of US and UK Legislatures on Aid Delivery," Overseas Development Institute and the German Marshall Fund of the United States, March 2009.
- 49 See Oxfam America's Smart Development Field Reports.
- 50 As presented in Oxfam's "Smart Development in Practice: Field report from El Salvador" (Washington, DC: Oxfam America, 2008).
- 51 Lugar Report at 28.
- 52 A positive sign that countries are setting priorities is that the most prevalent MCC investments are in (1) infrastructure and (2) agriculture respectively—sectors rarely chosen when donors exert pressure on governments to achieve more immediate results.
- 53 Frances Stewart and Michael Wang (2005). "Poverty reduction strategy papers within the human rights perspective" with Michael Wang in Philip Alston and Mary Robinson (eds.) *Human Rights and Development*, Oxford, OUP, pp 447-474.
- 54 Frances Stewart and Michael Wang, "Do PRSPs empower poor countries and disempower the World Bank, or is it the other way round?" (Oxford: QEH Working Paper Series, Working Paper Number 108, October 2003) 10, 17 – 19. Access from <http://www3.qeh.ox.ac.uk/pdf/qehwp/qehwps108.pdf>
- 55 See Women Thrive's "Facing the Facts: Gender and Foreign Assistance: The Key to Effective Development," for a survey of gender implications in development.
- 56 Data on general budget support from OECD's Creditor Reporting System, accessed 5/08/09, available at <http://stats.oecd.org/>
- 57 Unless otherwise noted, the examples below are drawn from a review of findings presented in DFID's "Poverty Reduction Budget Support," A DFID Policy Paper, February 2008.
- 58 See "Evaluation of General Budgetary Support: Synthesis Report" (Birmingham: Joint Evaluation of General Budgetary Support IDD and Associates, 2006). Accessed from <http://www.oecd.org/dataoecd/25/43/37426676.pdf>
- 59 Andrew Lawson and others, "Does General Budget Support Work? Evidence from Tanzania," in Stefan Koeberly, Zoran Stavreski, and Jan Walliser (Eds), *Budget Support as More Effective Aid? Recent Experiences and Emerging Lessons*. (Washington, D.C: World Bank 2006). In Tanzania, the increase in coverage has not been accompanied by better service delivery. More kids in school has meant more crowded classrooms, not necessarily better schooling. And the additional rural health clinics are often without health workers.
- 60 Tim Williamson, "General Budget Support and Public Financial Management Reform: Emerging Lessons from Tanzania and Uganda," in Stefan Koeberly, Zoran Stavreski, and Jan Walliser (Eds), *Budget Support as More Effective Aid? Recent Experiences and Emerging Lessons*. (Washington, D.C: World Bank 2006).
- 61 For some arguments against the use of budget support, see "Should Corrupt Countries Receive Budget Support?" (Bergen, CMIBRIEF Vol 4 No. 4., 2005). Accessed from <http://www.cmi.no/publications/file/?2060=should-corrupt-countries-receive-budget-support>
- 62 In 2006/07, DFID provided nearly 20 percent of its aid as budget support (http://www.nao.org.uk/publications/0708/providing_budget_support_to_de.aspx). This figure is slightly higher than the 8.4 percent reflected in Figure x, which reflects the average spent by the United Kingdom in total as budget support over the years 2005–2007.
- 63 See <http://www.mcc.gov/documents/score-fy09-english-ghana.pdf>



James Sarpong, a member of the Concerned Farmers' Association of Teberebie in Ghana, stands amidst mining waste that had encroached on his farm and forced him from his land in 2009. Oxfam's partners are working to ensure that citizens have a right to decide whether mining projects go forward and to have information on government revenues generated from mining. *Neil Brander / Oxfam America*

COVER: Supporting ownership doesn't mean turning a blind eye to what local leaders do. Just the opposite—it means supporting poor people in their efforts to hold their leaders accountable. (Left to right) Ram Katori (in yellow) and Girjar (in blue) during a rally in Biona Ranja village in 2007. They are part of a grassroots movement in northern India to demand that women be recognized for the work that they do. Grandmothers, mothers, and daughters came out, climbing onto bullock carts and calling on others to join in their rallies. Many went on to a bigger torchlight rally in the town of Konch. It is there that Samarpan Jan Kalayan Samiti, a local NGO funded by Oxfam, is based. Since 1995, Samarpan has worked in rural communities to mobilize and empower women from low castes and other less privileged groups. By building their skills, Samarpan helps women demand their rights and hold their leaders accountable. *Rajendra Shaw / Oxfam*

Oxfam America Headquarters

226 Causeway Street, 5th Floor
Boston, MA 02114-2206
(800) 77-OXFAM
info@oxfamamerica.org
www.oxfamamerica.org

Oxfam America Policy & Advocacy

1100 15th Street, NW
Suite 600
Washington, DC 20005
(202) 496-1180
reformaid@oxfamamerica.org
www.oxfamamerica.org/reformaid



Oxfam
America

© 2009 Oxfam America Inc. All Rights Reserved. Oxfam America is a registered trademark of Oxfam America Inc., and the Oxfam logo is a registered trademark of Stichting Oxfam International. 0907046

♻️ Printed on 100% post-consumer recycled paper.