



# THE WAY FORWARD:

A REFORM AGENDA FOR 2014 AND BEYOND

**MFAN** MODERNIZING FOREIGN  
ASSISTANCE NETWORK

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U.S. foreign assistance  
remains indispensable.

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We are living in an era of rapid change – and of immense opportunity – for global development. The donor-recipient paradigm of foreign aid is outdated, and so is the role of aid as the primary source of development finance. Today, countries that give support through bilateral assistance and countries that receive such support are partners. Direct investment by the private sector and domestically-mobilized resources are powerful sources of finance – far larger than aid – for building business, generating employment, and mobilizing domestic revenues in low-income countries. Citizens around the globe, aided by increased transparency and access to technology, are successfully demanding more accountability from their own governments, donors, and NGOs.

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In this environment, U.S. foreign assistance remains indispensable. Aid is a strong expression of U.S. moral, economic, and national security imperatives, and advances all three. In many countries – particularly fragile states – donor assistance still dwarfs other financial flows, and in many contexts the U.S. is still the most significant donor. Our leadership in setting an agenda for development that recognizes the importance of economic growth, equitable opportunity, and democratic values carries great weight. We seek a world without extreme poverty, where economic opportunity and stability are ascendant. And we understand that Americans benefit when the world is a more prosperous and secure place.

We cannot permit the promise of aid in relieving suffering and advancing human values to be undermined by ineffectiveness. As a global standard-bearer and the world's largest single donor, the U.S. should lead reforms in policy and innovations in practice to catalyze change and achieve sustainable results.

# OUR PRIORITIES: ACCOUNTABILITY AND OWNERSHIP

The Modernizing Foreign Assistance Network (MFAN) outlines here two powerful and mutually reinforcing pillars of reform — **accountability** through transparency, evaluation and learning; and **country ownership** of the priorities and resources for, and implementation of, development. Strengthening these two pillars will make U.S. aid more effective in helping developing countries access a path to prosperity.

Why are these two pillars so important? Neither is a new concept. We are focusing on a more modern approach to these two pillars because we believe that, together, accountability and country ownership are vital prerequisites to building the kind of capacity in developing countries that will help enable leaders and citizens to take responsibility for their own development — guiding spending priorities, making evidence-based conclusions about what works and what does not, and holding country leaders as well as donors accountable for delivering results. Informed and empowered citizens who demand good governance and sound priorities, and act as a check against corruption, will bring about lasting change in their countries. Ultimately, they will become better trading partners to the U.S., more reliable allies, and safer bets for U.S. private sector investment.

Furthermore, the landscape for country ownership and accountability is evolving rapidly under greater pressure from citizens in developing countries and at home, and the U.S. needs to keep up. New technologies are fostering citizen participation in ways only dreamed of just a short time ago. “Consultation” with civil society about development priorities — an often one-sided, check-the-box exercise— is becoming obsolete. Emerging in its place is the far more consequential notion of “mutual accountability,” wherein donors and developing countries hold each other responsible for fulfilling financial commitments and for driving real change on the ground.

Our focus on these two pillars builds on, and demands more of, existing momentum. The Obama Administration, and the Bush Administration before it, have both moved the needle on accountability and ownership in real ways. The Millennium Challenge Corporation (MCC), entering its second decade, has been a major driver of U.S. development innovation, pioneering the U.S. government approach to country ownership and setting a high standard for transparency, evaluation and learning. The U.S. Agency for International Development (USAID) has launched

new Innovation Labs, meant to foster cutting-edge innovations in development practice. The 2010 Presidential Policy Directive on Global Development, the USAID Forward initiative, and the Foreign Assistance Dashboard have sought to move U.S. development policy in the direction of greater accountability and greater use of developing country systems.

Congress has also taken up the reform cause, with several influential bills authored in recent years by former Senators Richard Lugar and John Kerry and former Congressman Howard Berman that have paved the way for a smarter U.S. approach to development. Senator Marco Rubio and Congressmen Ted Poe and Gerry Connolly have maintained momentum with pending legislation that unanimously passed the full House in the last Congress. Congress improved the efficiency and responsiveness of U.S. food aid in the 2014 Farm Bill, and the Administration is pushing for further reform. The Congressional Caucus for Effective Foreign Assistance, led by Congressmen Ander Crenshaw and Adam Smith, continues to educate members about the importance of reform. And reform has been a priority of the international development community, with a pivotal set of agreements on development effectiveness guiding approaches over the last decade.

## REFORM: THE ROAD AHEAD

Converting the concepts of accountability and ownership into policy is hard work. Embedding them in practice — and making sure they keep pace with the latest innovations — is even harder, but is the key to lasting change. As the Obama Administration heads into its final years, as the U.S. considers its commitment to the next round of global development goals, and as Congressional interest in reform increases, MFAN believes the time to push the envelope on key reforms is now. In this paper, we lay out expectations — of the Administration and of Congress — and recommend illustrative reforms that, if acted upon, will be a strong indication of progress toward turning the new policies into real results in developing countries. We will be taking periodic looks at progress in these areas and others over the coming months and sharing our thoughts with the community. MFAN and its members look forward to working with all development actors to drive the important reforms that will make U.S. aid work harder and achieve more.

# ACCOUNTABILITY AND OWNERSHIP: THE PERFECT (REFORM) PAIR

Accountability and ownership together help create a world in which developing country stakeholders have the tools to make smart decisions about their own development priorities and have the power to implement those decisions. And they enable developing country governments to embrace accountability to their citizens and ensure citizens have a way to hold their own governments accountable.

Without both pillars standing side-by-side, we revert to old, tired, and stagnant paradigms of aid – paradigms that unnecessarily perpetuate aid dependency. To reach the next level of success in development, U.S. aid must support more than just good programs; it needs to focus on the priorities that partner countries and their citizens have identified, and it needs to build capacity in partner countries to sustainably address them.

## ACCOUNTABILITY

MFAN is calling for the U.S. to advance its commitment to ensuring accountability in three areas: **transparency**, **evaluation**, and **learning**.

### TRANSPARENCY

MFAN believes that data drives accountability when it is high-quality, accessible, timely, and usable. Citizens of donor and developing countries alike need comprehensive and detailed information not only about aid, but also about developing country budgets, where needs are greatest, and how other public and private donors are contributing.

The U.S. government has made some progress toward aid transparency, particularly with its commitment to fully implement the International Aid Transparency Initiative (IATI) by the end of 2015 and the 2010 launch of the Foreign Assistance Dashboard. The majority of attention has focused on the Dashboard, which is still very much a work in progress and which does not currently provide detailed enough information to be useful to all stakeholders, particularly end-users of U.S. foreign aid in developing countries. Progress on IATI implementation has been uneven to date; and transparency in formulation of the U.S. government's own policies has been only episodic. It is notable

that the MCC was the only U.S. agency to reach a "Very Good" or "Good" standard in the 2013 Aid Transparency Index, with USAID earning a "Fair" rating, the State Department a "Poor" rating, and the President's Emergency Plan for AIDS Relief (PEPFAR) a "Very Poor" rating. We can and must do better than this.

#### What should the U.S. government deliver?

- ▶ All U.S. government agencies that implement foreign assistance should receive "Very Good" or "Good" ratings on the Aid Transparency Index.
- ▶ All U.S. agencies that administer foreign assistance should contribute high-quality and comprehensive information to the Foreign Assistance Dashboard, in a useable format, and should implement the IATI standard of publishing data quarterly.
- ▶ The U.S. government should ensure that its aid data is accessible to the poor and technology-constrained, and should promote the wide use of data by all development stakeholders.

## EVALUATION

Aid and development decisions should be guided by rigorous evaluations that measure outputs, outcomes, and impact, and that incorporate meaningful feedback from beneficiaries. Evaluations need to push the envelope – testing underlying assumptions, validating methodologies, and comparing alternative approaches in pursuit of effectiveness. They should also offer a clear-eyed assessment of whether the benefits of programs are long-lasting and justify the costs, and allow comparison of the relative cost effectiveness of different investments. This is far easier with programs such as malaria prevention and vaccination, which are more suited to quantitative measurement than others, though of late U.S. government agencies, particularly USAID and the MCC, have greatly increased rigorous evaluation in areas such as agriculture and education. MFAN urges the U.S. government to continue this progress, and to work on developing relevant, practical, and meaningful indicators for progress in areas such as governance and local capacity building that are less easily quantifiable. Because it can have profound effects – intentional or otherwise – on sustainable development, security assistance must be subject to evaluation requirements similar to those that apply to other forms of aid.

### What should the U.S. government deliver?

- ▶ The Foreign Aid Transparency and Accountability Act should be enacted and effectively implemented.
- ▶ All U.S. foreign assistance programs, including security assistance, and all agencies that implement them, should be consistently and rigorously evaluated. Moreover, these evaluations should be objective and publicly available.
- ▶ The intended program beneficiaries should be involved in the evaluation process, including helping to define what counts as success.
- ▶ The impact of U.S. assistance should be assessed years after programs have ended, to ensure that development gains are sustained over time in the communities they are intended to benefit.

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## LEARNING

Learning takes the benefits of transparency and evaluation and applies them to achieve better results, but the U.S. government lacks a systematic way to apply what it learns from evaluations, and it is overly timid when it comes to publicizing evidence that a program has failed, or that U.S. taxpayers have achieved poor value for money. Data and evaluations are useless unless we learn from them and use them to drive better decision-making about mid-course corrections, future program design, and resource allocation.

### What should the U.S. government deliver?

- ▶ U.S. government agencies should proactively share what they are learning from evaluations, and should be candid when evaluations show that programs have fallen short of their aims.
- ▶ There should be demonstrable evidence that U.S. agencies are utilizing what has been learned to drive decisions on program design and resource allocation, and to make mid-course corrections to programs in the field.
- ▶ Developing country stakeholder perspectives should be given appropriately strong weight in evaluating results and impact.



# DEVELOPING COUNTRY OWNERSHIP

MFAN is calling for the U.S. to significantly expand its commitment to developing country ownership in three areas: **ownership of priorities**, **ownership of implementation**, and **ownership of resources**.

## OWNERSHIP OF PRIORITIES

True country ownership begins well before development programs are funded. It begins when developing country governments and citizens set their own priorities for needs that must be met. The U.S. foreign aid system is simply not designed to foster local ownership. Congressional earmarks and Presidential directives carve up aid into silos months and years before beneficiaries have had the opportunity to provide meaningful input, and often even well-meaning attempts to collect local input are ignored when it comes time to allocate resources. What we have instead are under-developed strategic processes that allow partner countries to tinker at the margins within the broader priorities the U.S. has already established.

The MCC's country compact development process has been a bright spot in an otherwise bleak landscape, demonstrating a commitment to designing compacts based on a partner country-led process of determining priorities. The Administration's Partnership for Growth initiative has built upon this process by explicitly coordinating multiple U.S. agencies around country-identified priorities. USAID has begun to implement a local ownership agenda that holds great promise, but by and large most models of engagement by U.S. government agencies fall short. Moreover, government personnel in many cases lack incentives and training that encourage them to engage more meaningfully with local communities on aid priorities.

### What should the U.S. government deliver?

- ▶ The percentage of aid directed through Congressional earmarks and Presidential initiatives should decrease.
- ▶ All U.S. development agencies should ensure meaningful and consistent engagement with local actors before plans are set, and should increase flexibility to design and even reconfigure existing investments to better align with local priorities.
- ▶ The U.S. government should actively promote and invest in developing country-led efforts to ensure that all citizens, including the poorest, marginalized populations, and women and girls, can participate in the process of setting development priorities that inform both donor aid and country budget allocation decisions.

## OWNERSHIP OF IMPLEMENTATION

Local institutions in developing countries — including government ministries and agencies, local and regional government institutions, civil society and citizen groups, and private-sector actors — should be the first and default option for delivering aid where appropriate capacity and conditions exist. This includes taking responsibility for managing funds and programs and for delivering transparent, accountable results. USAID's Local Solutions initiative is moving us closer to this ideal; it seeks to program more funds through local institutions and applies a risk-management approach in order to safely increase the amount of U.S. government resources flowing directly to developing country partners, free of corruption or mismanagement. Ultimately, to build local ownership over process, the U.S. must invest in building strong institutions as an end unto itself, not merely as a way to implement aid dollars. This will require a strategic approach that treats local capacity building and local agenda-setting as stand-alone goals, rather than secondary benefits of other programs.

### What should the U.S. government deliver?

- ▶ Local, developing country institutions should be the first and default option for delivering U.S. aid where appropriate capacity and conditions exist, and the proportion of U.S. assistance flowing through local institutions should increase over time.
- ▶ Local sustainability and self-reliance should be measured objectives of projects being implemented by U.S.-based grantees and contractors.
- ▶ The U.S. approach to local capacity development should focus on strengthening people, management systems, financial processes, research analysis and advocacy, and accountability mechanisms, rather than only on the set of skills needed to manage U.S.-funded projects.
- ▶ In high-performing MCC countries, the MCC should revise its policies to permit increasing use of country systems for compact implementation.
- ▶ USAID should effectively implement its Local Systems framework.

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## OWNERSHIP OF RESOURCES

Foreign aid cannot solve all of the challenges facing developing countries. Ultimately, partner countries need to raise and invest more of their own domestic resources to address needs in a sustainable way. Increasingly, the U.S. government and local governments should co-create and co-finance development initiatives. PEPFAR's five-year Joint Strategic Framework is an example of an effort to move toward greater partner country investments, with collaborative planning taking place in the context of clear financial commitments from all parties – the U.S. government, partner governments, and other donors. A steering committee that includes broad representation oversees the implementation of the framework and the timely delivery of all commitments, including financial contributions. This and other examples can be models for broader U.S. efforts, which should also include capacity building for: more efficient tax collection systems; improved management of proceeds from natural resources; better contracting systems; and more efficient budgeting and financial management systems.

### What should the U.S. government deliver?

- ▶ The U.S. government should invest in the capacity of partner governments to enhance domestic resource mobilization and to identify new and/or alternative sources of funding to gradually increase their financial contribution to their own development priorities.
- ▶ The U.S. should proactively and consistently facilitate the integration of local and external aid resources through collaborative planning, management, and reporting mechanisms.
- ▶ The U.S. should work consistently and collaboratively with partner countries, the private sector, and the international community to identify and resolve hurdles and disincentives to private investment and economic growth.
- ▶ U.S. government agencies should work to expand the PEPFAR model of cost-sharing to more countries where the conditions are right, including as part of MCC compacts and USAID country development cooperation strategies.

## POLICY PAPER ENDORSEMENTS

**George Ingram**

MFAN Co-Chair,  
The Brookings Institution

**Carolyn Miles**

MFAN Co-Chair,  
Save the Children

**Connie Veillette**

MFAN Co-Chair,  
The Lugar Center

**Howard L. Berman**

MFAN Honorary Co-Chair,  
Former Member of Congress

**Jim Kolbe**

MFAN Honorary Co-Chair,  
The German Marshall Fund

**J. Brian Atwood**

Humphrey School of Public  
Affairs, University of  
Minnesota

**Bill Anderson**

**David Beckmann**  
Bread for the World

**Rodney Bent**

**Laurie Garrett**  
Senior Fellow for Global  
Health, Council on Foreign  
Relations

**Stephen P. Groff**

**Tom Hart**  
The ONE Campaign

**Michael Klosson**  
Save the Children

**Andrea Koppel**  
Mercy Corps

**William C. Lane**  
Caterpillar

**Ben Leo**

Senior Fellow, Center for  
Global Development

**Peter McPherson**

Former USAID Administrator

**Robert A. Mosbacher, Jr.**

Former President & CEO, OPIC

**Larry Nowels**

Independent Consultant

**John Norris**

Center for American Progress

**Ray Offenheiser**

Oxfam America

**Diana L. Ohlbaum**

Center for Strategic and  
International Studies

**Carol Peasley**

Retired USAID

**William S. Reese**

International Youth  
Foundation

**Tessie San Martin**

Plan International USA

**Liz Schrayner**

**Asif Shaikh**

Senior Adviser, Center for  
Strategic and International  
Studies

**Alexander Shakow**

USAID Alumni Association

**Ritu Sharma**

Women Thrive Worldwide

**Jeffrey L. Sturchio**

Rabin Martin

**Sam Worthington**

InterAction

*Affiliations are for identification purposes only*



# MFAN

MODERNIZING FOREIGN  
ASSISTANCE NETWORK

MFAN is a reform coalition composed of international development and foreign policy practitioners and policy advocates and experts. MFAN was created to build upon the bipartisan consensus that has emerged over the last decade that the U.S. should play a leadership role in achieving economic growth and reducing poverty and suffering around the world, and that we can play this role more effectively, efficiently, and transparently. In 2014-2015, MFAN will focus on two important pillars of reform – accountability through transparency, evaluation and learning; and country ownership of the priorities and resources for, and implementation of development. MFAN will monitor and encourage the Administration's development policy reform agenda, and support action in Congress to achieve bipartisan agreement and legislation in support of these two powerful and mutually reinforcing pillars of reform.

[www.modernizeaid.net](http://www.modernizeaid.net)