

# The Use and Utility of US Government Approaches to Country Ownership: New Insights from Partner Countries

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## Abstract

Over the last decade, the US government and other major donor countries have repeatedly expressed their commitment to the idea that “country ownership” should be central to the way aid is designed and delivered. The principle of country ownership is that partner country governments, in meaningful consultation with local stakeholders, should exercise leadership in the design and implementation of their own national development strategies. Donors should support the partner country’s leadership in these roles by closely aligning with local priorities, shifting responsibility for implementation to local actors where possible, and strengthening the capacities of local institutions to take on these roles. This paper seeks to complement existing assessments of donors’ country ownership practices by drawing upon experiential and perception-based information from mid- and high-level government officials and donor staff in 126 developing countries. It explores how

development policymakers and practitioners in developing countries evaluate various US government efforts that promote (or hinder) country ownership and the extent to which these efforts are perceived as useful. The survey findings suggest that the US government does pursue some of the practices widely considered to be favorable for country ownership, though differences exist by agency and by partner country characteristics. The data also show that the US government tends to rely more heavily on “traditional” aid modalities and that practices that put countries more firmly in the driver’s seat tend to be underutilized compared to their perceived utility. While data limitations make it difficult to draw airtight conclusions, the picture that emerges supports four policy recommendations to improve how the US government can better adhere to its commitment to support country ownership in its foreign assistance investments.

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## I. Introduction

Over the last decade, the US government and other major donor countries have repeatedly expressed their commitment to the idea that “country ownership” should be central to the way aid is designed and delivered.<sup>1</sup> The principle of country ownership is that partner country governments, with meaningful involvement of local stakeholders, should exercise leadership in the design and implementation of their own national development strategies. Foreign assistance programs should support the partner country’s leadership in these roles by closely aligning with local priorities, shifting responsibility for implementation to local actors where possible, and strengthening the capacities of local institutions to take on these roles.<sup>2</sup> Indeed, partner country ownership of aid programs is now widely considered to be essential for successful implementation and for sustaining program results, even if solid and systematic evidence confirming this intuition is scarce.<sup>3</sup>

In the US government context, a wide range of competing policy priorities exert strong influence over the direction of foreign assistance. However, US donor agencies have taken a number of concrete steps intended to strengthen country ownership in their programs.<sup>4</sup> The problem is that existing tools to measure these efforts are limited, and as a result, there is a limited understanding of the extent to which US foreign assistance practices promote (or undermine) country ownership in practice. Are US aid programs putting the principle of country ownership into action? How do development policymakers and practitioners in developing countries evaluate various US government efforts that promote (or hinder) this principle? To what extent are US development assistance practices perceived as useful by partner countries?

To answer these questions, we draw upon data from the *2014 Reform Efforts Survey*, a global elite survey conducted by the College of William and Mary’s Institute for the Theory and Practice of International Relations in partnership with the National Opinion Research Center at the University of Chicago.<sup>5</sup> This survey asked development policymakers and practitioners in 126 low- and middle-income countries to (1) identify how frequently they believed that specific donors engaged in particular practices that relate to the principle of country ownership; and (2) evaluate the usefulness of these practices. The present study uses

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<sup>1</sup> Donors and partner countries alike have repeatedly endorsed country ownership as a key principle of aid effectiveness. It appeared as a key component of the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Partnership for Effective Development Cooperation.

<sup>2</sup> This is broadly the description of country ownership laid out in the aforementioned international agreements on aid effectiveness.

<sup>3</sup> As Knack (2013) notes, “advocacy for reform of donor practices is based on theory, intuition and scattered anecdotal evidence” (pp. 316-317) rather than solid empirical underpinnings. In addition to the reasons stated above, country ownership is also touted for how it shifts the locus of accountability for results from the donor to the partner country government (Glennie et al., 2012; Mandeville, 2009; Lucas, 2011).

<sup>4</sup> We review a number of these actions in Section II.

<sup>5</sup> Additional findings from this survey are summarized in AidData’s *Listening to Leaders* report and *Marketplace of Ideas for Policy Change* report (Custer et al., 2015; Parks et al., 2015).

these survey responses as a source of evidence to assess US government efforts to promote country ownership and compare its performance with other multilateral and bilateral donors.

There have been a number of previous efforts to measure the extent to which donors have adopted practices that promote country ownership (or build partner country capacity to exercise ownership). The Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee's (DAC) peer review process monitors individual bilateral donors' development cooperation programs, but the results are descriptive and hard to compare across donors or agencies. Other assessments are more quantitative, including the OECD's ambitious 2011 evaluation of the implementation of the Paris Declaration commitment (OECD, 2012). This study provided key insights into how donors were changing behavior in response to their commitments to pursue country ownership, but it was somewhat limited by a lack of comprehensive data and the voluntary nature of countries' participation in the evaluation process. The Quality of Official Development Assistance (QuODA) Report also takes a quantitative view of aid quality and examines several indicators related to the promotion of country ownership—for example, the amount of funding provided via budget support or channeled through host country procurement systems (Birdsall and Kharas, 2014). While these measurement efforts all have merit, they have tended to focus on more easily quantifiable donor practices (e.g., the provision of budget support) and not on forms of donor engagement that are less easily quantifiable (e.g., sharing data and best practices). Existing evaluations also tell us very little about the perceived utility of donor efforts to promote country ownership *from the perspectives of development policymakers and practitioners working in partner countries*. This latter issue is particularly important since there are many outstanding questions about how specific donor practices—even those that reflect close adherence to the principle of country ownership—relate to their intended results.

As such, the data presented in this study complement earlier efforts to assess the US government's (and other donors') pursuit of country ownership as a policy priority. This paper also fills some important gaps in the existing literature by analyzing the prevalence of less easily quantifiable process-oriented practices and providing insight into the perceived utility of US government's approaches to country ownership.

We draw four policy recommendations from our analysis of the *2014 Reform Efforts Survey*. First, for the US government to be more responsive to country priorities, the United States Agency for International Development (USAID) must have much more flexible spending authorities and greater freedom from earmarks and spending directives. Second, as the US government increasingly seeks opportunities to channel funds through the public financial management or procurement systems of partner countries, agencies should evaluate and draw lessons from their past experiences to better understand whether and under what conditions these investments help strengthen those systems. Third, US donor agencies should provide more flexible, results-oriented support to partner country institutions to encourage context-specific reforms that lead to results. Fourth, the US government should increase funds to the multilateral development banks, which tend to pursue to a greater

degree the practices that put countries in the driver's seat (e.g., paying for results, using country systems).

These recommendations are broadly supported by our analysis. However, we acknowledge data limitations make it difficult to draw ironclad conclusions. As with many other elite surveys, the *2014 Reform Efforts Survey* had a relatively low response rate, which may have implications for the representativeness and generalizability of the results. In addition, small subsample sizes for the specific questions examined in the study limit opportunities for analysis of specific cross-sections (e.g., agency, country, time, and sector). It is also important to keep in mind that the data from the survey reflect perceptions based on firsthand experiences and observations, which may not always comport with independently-verifiable facts (e.g., the actual use of partner country systems vs. the perceived use of partner country systems). We will demonstrate that the survey-based estimates presented here correlate closely with independently-generated data on donor practices; however, it is still not very well understood how respondents' perceptions of utility correspond with actual outcomes and impacts. Furthermore, the data do not reflect current efforts but rather perceptions from the period 2004-2013. Finally, this analysis does not examine every possible approach that can advance or undermine country ownership. One notable gap is that we focus specifically on the donor-government relationship, leaving scope for future research to investigate perceptions of donor engagement with other local actors.

The next five sections of this paper provide additional background and discuss the results. Section II provides a review of US government approaches to country ownership with a focus on USAID and the Millennium Challenge Corporation (MCC). Section III discusses the country ownership and capacity building practices that we evaluate in this study. Section IV describes the *2014 Reform Efforts Survey* and how it serves to answer the questions this study seeks to explore. Section V explains key findings from our analysis of the survey data. Section VI offers policy recommendations, and Section VII concludes.

## **II. Overview of US Government Approaches to Country Ownership**

Before looking at partner country perceptions of US government practices, we first review the US government's approach to country ownership, summarize recent steps that have been taken, and compare the differences between agencies.

### ***Overall***

Despite the US government's endorsement of the country ownership principle expressed in the Paris Declaration, Accra Agenda, and Busan Partnership, it was not until the 2010 Presidential Policy Directive on Global Development (PPD) that a government-wide approach to country ownership was clearly articulated. In cases where countries demonstrate good governance and accountability, the PPD urges US foreign assistance agencies to (1) ensure investments are aligned with national priorities and consulted with local stakeholders; and (2) work through partner country institutions. However, there is no US government-

wide guidance on how US government agencies should operationalize this approach in practice. Instead, each US government agency (or initiative) is left to make these determinations on its own.

***Key Differences in How USAID and MCC Approach Country Ownership***

Because of a number of differences between USAID and MCC in agency structure, focus, mandate, and authority, the two agencies have varying degrees of discretion and flexibility to pursue practices that are commonly thought to promote country ownership. Table 1 summarizes some of these key differences. In what follows, we discuss in more detail the implications of these differences for the agencies’ ability to put the principle of country ownership into practice.

**Table 1: Agency Level Differences With Implications For Country Ownership**

	<b>USAID</b>	<b>MCC</b>
Emergence of country ownership principles?	Significant push started in 2010	Incorporated into core foundational model since 2004
Congressional earmarks/spending directives over use of funds?	Yes	No
Allocate funds based on presidential initiatives?	Yes	Somewhat <sup>6</sup>
Who leads strategy development?	USAID staff, informed by consultations with local stakeholders	Partner country government, in partnership with MCC
Who issues contracts?	USAID staff	Partner country government (dedicated implementation unit), with approval from MCC
Emphasis on local procurement?	Yes, for a subset of program funds	No, but open international bidding allows local firms to compete on price
Partner country characteristics?	Active in over 100 countries with a wide range of governance quality, capacity, and fragility	Only works in relatively well-governed democracies

***USAID***

USAID has increasingly emphasized country ownership in recent years but statutory limitations and policy decisions constrain how it is implemented. USAID revamped its approach to country ownership in 2010 with a series of reforms known as “USAID Forward.” Under this initiative, ownership was more explicitly integrated into USAID’s country-level planning. In developing a country mission’s primary strategy document—the Country Development Cooperation Strategy (CDCS)—missions are required to consult with partner country stakeholders and ensure that the proposed strategy aligns with partner country development priorities and national strategies. However, it is unclear how USAID weighs input from partner country stakeholders relative to input from the other stakeholders it is required to consult (e.g., US government interagency partners, other donors). Furthermore, because CDCSs must also reflect a number of funding and policy priorities

<sup>6</sup> See Rose and Wiebe (2015b) for more detail.

from Washington (e.g., congressional spending directives, presidential initiatives, USAID-wide policies and strategies), missions are limited in their ability to respond flexibly to country priorities.

At the project design phase, agency guidance emphasizes that, while the process should be led by USAID staff, it should also incorporate some degree of participation from local stakeholders. Because this is a recommendation rather than a requirement, however, the level of local participation in project design is an open question. In terms of implementation, USAID has typically relied heavily on US-based grantees or contractors to implement its programs.<sup>7</sup> However, since 2010, as part of a new “Local Solutions” initiative, the agency has been actively working to increase the proportion of program funds going directly to host country governments and local nongovernmental partners. The conventional wisdom is that directly funding local partners will strengthen local implementation capacity, increase the sustainability of development efforts, and enhance country ownership. Under Local Solutions, the proportion of program funds channeled to local actors has nearly doubled since fiscal year 2010, though it remains small at just 19 percent in fiscal year 2015.<sup>8</sup>

### *MCC*

MCC was created in 2004, just as the international community was beginning to coalesce around a common set of aid effectiveness principles. The agency incorporated several of these principles, including a focus on country ownership, into its operational model.<sup>9</sup> Countries selected as eligible for an MCC compact (a five-year grant program) take the lead in proposing a program for MCC to finance. MCC works closely with the partner government throughout this process and places some parameters around what a country can propose.

In particular, the agency has various policy and analytical requirements (many either country-led or jointly undertaken) to ensure the proposed program focuses on sectors critical for growth, is likely to generate an acceptable economic rate of return, and meets standards for environmental and social safeguards. The partner country government—in consultation with a range of in-country stakeholders—generally drives prioritization within those parameters, although Washington-based priorities occasionally influence program content.<sup>10</sup>

MCC has a number of built-in flexibilities that allow it to support country-led priorities in ways that other agencies cannot. In particular, MCC is not subject to congressional earmarks

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<sup>7</sup> Heavy reliance on grants and contracts has been the norm since at least the late 1990s when budget cuts and reduced political support for USAID resulted in substantial reductions to agency staff levels.

<sup>8</sup> Data are from USAID’s 2015 USAID Forward Results data tables found at <https://www.usaid.gov/usaidforward>. In the baseline year of FY2010, 9.7% of program funds went to local actors.

<sup>9</sup> See Rose and Wiebe (2015b) and Lucas (2011) for a more thorough description and analysis of MCC’s approach to country ownership.

<sup>10</sup> For instance, the expressed preferences of certain US stakeholders for the Indonesia compact to contain environmental programming contributed to the inclusion of a large project that was not among the Government of Indonesia’s top priorities. In addition, the expectation that MCC would play a large role in Power Africa most likely influenced certain partner countries’ decisions to propose projects in this sector over other potential areas they might otherwise prioritize (Rose and Wiebe, 2015a; Dunning et al., forthcoming).

or spending directives that obligate the agency to spend money in a particular way. It also has multi-year funding and obligates life-of-program funds up front. This enables countries to propose long-term investments that would be too risky if dependent on annual appropriations to ensure continued funding.

The partner country also leads the implementation of the compact with MCC staff providing technical support and oversight. The partner government establishes a so-called “accountable entity” that manages all aspects of the compact; MCC’s in-country footprint is small, with typically only two resident staff per compact. There is some variability—across countries and within a country over time—in how much direct responsibility the accountable entity takes on for certain implementation functions. As an example, some partner governments manage all fiscal and/or procurement functions of the compact; most partners, however, still hire external parties to act as fiscal or procurement agents.

MCC also considers accountability to be a core part of its approach to country ownership. One of the primary ways in which it puts this principle into practice is through transparency. Transparency around project selection criteria and progress toward results gives local stakeholders (e.g., non-governmental organizations, civil society groups, the media) better information to hold their governments accountable for the choice of program and its effective implementation.

### III. Donor Practices Evaluated

The next section of this paper briefly discusses several donor practices related to country ownership, as well as capacity building practices that can strengthen or weaken country ownership. These practices correspond with the ones that participants in the *2014 Reform Efforts Survey* were asked to evaluate. Some of the practices are widely regarded as means to strengthen country ownership, while others are thought to have an ambiguous or less favorable or relationship with the principle of country ownership. For almost all practices, even those that are widely viewed as beneficial for country ownership, there are outstanding questions about their use and the desired results.

**Table 2: Practices Evaluated and their Theoretical Relationship to Promoting Country Ownership**

Mainly Favorable	Ambiguous or Less Favorable
<ul style="list-style-type: none"> <li>• Ensuring alignment with national development strategies</li> <li>• Providing budget support</li> <li>• Delivering funds through the procurement or financial management systems of partner countries</li> <li>• Paying for the achievement of outputs or outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing data and best practices</li> <li>• Training government staff and officials</li> <li>• Running programs through parallel project implementation units (PIUs)</li> <li>• Providing technical assistance</li> <li>• Investing in new government staff positions</li> </ul>



## **A. Practices Generally Perceived As Favorably Associated with Country Ownership**

### *Ensuring Alignment with National Development Strategies*

There is widespread agreement that countries must lead the development of their own national development strategies and that donors should align their programs with country priorities. This emerged as a core principle in the Paris Declaration and was reiterated in the Accra Agenda for Action and the Busan Partnership. However, many donors align only on broad sector-level priorities rather than at the level of specific projects.<sup>11</sup> This approach allows donors to continue to prioritize interventions that reflect their own strengths and interests within a broad priority area (Wood et al., 2011).

### *Providing Budget Support*

Budget support is the regular provision of funds by donors directly to a partner country's budget to support the government's implementation of its national development strategy.<sup>12</sup> These funds, which are untied to specific projects or activities, are managed by partner governments using their own financial management, procurement, and audit systems. Providing development assistance as budget support is widely regarded as a way to encourage country ownership and build the capacity of governments to manage their own development projects. Indeed, there is some evidence that providing aid as general budget support can strengthen budget processes and public financial management systems (Department for International Development, 2013; IDD Associates, 2006; Glennie et al., 2012). In addition, donors that channel a greater share of their aid through partner country systems (e.g., budget support) tend to enjoy higher levels of development policy influence with authorities, which may be because use of country systems signals trust in the partner country's motivations and capabilities (Parks et al., 2016).<sup>13</sup>

There are, however, significant questions about the effects of budget support. First there is the question of causality. It may be that donors choose to pursue budget support when public financial management systems are already strong and/or reforming (De Renzio, 2011; Knack, 2013). In addition, while budget support in principle increases the predictability of funding—which is critical for enabling partner governments to plan for, manage and coordinate their investments—in practice, budget support can be more easily suspended than almost any other aid modality (Hudson and Mosley 2008; Molenars et al., 2015).

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<sup>11</sup> Differences in the timing of country strategies and donor programming cycles also complicate alignment in practice (Wood et al., 2011).

<sup>12</sup> Donors typically provide either general budget support, which supports the country's overall budget, or sector budget support, which funds the budget of a particular sector (e.g., health, education).

<sup>13</sup> The correlation between share of aid provided as budget support and policy influence may also reflect that donors are more inclined to provide budget support where they already have a relatively high degree of policy influence. Birdsall and Savedoff (2010) note that donors often provide input into countries' development strategy and policy choices and then decide whether to give budget support based on their judgments about their acceptability (Birdsall and Savedoff, 2010).

Budget support can also come with burdensome reporting requirements, which increase transaction costs (OECD, 2006a).

### ***Delivering Funds Through Country Procurement or Financial Management Systems***

Using partner country procurement and financial management systems is generally thought to increase country ownership by building the capacity of such institutions to manage development investments—particularly when use is accompanied by capacity building investments (OECD, 2006a). It is also thought to strengthen the accountability relationship between the government and its constituents.<sup>14</sup> In Paris, Accra, and Busan, donors repeatedly committed to using country systems, as long as such systems could reasonably ensure appropriate use of funds. When donors bypass country systems, they can undermine the sustainability of their efforts because they replace rather than build up these critical functions (Glennie et al., 2012; OECD, 2012).

Donors have been slow to increase their use of country systems because of concerns about fiduciary risk (Knack, 2013). However, partner countries sometimes express a preference for parallel structures (Glennie et al., 2012).<sup>15</sup> There are also some concerns that too many donors using country systems can be counterproductive if the burden of responding to donor needs prevents the partner country government from focusing on system reform and/or if it strengthens a dysfunctional system (Bovard Peterson, 2011; Glennie et al., 2012; Gillies and Alvarado, 2012). Ultimately, the evidence base for the near-term and long-term effects of using country systems is weak (Glennie et al., 2012).

### ***Paying for the Achievement of Outputs or Outcomes***

Results-based approaches grant more discretion to partner countries to decide how to achieve certain results. With output-based aid, donors pay partner governments for the delivery of specific outputs (e.g., water connections established). Paying for outcomes allows even more discretion by the partner country implementer. Donors pay a partner country for progress delivering measurable and verifiable outcomes (e.g., potable water consumption from in-house taps) rather than specifying the means required to achieve the desired results. Results-based financing, especially outcome-based aid, allows substantial ownership by the partner government. The host country gets the flexibility to explore the best ways, within the local context, to achieve agreed-upon targets, and becomes accountable to local stakeholders for delivering results (Birdsall and Savedoff, 2010).

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<sup>14</sup> This point is reflected in the Paris Declaration.

<sup>15</sup> While donors may perceive budget support as a riskier approach, IDD and Associates (2006) found no clear evidence that budget support was more affected by corruption than other forms of aid. Donors may also prefer to use their own procurement systems to advantage donor-country contractors (Knack, 2013).

## **B. Practices That Are Ambiguously or Less Favorably Associated with Country Ownership**

### ***Sharing Best Practices and Data for Decision-Making***

The OECD acknowledges that one of the roles of donors is to facilitate access to knowledge and participate in policy dialogue or advocacy activities (OECD, 2006a). In terms of sharing best practices, donors' research and implementation experience can be valuable sources of learning, for partner countries and donors alike. In terms of providing data, there are a number of things that donors might share with their partner countries, including planned or actual spending, expenditure analyses, program monitoring data, program evaluation data, results of donor-funded surveys, or results of third-party research. Sharing data on aid activities and funding can help partner governments manage and plan their own resources in a more informed way (OECD, 2005; OECD, 2011). Sharing program results data fosters mutual accountability (OECD, 2011), a key concept of country ownership. Donor-funded surveys can help fill gaps left by under-resourced and under-capacitated national statistics offices.

However, the transfer of so-called "best practices" does not always translate into positive results (Rodrik, 2009; Andrews, 2013; Buntaine et al., forthcoming). When donors encourage countries to pursue "blueprint" or "one-size-fits-all" responses to complex problems, form is emphasized over function and context-specific, local solutions are subordinated to externally-driven scripts. External pressure to prioritize so-called "best practices" can threaten country ownership by limiting space for locally-identified alternatives; it can also mask or encourage persistent institutional dysfunction (Pritchett et al., 2010; Buntaine et al., forthcoming). Indeed, the Busan Partnership for Effective Development Cooperation emphasizes that development cooperation programs ought to be tailored to country-specific situations and needs (OECD, 2011). When it comes to data production and sharing, it is also the case that there is frequently a mismatch between what donors supply and what in-country stakeholders say that they need (Custer et al., forthcoming).<sup>16</sup>

### ***Training Government Staff and Officials***

The Accra Agenda for Action states that developing countries need robust capacity in order to fully own and manage their development processes. Training can be important and yield results, especially when training responds to local demand, when there are many new staff, when the administrative or planning skills of staff trail their technical skills, and/or when there are new concepts to be implemented (World Bank, 2008; De Grauwe, 2009; OECD, 2006).

However, donor-funded capacity building programs have a poor track record of performance (Birdsall, 2008). Efforts to develop the capacity of individual staff alone are also likely insufficient to produce long-run improvements in organizational function (Buntaine et al., forthcoming).

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<sup>16</sup> For instance, donors' needs for survey data (e.g., national-level data to enable cross-country comparisons, data collected to look at a single donor intervention) do not always align well with the needs of the national government (Glassman and Ezeh, 2014).

Organizational structures and incentives need to be in place to ensure that staff can put their newly acquired skills to effective use (De Grauwe, 2009; OECD, 2006a; World Bank, 2008).<sup>17</sup> The institutional environment depends on the norms and practices of public management as well as national-level policies (De Grauwe, 2009; Hradsky et al., 2010). Training is therefore only one of many pieces of the capacity building puzzle. While donor rhetoric has largely shifted to emphasize addressing organizational, institutional, and other contextual capacity constraints, US government agencies and other donors still tend to engage in conventional practices like staff trainings that do not address the challenge of institution-building in a holistic way (Gillies and Alvarado, 2012).

### ***Running Programs Through Project Implementation Units (PIUs)***

PIUs are structures put into place specifically to manage the implementation of a donor-funded project or program. Donors use them to increase the efficiency of project implementation and reduce risks of financial mismanagement.<sup>18</sup> However, PIUs are also criticized for bypassing rather than building the capacity of partner country institutions and, thus, reducing country ownership (OECD, 2006; Asian Development Bank, 2005). The Paris Declaration encouraged donors to avoid parallel PIUs (OECD, 2005).

### ***Providing Technical Assistance***

Donors frequently hire experts to deliver technical assistance (TA) to a partner country. These experts spend time working in or with government institutions, teaching new skills, or helping solve particular problems. TA can be separated into either international or donor country TA or local TA. Studies show that hiring donor country experts—a common practice among donors—can undervalue the importance of local knowledge (Lavergne, 2001; World Bank, 2005; ActionAid International, 2006).<sup>19</sup> Indeed, developing country representatives often prefer local expertise (OECD, 2006), and there have been some efforts by donors to move in this direction.<sup>20</sup>

TA is associated with a high level of donor oversight and often comes at the cost of less country ownership (Gibson et al., 2015). In addition, some TA efforts have been criticized for replacing technical capacity rather than building it, which can undermine a country's ability to manage its own development agenda (ActionAid International, 2006; Glennie et al.,

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<sup>17</sup> The World Bank found that most of its training programs increased individual learning but only improved the capacity of organizations to achieve development outcomes about half the time (World Bank, 2008).

<sup>18</sup> A study by the Asian Development Bank (2005), however, found little evidence to support the notion that PIUs lead to greater efficiency in implementation.

<sup>19</sup> The survey also asked whether donors frequently funded “short-term” or “long-term” TA. The duration distinction is important since long-term TA can carry a greater risk of substituting for rather than building capacity (OECD/DAC, 2009). However, this report does not focus on this distinction for two reasons. First, it streamlines the focus on TA, reducing the number of questions focused on this one issue from four to a more reasonable two. Second, and more importantly, because there was no accompanying definition of what should be considered “short-term” vs. “long-term” consistent categorization cannot be assumed and the distinction becomes less informative.

<sup>20</sup> Hradsky et al., 2010; ActionAid International, 2006; World Bank, 2005; OECD, 2006a; OECD/DAC, 2009.

2012). TA can fail to build capacity for a number of reasons: if it does not meet local demands; if incentives are misaligned (i.e., the expert's continued employment depends on the persistence of capacity gaps); if experts feel more beholden to meeting donor demands than the needs of the host organization; if experts lack knowledge transfer skills; if multiple consultancies are poorly-coordinated; if experts address technical issues but avoid tackling critical political constraints; and if experts are used to carry out managerial roles rather than mentoring staff (ActionAid International, 2006; OECD 2006a; De Grauwe, 2009; World Bank, 2005; European Commission, 2008).<sup>21</sup>

Despite all these risks, TA—which can take a variety of forms—is still a commonly used tool by many donors. Many bilateral and multilateral donors have renewed their focus on using it more effectively—by establishing priorities jointly, coordinating efforts with other donors, ensuring a capacity development perspective from the outset, and emphasizing the need to shift management to partner countries (Hradsky et al., 2010).

### ***Investing in New Government Staff Positions***

In some cases, donors may seek to supplement the capacity of organizations by funding (or topping up) the salaries of existing or new staff. This is often used as a transitional measure in a move towards more rational public sector compensation policies, a key component of capacity building in places where highly qualified personnel forgo poorly-paid government positions for better-remunerated opportunities (OECD, 2006). On the other hand, donor-funded positions may be unsustainable, and heavy reliance on these positions can contribute to persistent capacity deficits in government ministries (OECD, 2006; World Bank, 2012).

## **IV. About the Survey**

Having reviewed a series of practices that are thought to strengthen, do little for, or even undermine country ownership, we now turn to exploring partner country perceptions of how often US government agencies engaged in each of these practices and how useful they were to development policymakers and practitioners in low- and middle-income countries. Before we turn to the findings, we briefly summarize key characteristics of the *2014 Reform Efforts Survey* that supports our analysis.

### ***The Sampling Frame, Response Rate, and Subsample of Interest***

Unlike most elite surveys that draw on convenience sampling methods which result in small, narrowly defined samples, a research team at the College of William and Mary attempted to identify a universe of development policymakers and practitioners in 126 low- and middle-income countries who interact with international donors in planning and implementing policy reforms in their respective countries (see Parks et al., 2015). They did this by identifying a generic set of institution types within partner country governments (e.g.,

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<sup>21</sup> Furthermore, volatility in TA flows is associated with high staff turnover, and reductions in trust between donor and recipient (Hudson and Mosely, 2008). Heavy reliance on TA has also shown to be negatively correlated with a donor's influence on the reform priorities of partner countries (Parks et al., 2016).

finance ministries, central banks, anti-corruption institutions) and position types (e.g., ministers, deputy ministers, department directors) that are found in virtually every developing country. They then mapped country-specific institutions and positions to these generic institution types and position types and identified the individuals who held these positions in country-specific institutions between 2004 and 2013. The sampling frame also included a “development partner” stakeholder group, consisting of individuals who worked for multilateral or bilateral donor agencies in the same set of low- and middle-income countries in the same time period.<sup>22</sup> A similar process of mapping position types (e.g., ambassador, mission director, office director) to specific individuals who filled those roles was undertaken.

This approach represents a major methodological improvement in that it enables analysis of the representativeness of survey samples vis-à-vis the sampling frame, while also making it possible to increase and decrease the weights assigned to individual survey responses based upon identifiable sources of sampling bias.<sup>23</sup> In total, the sampling frame that was assembled consists of 54,990 individuals who held relevant positions across a common set of institutions in 126 low- and middle-income countries between 2004 and 2013. Of this global sampling frame, the survey successfully reached 44,035 recipients. Of these, 6,731 (15 percent) responded.

The survey asked respondents about their firsthand experiences and observations from working with international development partner organizations. They were first asked to identify the organizations (e.g., the World Bank, USAID, MCC) with whom they worked directly. They were then asked to answer questions pertaining to the donor with whom they interacted the most. Our subsample of interest consists of the 3,256 individuals (48 percent of all respondents) who answered a question about how frequently a given donor organization engaged in the practices discussed in Section III. We also analyze data from the 2,973 individuals (44 percent of all respondents) who responded to a follow-up question about the perceived usefulness of those same donor practices (Question 17).<sup>24</sup>

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<sup>22</sup> The sampling frame also included individuals who worked for domestic civil society and non-governmental organizations, private sector associations, and independent experts. However, these stakeholder groups were not asked to answer the survey questions about donor policy practices discussed in this paper.

<sup>23</sup> This is one of the major differences between the *2014 Reform Efforts Survey* and previous attempts by the World Bank, the IMF, the Asian Development Bank, the OECD, and various research groups to draw convenience samples (where a population of interest is not identified and sample representativeness cannot be evaluated) of developing country elites with policymaking and programming responsibilities. A comprehensive description of the survey methodology is available from Parks, Rice and Custer (2015).

<sup>24</sup> The full questionnaire for the *2014 Reform Efforts Survey* is available in the online Appendix of Parks et al. (2015). Question 16 asked respondents to evaluate the frequency of donors’ use of policy practices on the following ordinal scale: “Never,” “Rarely,” “Frequently,” “Almost always.” Question 17 asked respondents to rate the utility of each practice on a scale of 0 to 5 where 0 means “not at all useful” and 5 means “extremely useful.”

### *Data limitations*

Like most elite surveys, the *2014 Reform Efforts Survey* had a somewhat low response rate which has potential implications for the representativeness and generalizability of the results.<sup>25</sup> In addition, small sample sizes for the questions explored in the paper limit opportunities for analysis of some cross-sections (e.g., agency, country, time, and sector). It is also important to keep in mind that the data from the survey reflect perceptions based on firsthand experiences and observations, which may not always comport with independently-verifiable facts (e.g., the actual use of partner country systems vs. the perceived use of partner country systems). We will demonstrate that the survey-based estimates presented here correlate closely with independently-generated data on donor practices; however, it is still not very well understood how respondents' perceptions of utility correspond with actual outcomes and impacts.<sup>26</sup> In addition, because the survey collects information about the time period 2004-2013, current efforts are not reflected and perceptions may have shifted in recent years. Finally, this analysis does not examine every possible approach that can advance or undermine country ownership. One notable gap is that we focus specifically on the donor-government relationship, leaving scope for future research to investigate perceptions of donor engagement with other local actors.<sup>27</sup>

## **V. Findings**

The survey findings presented below provide some insight into US government practices that seem to encourage—or in some cases hinder—country ownership. We first review perceptions of how frequently the US government used certain practices. We then discuss perceptions of how useful these practices were.

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<sup>25</sup> Low response rates are typical for elite surveys, however, especially for surveys conducted online (Gabre-Madhin and Haggblade, 2001; Pew Research Center 2012; Hafner-Burton et al., 2014). Bearing in mind the additional difficulties associated with online surveys in countries with less reliable internet connectivity, the response rate for the *2014 Reform Efforts Survey* is well in line with expectations for a survey of this type (Parks et al., 2015). To account for bias arising from unit non-response, we employ inverse-probability weights to compute aggregate statistics used in our analysis. See Annex IV for more details on how these weights are computed.

<sup>26</sup> See Annex II for a comparison of the data on perceived frequency of use of practices from the *2014 Reforms Efforts Survey* with other empirical data on donor practices.

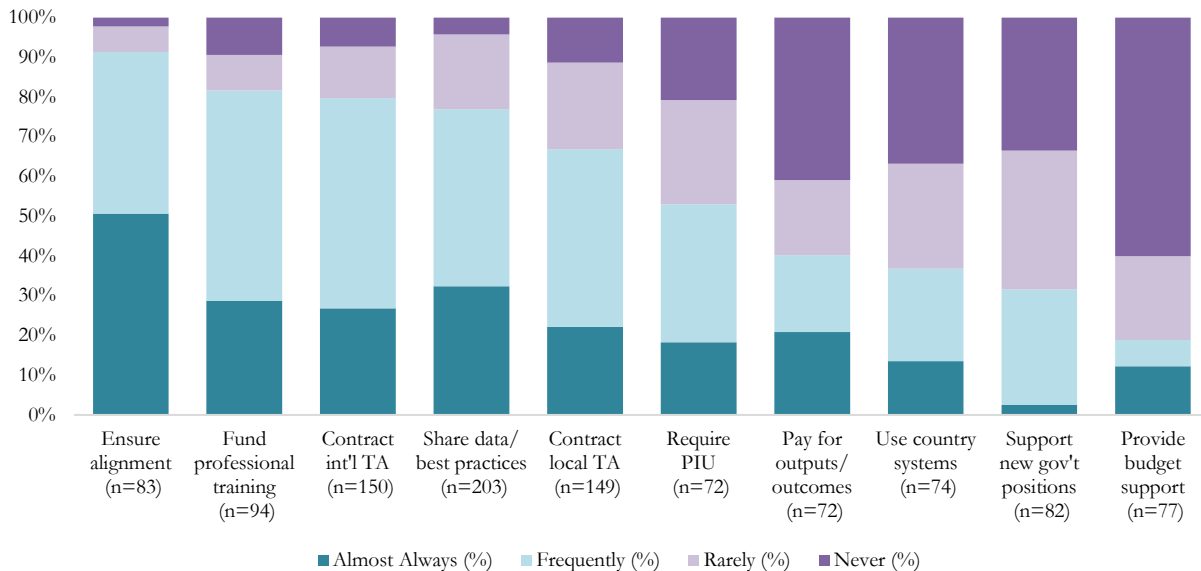
<sup>27</sup> See Annex I for more detailed discussion of data limitations.

## A. Perceived Frequency of Practices

**The US government is generally perceived as aligning its programs with partner country priorities.** Almost everyone agrees that US development agencies typically try to align their aid programs with the country’s national development strategy (Figure 1). Approximately 90% of the 83 respondents who evaluated the US government’s efforts to “ensure alignment” with partner countries’ development strategies indicated that the US “frequently” or “almost always” ensured such policy alignment. While this finding in itself is encouraging for advocates of country ownership, we also find significant differences between USAID and MCC in terms of the frequency with which they aligned their policies with partner countries’ priorities (Figure 3).

**The US relies heavily on professional training and international TA while less frequently adopting practices that make use of in-country systems.** Roughly 80 percent of the respondents who evaluated the US government’s use of “fund[ing] professional training” and “contract[ing] international TA” indicated that US donor agencies adopted these practices “frequently” or “almost always.” In contrast, the US government was perceived to adopt policies that used in-country systems (e.g., use of country systems, provision of budget support) less frequently. Only 37 percent of respondents who evaluated the US government’s use of country systems indicated that this was a practice used “frequently” or “almost always.” For budget support, the figure was only 19 percent.

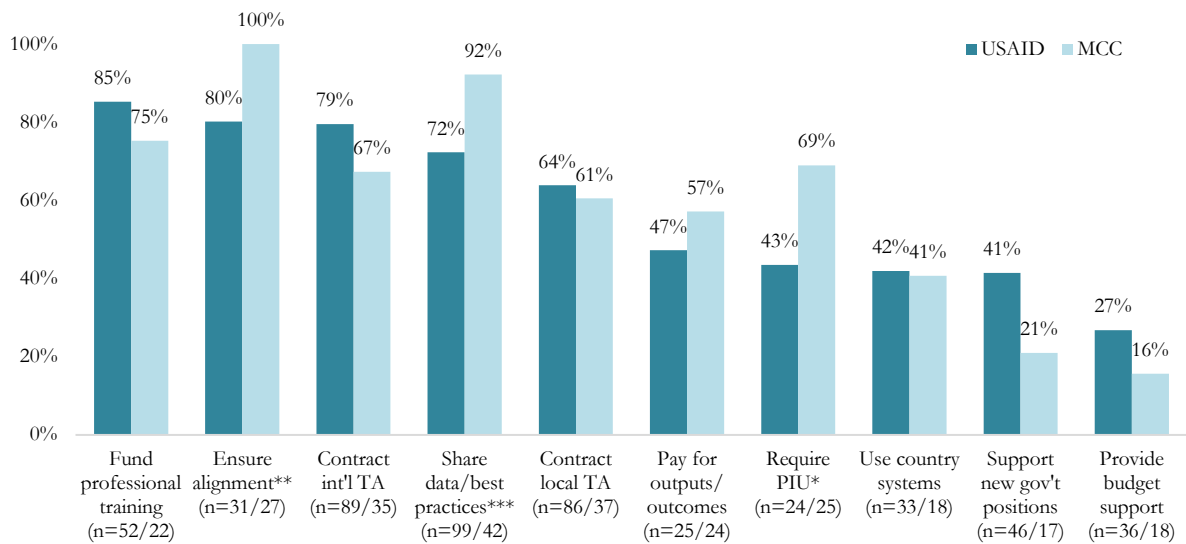
**Figure 1: Perceived US Government Use of Country Ownership and Capacity Building Practices**





**USAID and MCC emphasize different practices with varying implications for country ownership.** In terms of individual agencies, there appears to be a suite of practices that MCC employs more than USAID: ensuring alignment, sharing data and best practices, and requiring program implementation units (Figure 2). Many of these are unsurprising, given MCC’s model and operational policy. MCC compacts are developed by the partner country and implemented through a dedicated government entity (e.g., a PIU). Similarly, recognition for frequent sharing of “best practices” and data could reflect MCC’s analytical requirements for growth diagnostics and cost-benefit analysis as well as its commitment to transparent project monitoring and rigorous evaluation of the majority of its portfolio. In contrast, USAID is more often perceived to fund more professional training and technical assistance, although the difference between USAID and MCC is not statistically significant.

**Figure 2: Percent Responding “Almost Always” or “Frequently” by US Agency<sup>28</sup>**



\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

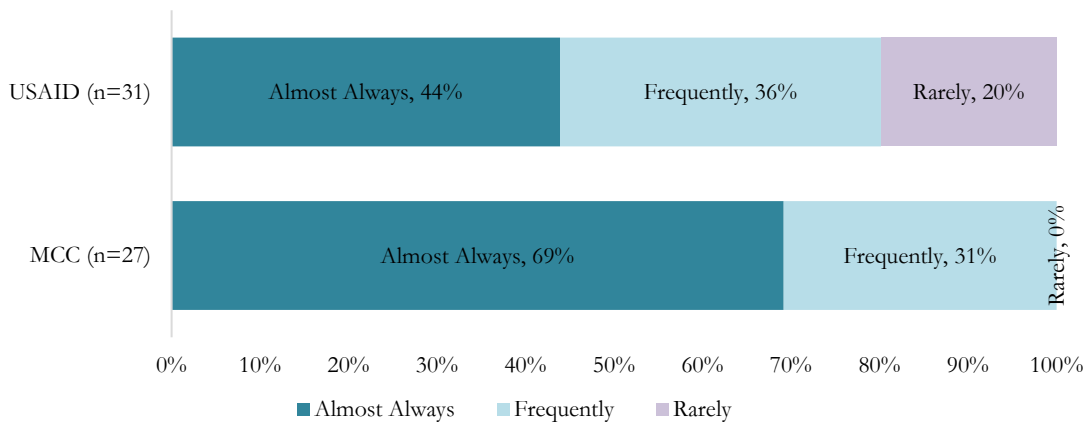
**MCC is perceived to emphasize alignment with partner country priorities somewhat more than USAID.** *All* of the 27 respondents who evaluated MCC’s alignment with partner countries’ national development strategies unanimously agreed that the agency ensured alignment “almost always” (69 percent) or “frequently” (31 percent). In contrast, of the 31 respondents who evaluated USAID’s alignment with country priorities, fewer than half (44 percent) indicated that USAID “almost always” tried to align its programming with the development strategies of its partner countries. A fifth of respondents (20 percent) said it was rare for USAID to ensure alignment (Figure 3). These differences between the agencies are statistically significant.

<sup>28</sup> For this figure and subsequent figures, a weighted difference-in-means test was used to determine if there were significant differences between the categories. The significance level indicated with an asterisk(s) follows the category name.

There are a number of plausible reasons for this difference. MCC’s funding is free from spending directives, making it easier for the agency to respond to country-identified priorities. Indeed, its model gives partner countries a lead role in program development. While MCC works closely with the partner government to help them craft proposals that fit within MCC’s parameters for growth-focus, cost-efficiency, and compliance with environmental and social safeguards, it is the partner country that proposes the investments MCC will fund (Rose and Wiebe, 2015b). On the other hand, USAID, whose budget is substantially earmarked, has much more limited flexibility. While USAID staff consult with partner country stakeholders to develop country strategies, they must also take Washington-based funding and policy priorities into account (Dunning et al., forthcoming).<sup>29</sup>

The difference in alignment could also reflect the types of countries in which each donor operates. MCC only partners with relatively well-governed, democratic countries, and in such countries development priorities are presumably established through higher levels of consultation with local constituencies than in countries with weaker or more autocratic governments. USAID, on the other hand, works in a wide range of countries, including fragile and conflict-affected states and those with weak governance where alignment with a government’s national development strategy may be more complicated or even undesirable if the government is pursuing harmful policy choices. The data bear this out. We see later in this section that the US is perceived to emphasize alignment more in better-governed countries.

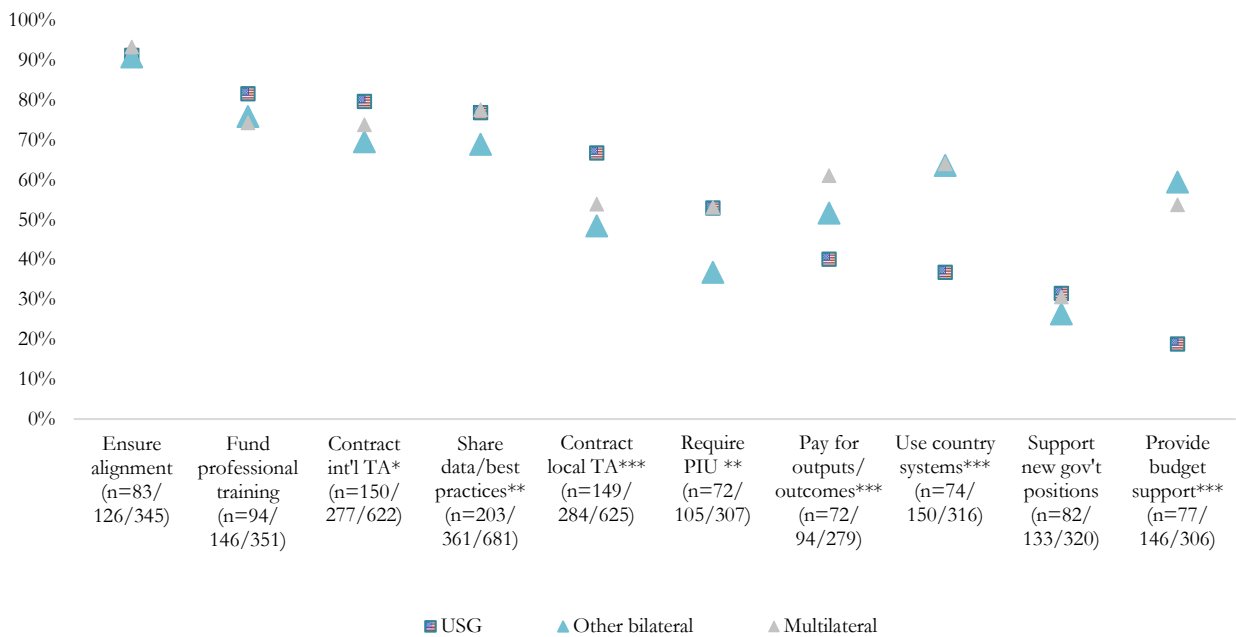
**Figure 3: Perceptions of Frequency of Alignment with National Development Strategy, by Agency**



<sup>29</sup> Starting in 2010, USAID increased its emphasis on local consultations in the development of country strategies. Much of the survey data reflected here, however, reflect perceptions prior to 2010.

**US and non-US donors have broadly similar practices, but the US is less likely to pursue practices that give partner countries a lead role in implementation (e.g., budget support, use of country systems).** Comparing the US to non-US bilateral and multilateral donors, the US again stands out for its relatively low (perceived) levels of budget support and use of country systems, as well as payment for outputs or outcomes, though the latter is relatively lower among bilateral donors in general (Figure 4). The data reflect the prevalence of US support for technical assistance, and while US donors rely more on international experts compared to local experts, they are perceived to use local experts more than other donors.

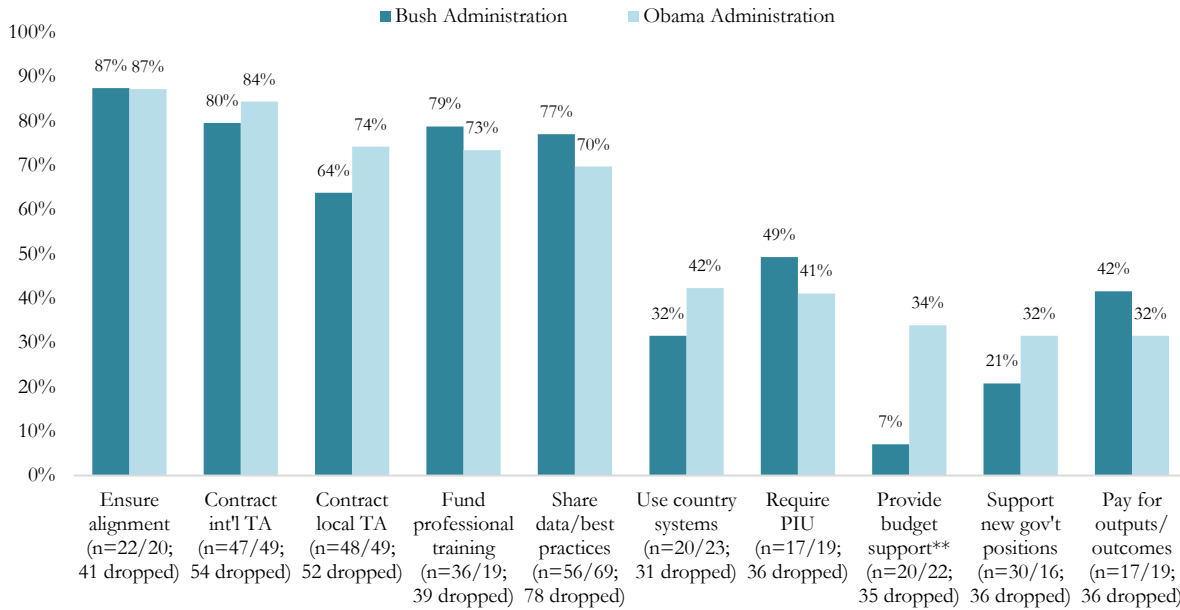
**Figure 4: Percent Responding “Almost Always” or “Frequently” by Donor Type**



\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Respondents perceived little significant change in practices between the Bush and Obama administrations.**<sup>30</sup> Respondents who held their positions only during the Obama administration—between 2009 and 2013—were significantly more likely to say the US government offered budget support (Figure 5). However, this likely reflects expedient crisis response in the wake of the 2009 global downturn rather than a push for country ownership. Otherwise, there is little change in the perceived frequency of the various practices.

**Figure 5: Percent Responding “Almost Always” or “Frequently” by Administration**



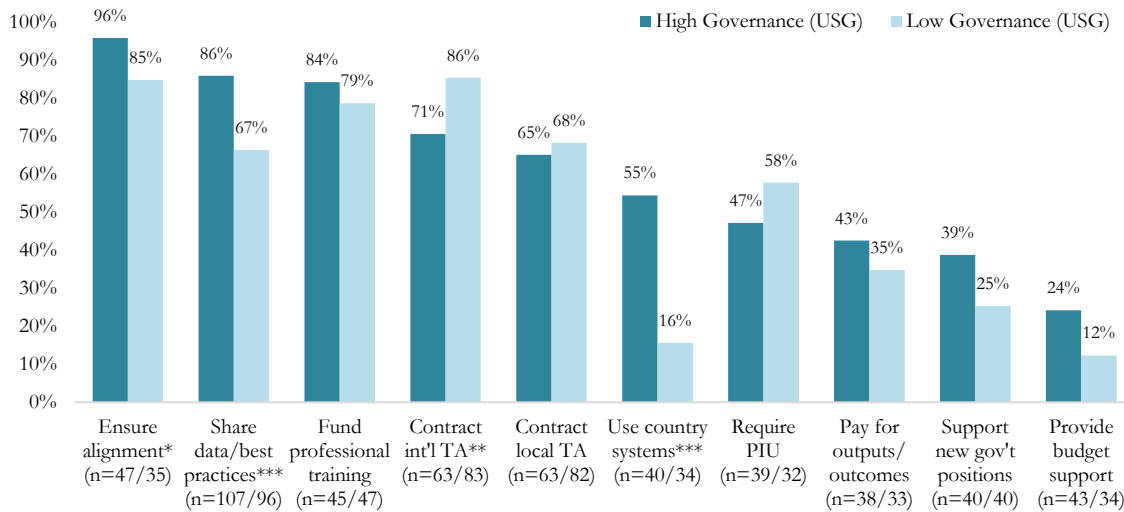
\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

<sup>30</sup> Only those respondents who held their position wholly within the time period of a particular administration (either between 2003 and 2008 or between 2009 and 2013) were included in this analysis. Respondents whose tenure in their position spanned both administrations were excluded. The number of observations dropped due to administration overlap was greater than the number of observations in either just the Bush years or just the Obama years.

**The US is more likely to use country systems and align with country priorities in better governed countries.** Figure 6 shows US government agencies are significantly more likely to use country procurement or financial management systems in countries that rank higher on a measure of regulatory quality.<sup>31</sup> This finding corresponds with Knack’s (2013) finding that donors are more likely to channel aid through local systems in better governed countries, though the measure of governance chosen matters.

In addition, survey participants viewed that the US government emphasized alignment with country priorities more frequently in better governed countries (Figure 6). These findings are consistent with the guidance outlined in the PPD that the US should align with national priorities and work through partner country institutions where countries demonstrate good governance and accountability. It may also reflect, as suggested earlier, the difficulty (or sometimes even undesirability) of aligning with government priorities in weaker or conflict-affected states.

**Figure 6: Percent Responding “Almost Always” or “Frequently”, by Regulatory Quality**

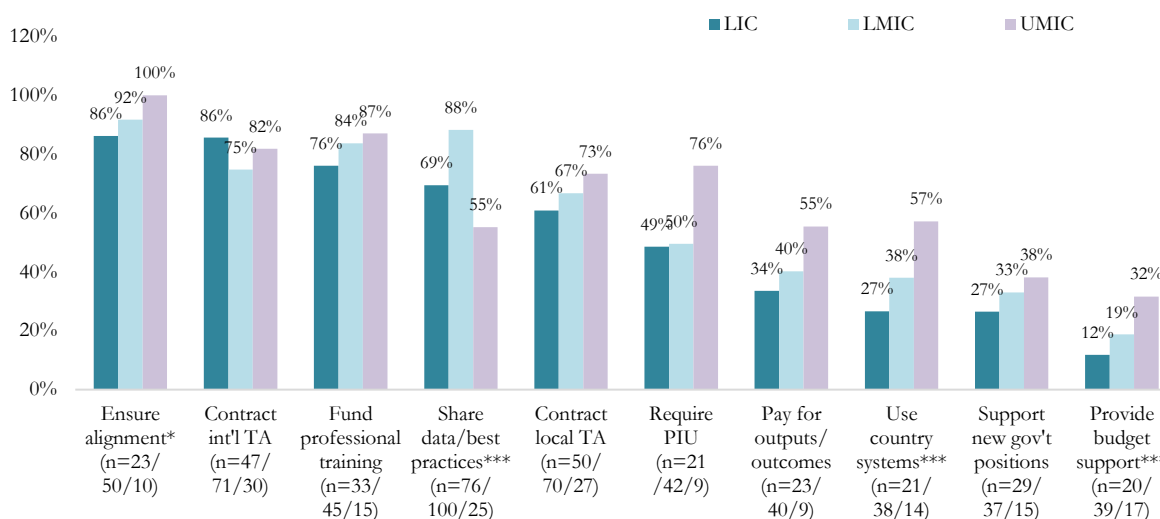


\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

<sup>31</sup> Countries are categorized into higher or lower governance based on their score on the Regulatory Quality indicator, one of the Worldwide Governance Indicators (WGI) produced by the World Bank and Brookings Institute. The year of the Regulatory Quality indicator used corresponds to the most recent year the respondent identified as his or her period of work in a particular position. Countries with a Regulatory Quality score above the median of all countries in which respondents worked with the US government were categorized as high governance. Countries below the median score were categorized as lower governance. The Regulatory Quality indicator does not capture every important aspect of governance, but it is a plausible proxy, especially since among non-high income countries there is a strong positive correlation with the WGI’s Rule of Law and Government Effectiveness indicators, and a weaker, though still positive correlation with the Control of Corruption indicator. We looked at perceived use of practices for all six WGI indicators (which include indicators on Political Stability and Voice and Accountability), and the US was more likely to ensure alignment with country strategies in the better performing countries for five of the six indicators (statistically significant at 10 percent). For Voice and Accountability, however, the difference was not statistically significant. We also tested whether the US government was perceived to ensure alignment with country strategies more in “Free” or “Partly Free” countries compared to “Not Free” countries, as categorized by Freedom House, but found no statistically significant differences between them.

The US also tends to use practices emphasizing country ownership more in lower-middle and upper-middle income countries (LMICs and UMICs) compared to low income countries (LICs). Focus on alignment with country strategies, use of country systems, and provision of budget support all appear to happen more frequently in UMICs (Figure 7).

**Figure 7: Percent Responding “Almost Always” or “Frequently”, by Income Level**

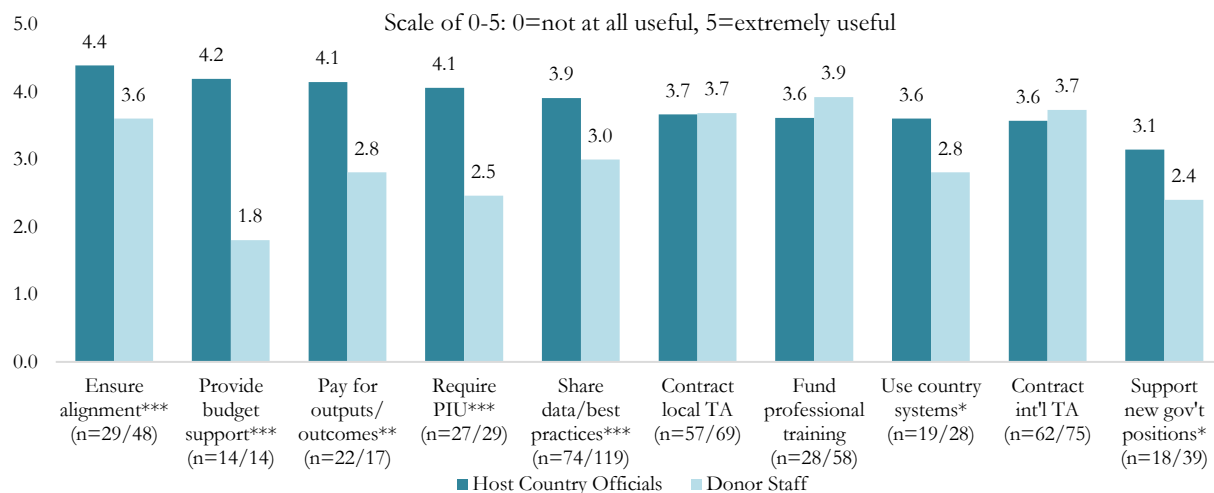


\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

## B. Perceived Utility

**Host country respondents and US government staff disagree on which practices are most useful.** For most practices, host country respondents have a more favorable view of the usefulness of US government activities in supporting the country’s development efforts than do US government staff (Figure 8). However, the two groups rank the relative utility of the various practices very differently. As expected, most of the practices that are in principle more favorable for the promotion of country ownership—ensuring alignment, providing budget support, paying for outcomes—are also those that the partner country considers most useful. These practices are not viewed as favorably by US government staff. There is a particularly large discrepancy in the perceived utility of budget support. Partner country officials ranked budget support a close second in terms of utility, while US government staff considered budget support to be the least useful practice. Instead, US government staff consider some of their more common practices—professional training, the provision of TA—to be more useful. Interestingly, though increasing the use of country systems is often advocated as a way to promote country ownership, both US government and host country staff gave it relatively mediocre ratings in terms of the usefulness of the US government’s efforts in this area. This could reflect perceptions of the quality of the US government’s efforts or it could suggest a certain level of ambivalence toward the US pursuing this approach in general.

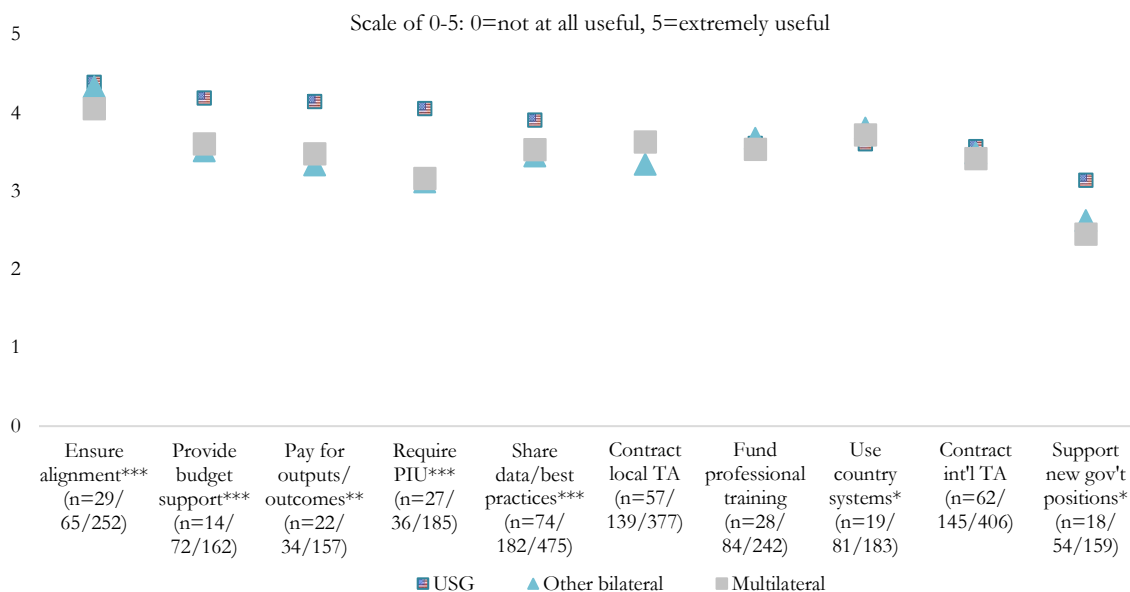
**Figure 8: Host Country and Donor Respondents' Perceived Usefulness of Donor Practices**



\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**US practices related to the promotion of country ownership tend to be perceived relatively favorably compared to other donors, except for use of country systems.** Across the range of practices covered, host country officials generally perceived US efforts equally or more favorably than those of non-US bilateral donors or multilateral donors, even for the practices the US government used infrequently (e.g., providing budget support, paying for outputs/outcomes) (Figure 9). The exception is the use of country systems. Host country officials not only give the US government's use of country systems a mediocre utility rating, but also perceive US efforts in this area to be slightly (though significantly) less useful than those of other donors.

**Figure 9: Host Country Perceptions of Donor Practices, by Donor Type**

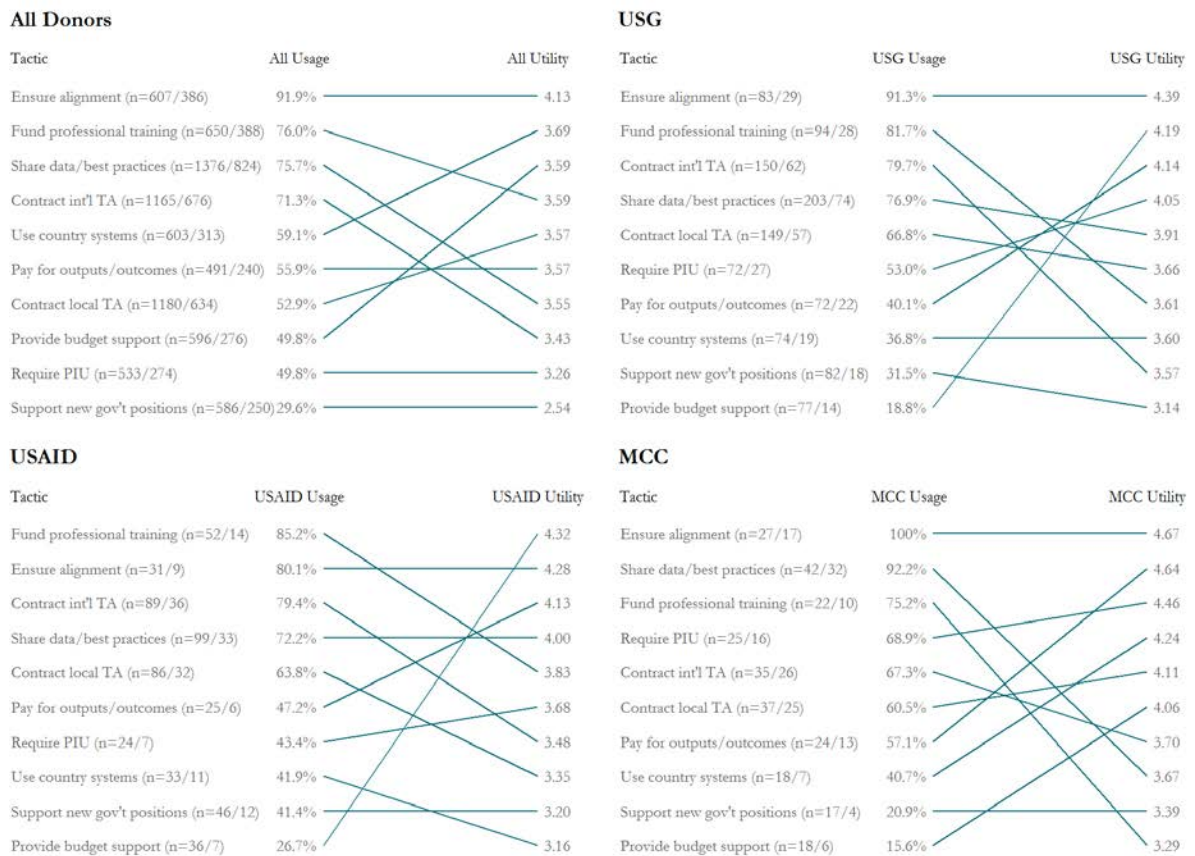


\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

### C. Comparing Perceived Frequency and Perceived Utility

There is some alignment between how frequently donors use certain practices and how useful host country officials perceive them to be. Figure 10 compares the usage of certain practices with partner country perceptions of their utility for all donors globally, for the US government as a whole, for USAID, and for MCC. While small sample sizes for the individual agencies make it hard to draw strong conclusions from the data, some patterns appear.<sup>32</sup> Ensuring alignment with host country priorities is always considered among the most useful practices; fortunately, it also tends to be the most used. Similarly, supporting new government positions is consistently considered among the least useful approaches; it is also among the least frequently used.

Figure 10: Host Country Perceived Utility and Usage of Practices



<sup>32</sup> Both USAID and MCC are displayed here for illustrative purposes even though the sample size for perceptions of utility for certain practices is below the minimally acceptable threshold of 10. The value for usage is calculated using perceptions of both US government and host country government staff. The value for utility reflects only host country government responses.<sup>33</sup> For example, in the 2010 Foreign Operations appropriations bill, Congress earmarked two-thirds of development funds by sector (Veillette, 2011).



**Practices that let countries lead tend to be underutilized compared to their perceived utility.** Practices that put the host country in the driver’s seat—budget support, paying for outcomes/outputs, and use of country systems—tend to be underutilized compared to their perceived utility. USAID’s use of country systems is a notable exception; it is both infrequently used and rated least useful of all the practices (in fact, USAID gets a lower utility rating for this practice than both MCC and donors as a whole). On the other hand, professional training is frequently funded by donors, including US donors, but host country officials give it a middle to low rank in terms of perceived usefulness.

## **VI. Policy Relevance**

While we cannot draw ironclad conclusions from the survey data (for the reasons discussed briefly in the “Data Limitations” section and in more detail in Annex I), the composite picture that emerges is broadly consistent with several policy recommendations:

**1. Increase Flexible Spending for USAID.** USAID makes efforts to align its programming with partner country development strategies, but it is perceived to do so less frequently than many other donors. While USAID has recently emphasized its commitment to aligning its country strategies with local priorities, Washington-imposed spending directives limit the agency’s flexibility to do so in practice. The vast majority of USAID’s funds are earmarked for a particular purpose, and presidential initiatives further constrain the agency’s ability to respond to country priorities.<sup>33</sup> USAID/Mozambique’s Country Development and Cooperation Strategy puts it clearly, stating, “Currently, USAID/Mozambique’s portfolio is 100 percent earmarked by Presidential Initiatives and other requirements. The Mission has no funds to use at its own discretion, and the vast majority of its programming falls under strategies that were approved prior to this CDCS. As such, Presidential Initiatives and USAID global strategies greatly influenced the strategic choices made in this CDCS” (p.10).

In contrast, MCC, whose funds are not similarly subject to congressional spending directives, has been much better able to flexibly respond to country-led priorities. However, MCC is responsible for a small portion of US foreign assistance. If the US is serious about implementing its commitment to country ownership and enabling more of its aid dollars to achieve better and more sustainable results, the administration and Congress should work together to prevent burdensome directives, reduce executive branch requests for specific priorities, and moderate the use of presidential initiatives (Rose and Wiebe, 2015a; Dunning and Leo, 2015). One way to do this could be through a series of “effectiveness pilots” in which—in a small set of countries—directives, earmarks, and other spending requirements are removed or significantly reduced in exchange for greater adherence to more effective aid delivery practices (Rethinking US Development Policy Team, 2016).

**2. Evaluate Use of Country Systems.** US donors are increasingly focused on using country systems—channeling funds through partner country procurement and/or financial

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<sup>33</sup> For example, in the 2010 Foreign Operations appropriations bill, Congress earmarked two-thirds of development funds by sector (Veillette, 2011).

management systems—though the proportion of funds going directly to local entities is still small. The survey results suggest relatively lower satisfaction with US approaches to using country systems, however. Partner countries rank it as a highly useful practice for donors overall, but they rank the usefulness of US government (and especially USAID) use of country systems quite a bit lower.<sup>34</sup> This may reflect either the quality of US efforts or a certain level of ambivalence toward the US pursuing these approaches in general.

Unfortunately, the commitment by US agencies to increase funds channeled through country systems is unmatched by a similar commitment to evaluate or assess the experience. There are occasional anecdotal reports of success. For instance, municipal officials in Kosovo credit USAID's use of their procurement system with improved system quality (Dunning et al., forthcoming). However, there is little analysis of why this partnership was a success; there is even less documentation about less-successful arrangements. MCC's experiences with and lessons learned from using host country procurement and financial management systems are similarly undocumented.<sup>35</sup>

As the US government channels more funds through country systems, both USAID and MCC should take the opportunity to build up the currently limited knowledge base. In particular, they should seek to understand whether, under what conditions, and with what complementary inputs, use of country systems helps strengthen those systems, and/or whether and under what circumstances donor usage reinforces dysfunctional systems or distracts from real system reform.

***3. Allow Partner Countries to Build Institutions Around Local Context Through Results-Oriented Funding.*** Funding professional training is one of the most common modalities of capacity building employed by donors, including the US government. However, host country partners give it mediocre ratings in terms of usefulness. This may reflect that trainings are not successfully imparting relevant skills or that the skills they do build do not translate into results when organizational capacity is low. For instance, MCC's USAID-managed threshold program in Zambia provided training to the government's anti-corruption unit to disseminate corruption prevention activities throughout the government. Though the trainings and materials were considered useful—and have since been replicated—the program ultimately had little tangible impact on the unit's capacity to conduct corruption prevention activities (Weiser and Balasundaram, 2010).

Organizational capacity building is a much longer term endeavor and requires substantial political commitment from the partner country. USAID's Local Systems Framework

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<sup>34</sup> While the utility scores for use of country systems are similar between donors overall (3.69) and the US government overall (3.60), the US aggregate masks agency-level differences. In addition, even with similar scores, use of country systems ranks relatively lower on the list of practices for the US government than it does for donors overall. Of course, the survey data do not reflect current efforts and perceptions may have shifted in recent years. However, it remains true, as the US government continues to emphasize and seek new opportunities to use country systems, agencies would benefit from drawing lessons from evaluations of their current experience.

<sup>35</sup> MCC's Principles Into Practice series and compact closeout reporting offer two opportunities for the agency to record lessons stemming from its use of country systems.

acknowledges the importance of thinking about organizational, institutional, and political economy issues when planning and designing programs, but the agency so far lacks practical guidance on how to implement this thinking.

USAID has tools to diagnose organizational capacity, but using these to identify the best solutions to help organizations better utilize staff capabilities and achieve results is far from straightforward.<sup>36</sup> As Pritchett et al., (2010) caution, donors tend to promote “isomorphic mimicry” by encouraging the importation of best practice organizational forms, even when they do not result in functional performance. For instance, MCC’s USAID-managed threshold program in Malawi successfully resulted in the establishment of several institutions that the government sustained after program completion, but there was no evidence that the program’s activities had any impact on the program goal of combatting government corruption (Thébault-Weiser and Chilumba, 2010).

Recognizing that a variety of institutional forms can yield comparable levels of performance, US donors should take a more hands-off approach to supporting partner country institutions. Instead of prescribing how an organization should look, the US should encourage innovation, experimentation, and adaptation, allowing local partners to develop the context-specific forms that get results. For example, the US should experiment with Problem Driven Iterative Adaptation, which focuses on solving locally defined performance problems and encourages positive deviance and experimentation with quick feedback loops to learn and make ongoing adjustments (Andrews et al., 2012). It is a promising approach for donors seeking to build organizational and institutional capabilities. The US government should also emphasize results-based financing, in particular paying for outcomes. These innovative financing schemes give the partner country the flexibility to determine the best way, within the local context, to achieve specified results; the donor only pays for verified results achieved (Birdsall and Savedoff, 2010).<sup>37</sup>

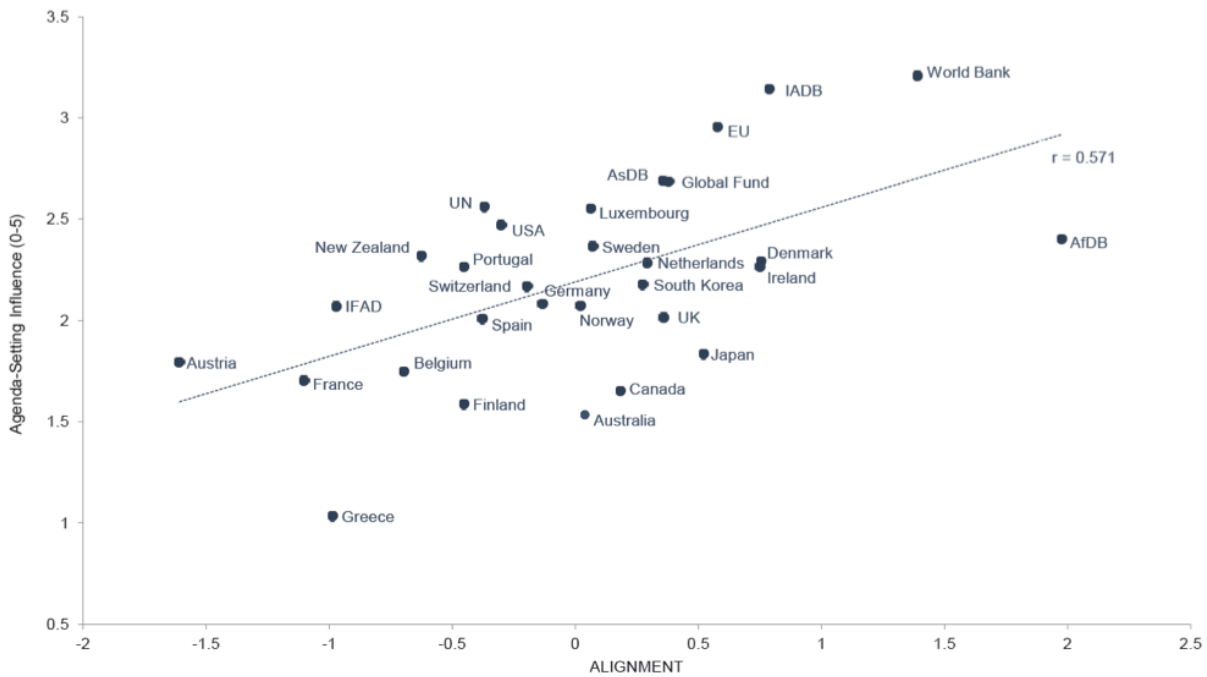
**4. Increase Funding to the Multilaterals.** Multilateral development banks (MDBs) pursue more of the approaches that put countries in the driver’s seat—providing budget support, using country systems, and paying for outputs/outcomes. These are key elements of the international agreements to promote aid effectiveness, and, not surprisingly, they are also among the practices viewed as most useful by host country survey respondents. In addition, MDBs tend to align their activities with host country priorities more than the US (and non-US bilaterals), whose development policies are more influenced by domestic political and geostrategic interests. As Figure 11 demonstrates, as donors increase their alignment with partner country priorities, they also tend to achieve higher levels of development policy influence. It is therefore unsurprising that MDBs tend to exert higher levels of influence on the reform priorities of partner countries (Custer et al., 2015).

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<sup>36</sup> The Organizational Capacity Assessment (OCA) was developed to help strengthen the management capacity of local organizations so that they could implement US-funded programs. The Public Financial Management and Risk Assessment Framework (PFMRAF) is used to determine the viability of government-to-government assistance by assessing and seeking to mitigate the fiduciary risks of certain partner country government institutions.

<sup>37</sup> USAID is beginning to explore iterative adaptation. In partnership with Britain’s Department for International Development, USAID is expecting to launch a project in 2017 that will focus on supporting adaptive management in its programs.

**Figure 11: Alignment with Partner Country Priorities and Agenda-Setting Influence  
(Reproduced from Custer et al., 2015)**



Note: Agenda-setting influence is on a scale of 0 to 5, where 0 means "No influence at all" and 5 means "Maximum influence." ALIGNMENT is equal to a z-score based on the share of ODA allocated to recipient countries' top development priorities (Birdsall and Kharas 2014).

In the 2010 PPD, the Obama administration committed to renewing its multilateral leadership, though recent funding levels for the MBDs—at less than 10 percent of total US foreign assistance—do not reflect this priority. There are a number of compelling reasons for the US to direct more of its assistance funds through multilateral channels—greater coordination with other donors, the ability to leverage each dollar to generate additional lending, greater diversity of aid instruments, broader geographic and sectoral reach, greater bargaining power in policy negotiations, and efficiency improvements of untied aid, among others (Morris and Gleave, 2015; Clemens and Kremer, 2016). It would also enable the US to increase its support of internationally-agreed modalities of aid delivery that seek to increase country ownership.

## VII. Conclusion

The US government deserves credit for recent steps to increase country ownership. As it seeks to expand and build upon these initial efforts, it needs more evidence about how to do so most effectively. A multi-pronged approach—from high-level international donor monitoring exercises down to individual project evaluations—is needed to assess the extent to which US policies and programs strengthen or undermine country ownership. Understanding partner country perspectives should also be a central element of this learning agenda going forward.

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## Annex I: Limitations of the Data

### *Low response rate has implications for the validity of the results*

Given that only around 7 percent of those who were invited to participate in the *2014 Reform Efforts Survey* completed the specific questions explored in this paper, there is a risk of bias (Bednar and Westphal, 2006; Berk, 1983).<sup>38</sup> Respondents and non-respondents may have different characteristics, on average, which may compromise the validity of the results obtained.

Fortunately, because there is detailed information available about each member of the global sampling frame, it is possible to compare respondents and non-respondents along certain observable characteristics. For some of these (e.g., sex, country), the composition of the respondent group tracks reasonably well with the composition of the broader sampling frame (i.e., all individuals who received an invitation to participate in the survey), though there were some observable differences. For example, while nearly 60 percent of those who were invited to participate in the survey belonged to the “host government” stakeholder group, this cohort made up only 51 percent of respondents. In contrast, respondents from the “CSO/NGO” and “independent expert” groups were somewhat overrepresented compared to their composition of the broader sampling frame.<sup>39</sup> The approximate similarity on key observable characteristics between those who participated in the survey and the broader group of individuals who were asked to participate in the survey as well as the inverse-probability weighting scheme applied to the data increase our confidence in the representativeness of the results presented in this report. However, it is impossible to rule out the possibility of bias deriving from unit non-responses.<sup>40</sup>

The response rate to the questions explored in this paper is substantially lower than the overall response rate, but this is by design. The survey included two questions related to country ownership and capacity building practices, and each contained 20 possible sub-questions. These sub-questions were then grouped by thematic area (consultation practices, use of government systems, etc.) into five groups of between two and four sub-questions.<sup>41</sup> Each respondent was *randomly* presented with one of the five thematic areas for each of the two questions. This was done to reduce response burden on individual respondents, as well as to try to focus each respondent on a more concrete question about donor practices.<sup>42</sup>

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<sup>38</sup> 3,256 individuals (48 percent of all respondents) responded to the question about use (question 16). 2,973 individuals (44 percent of all respondents and 7 percent of the sample) responded to the question about usefulness (question 17).

<sup>39</sup> See Parks and Rice 2015 (Appendixes A and B) for more detail on the comparison between respondents and recipients.

<sup>40</sup> See Annex IV for more detail on the inverse probability weighting scheme.

<sup>41</sup> There were originally six thematic areas. However, due to a technical glitch that occurred in the administration of the survey, respondents were not presented with one of the sets of questions.

<sup>42</sup> Pre-testing had revealed a need to reduce respondent burden in this area.

### ***Small sample size prevents robust cross-section analysis***

While the randomization method ensures that the way respondents were selected into different thematic areas would not introduce additional (selection) bias, it does have implications for the number of responses available per donor per question.<sup>43</sup> In some cases, small sample sizes limit our ability to draw strong conclusions from the data—or even conduct analysis—especially for donors less frequently chosen by respondents (e.g., MCC) and for certain cross-sections of the data (e.g., stratification by host country vs. donor staff, stratification by time period). With one exception (Figure 10), figures were included only if each donor or agency had a sample size of at least 10 for each of the donor practices evaluated.

### ***Elite surveys are good at providing information about opinions, perceptions, and firsthand experiences, but are less good at ascertaining certain types of “facts”***

Elite surveys are useful tools for measuring awareness of, attitudes towards, and self-reported observations and experiences with donor practices.<sup>44</sup> However, they are less useful tools for establishing incontrovertible facts about donor practices. Bearing this in mind, there are some important considerations for interpreting responses to the two survey questions that this paper explores: 1) perceptions of how often a particular donor engaged in a particular practice with implications for country ownership, and 2) perceptions of the utility of that practice.

With respect to the first survey question, it is theoretically possible to gather facts about how often donors did certain things by looking at their funding or program data. In fact, such data are available for some but not all of the practices addressed in the *2014 Reform Efforts Survey*. Fortunately, as illustrated in Annex II, these independently generated data sources portray a similar picture to the survey findings that relate to the relative frequency with which donors employed certain practices. This empirical pattern suggests that survey respondents’ perceptions do, in fact, broadly reflect real patterns of aid provision.<sup>45</sup>

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<sup>43</sup> To illustrate this point, if there were only 100 respondents answering the survey questions about a particular donor, each of these 100 individuals would be randomly assigned one of five thematic groups. This means that for each sub-question there would be only 20 responses on average. For 21 bilateral donors there were fewer than 100 responses, meaning fewer than 20 (on average) responses per sub-question. Most of these are relatively small donors, by volume of aid (Belgium, Brazil, Sweden, Denmark, Netherlands, Spain, Norway, Switzerland, Austria, India, Turkey, Taiwan, South Korea, South Africa, Finland, Qatar), but some are quite large (China, France, Japan).

<sup>44</sup> The fact that perceptions of donor practices do not always correspond to actual donor practices is to some extent mitigated by an important design feature of the *2014 Reform Efforts Survey*: participants in the survey were only given the opportunity to answer questions about the usage and utility of country ownership and capacity building practices among donors with whom they directly interacted between 2004 and 2013.

<sup>45</sup> While the survey data on frequency of use show similar patterns to the alternative data sources (i.e., there is broad consistency in the extent to which the US does more or less of a certain practice relative to other donors), the magnitude of differences between US and non-US donors is not completely identical. This should not be expected. Respondents were asked to identify a donor with which they worked closely and respond about that organization. They were not asked to assess the donor of interest relative to other donor organizations. While many respondents likely had experience or familiarity with other donors besides the one about which they were answering and could make a

The second survey question asks respondents to assess the utility of the various practices. For this question it is relevant to note that perceptions of utility may not necessarily correspond to actual outcomes or impact.<sup>46</sup>

***Current efforts are not reflected***

The survey collects information about the time period 2004-2013, but perceptions may have shifted in recent years.

***Only a sub-set of country ownership practices are covered***

The questions asked of survey respondents capture a number of possible donor country ownership practices but certainly do not cover the range of efforts that donors, in partnership with host countries, make or could make to advance these objectives. In particular, with respect to country ownership, the questions are largely centered around the donor-to-government relationship and do not address the way donors engage—or encourage partner country governments to engage—citizens and non-state actors (e.g., civil society, non-governmental organizations, the private sector) in priority-setting and the design, implementation, and monitoring and evaluation of foreign assistance programs.<sup>47</sup>

***US agency identification may be imprecise***

Host government respondents were asked to answer questions about their experience working with a particular development partner. US development partners listed included USAID, MCC, and the US Embassy. It is possible that respondents did not accurately distinguish among these. In particular, there may be a risk that a respondent categorized their experience with USAID and/or MCC as “US Embassy” since all American programs technically fall under the Embassy umbrella in-country (and are often co-located).

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mental comparison to inform how they categorized their perceptions about the donor of interest, it is likely that very few had experience with the universe of possible donors covered in the alternative datasets.

<sup>46</sup> As an illustration, an elite survey focused on MCC (Parks and Rice 2013) found that the majority of respondents familiar with threshold programs considered the programs successful, in contrast to the handful of independent evaluations which suggested far more mixed results (Thébault-Weiser and Chilumba, 2010; Nichols-Barrer et al., 2014; Hollyer and Wantchekon, 2011; Weiser and Balasundaram, 2010).

<sup>47</sup> The survey was designed to ask respondents about more general practices related to country ownership, including the extent to which donors: 1) involved governments and local communities in prioritizing what problems their resources should try to address, 2) solicited input from governments and local communities in the design of their programming, and 3) involved governments and local communities in the implementation of their programming. However, no respondents were presented with these questions due to, as noted in footnote 41, a technical misspecification in the administration of the survey.

## **Annex II: Comparison of Survey Findings with Other Sources**

The following examples suggest that data on the frequency of use of practices from the *2014 Reforms Efforts Survey* align reasonably well with other empirical data on donor practices. While no other study exists that covers this range of country ownership and capacity building practices, we were able to compare data for several practices from three sources: the 2014 Quality of Official Development Assistance (QuODA) index (Birdsall and Kharas, 2014), the 2011 Survey on Monitoring the Paris Declaration from the OECD (develop2012), and additional data from the OECD-DAC. The emergence of common patterns in US performance across data sources allows for reasonably strong confidence that the perceptions of use captured by the survey likely broadly reflect actual use.

### ***Ensuring Alignment***

Both the *2014 Reform Efforts Survey* and the Paris Survey rank the US relatively low among other donors on ensuring alignment; however, there is some apparent disconnect between the Paris survey's measure of the magnitude of aligned aid and perceptions of how frequently the US ensured alignment.

- *2014 Reform Efforts Survey*: 91 percent of respondents perceive that the US government “frequently” or “almost always” aligned with partner governments’ national development strategies. This placed the US third from last among twenty bilateral and multilateral donors.<sup>48</sup>
- *Paris survey*: 32 percent of US government aid flows are judged to be aligned on national priorities. This places the US government fourth from the bottom among the same twenty bilateral and multilateral donors.

### ***Technical Assistance***

The data from the *2014 Reform Efforts Survey* is broadly consistent with the findings from the OECD-DAC, which has data on the volume of technical assistance during the time period covered by the survey (2004-2013). Both sources show that the US relies equally or more heavily than other donors on its own or international (i.e., non-local) experts.

- *2014 Reform Efforts Survey*: 80 percent of respondents perceived that the US government used international experts for technical assistance “frequently” or “almost always,” placing the US seventh out of 14 bilateral donors.<sup>49</sup>

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<sup>48</sup> The donors are the African Development Bank, Asian Development Bank, Australia, Austria, Belgium, Canada, Denmark, European Union, France, Germany, Inter-American Development Bank, International Monetary Fund, Japan, Spain, Sweden, Switzerland, United Kingdom, United Nations, and United States. These donors were chosen because there is sufficient data from both surveys.

<sup>49</sup> The donors are Australia, Austria, Belgium, Canada, Denmark, the European Union (which is technically not bilateral, but is not one of the MDBs), France, Germany, Japan, Spain, Sweden, Switzerland, United Kingdom, and United States. These donors were chosen because there is sufficient data from both surveys. While “international” experts can include experts of any nationality other than that of the partner country, the presumption—backed up by the data from the OECD-DAC—is that for the US, international experts are largely American.

- *OECD-DAC*: Between 2004 and 2013, the US provided the third highest volume of technical assistance of any donor.<sup>50</sup> 68 percent of this technical assistance was dedicated to using US experts, placing the US tenth among the 14 donors referenced above, and twentieth among all 30 bilateral donors with data.

### ***Budget Support***

Though different sources use different measures (perceived frequency vs. proportion of aid), both reflect the same trend— that budget support is relatively infrequently used and that the US uses budget support less than non-US donors.

- *2014 Reform Efforts Survey*: 19 percent of respondents perceived the US government to use budget support “frequently” or “almost always.” This is the lowest of fourteen bilateral donors.<sup>51</sup>
- *OECD-DAC*: The US government gave only two percent of its aid as budget support between 2004 and 2013, which ranks it ninth among the fourteen donors referenced above and fourteenth out of all 30 bilateral donors with data.

### ***Country Systems***

Again, though different sources use different measures (perceived frequency vs. percentage of aid), the US government consistently ranks lower than most donors for using partner countries’ systems.

- *2014 Reform Efforts Survey*: Only 37 percent of respondents reported that the US government used country systems “frequently” or “almost always.” This ranks the US government the second lowest of twenty bilateral and multilateral donors.<sup>52</sup>
- *Paris survey*: In 2014, 13 percent of US aid used partner countries’ public financial management systems, placing the US third from last out of twenty donors. Eleven percent of US aid used partner countries’ procurement systems, ranking the US last among these same donors.

### ***Project Implementation Units (PIUs)***

Both sources rank the US near the middle of the pack on use of PIUs.

- *2014 Reform Efforts Survey*: 53 percent of respondents reported the US government using PIUs “frequently” or “almost always”, which places the US government eleventh of nineteen bilateral and multilateral donors.<sup>53</sup>
- *QuODA*: The US ranks tenth out of the same nineteen donors on avoidance of PIUs. Though the QuODA frames the question about PIUs in an opposite way from the survey (avoidance vs. use), the fact that the US is a middle performer on both reflects the same pattern.

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<sup>50</sup> The European Union and France were the only two to give more technical assistance.

<sup>51</sup> See above list of 14 donors.

<sup>52</sup> See above list of 20 donors.

<sup>53</sup> See above list of 20 donors, excluding the European Union.

## Annex III: Summary Tables

**Table 1: Summary Statistics of Perceived Frequency of Use (US Government)**

Practice	Perceived Frequency of Use of Practice				No. of Responses	Standard Deviation
	Never	Rarely	Frequently	Almost always		
Contract int'l TA	7%	13%	53%	27%	150	0.833
Contract local TA	11%	22%	45%	22%	149	0.921
Ensure alignment	2%	6%	41%	51%	83	0.712
Fund professional training	9%	9%	53%	29%	94	0.873
Pay for outputs/outcomes	41%	19%	19%	21%	72	1.190
Provide budget support	60%	21%	7%	12%	77	1.042
Require PIU	21%	26%	35%	18%	72	1.023
Share data/best practices	4%	19%	45%	32%	203	0.826
Support new gov't positions	33%	35%	29%	2%	82	0.856
Use country systems	37%	26%	23%	14%	74	1.067

**Table 2: Summary Statistics of Perceived Utility (US Government)**

Practice	Perceived Utility of Practice (0 means not useful at all; 5 means extremely useful)						No. of Responses	Standard Deviation
	0	1	2	3	4	5		
Contract int'l TA	1%	6%	10%	27%	24%	32%	137	1.240
Contract local TA	2%	3%	9%	31%	24%	32%	126	1.195
Ensure alignment	1%	5%	6%	22%	20%	47%	77	1.244
Fund professional training	2%	1%	9%	22%	34%	32%	86	1.145
Pay for outputs/outcomes	8%	5%	12%	12%	18%	45%	39	1.640
Provide budget support	15%	3%	6%	26%	21%	28%	28	1.730
Require PIU	2%	6%	20%	23%	22%	26%	56	1.352
Share data/best practices	2%	11%	11%	22%	29%	25%	193	1.359
Support new gov't positions	11%	15%	10%	31%	23%	10%	57	1.514
Use country systems	7%	10%	11%	26%	25%	22%	47	1.497

**Table 3: Summary Statistics of Perceived Frequency of Use (USAID)**

Practice	Perceived Frequency of Use of Practice				No. of Responses	Standard Deviation
	Never	Rarely	Frequently	Almost always		
Contract intl TA	7%	13%	50%	29%	89	0.850
Contract local TA	11%	25%	42%	22%	86	0.926
Ensure alignment	0%	20%	36%	44%	31	0.774
Fund professional training	5%	10%	50%	35%	52	0.790
Pay for outputs/outcomes	47%	6%	26%	21%	25	1.262
Provide budget support	56%	17%	8%	19%	36	1.193
Require PIU	16%	41%	29%	14%	24	0.938
Share data/best practices	5%	22%	41%	31%	99	0.871
Support new gov't positions	24%	35%	36%	5%	46	0.875
Use country systems	27%	31%	26%	16%	33	1.049

**Table 4: Summary Statistics of Perceived Utility (USAID)**

Practice	Perceived Utility of Practice (0 means not useful at all; 5 means extremely useful)						No. of Responses	Standard Deviation
	0	1	2	3	4	5		
Contract intl TA	1%	8%	8%	37%	22%	24%	80	1.249
Contract local TA	4%	3%	12%	40%	22%	19%	71	1.219
Ensure alignment	3%	13%	12%	16%	24%	32%	29	1.534
Fund professional training	0%	0%	16%	15%	44%	25%	50	1.013
Pay for outputs/outcomes	0%	5%	12%	26%	41%	15%	12	1.093
Provide budget support	0%	8%	4%	24%	34%	31%	14	1.195
Require PIU	0%	7%	28%	23%	26%	17%	18	1.236
Share data/best practices	2%	16%	13%	17%	31%	21%	94	1.436
Support new gov't positions	8%	21%	8%	41%	14%	8%	35	1.392
Use country systems	0%	20%	13%	24%	37%	6%	25	1.271

**Table 5: Summary Statistics of Perceived Frequency of Use (MCC)**

Practice	Perceived Frequency of Use of Practice				No. of Responses	Standard Deviation
	Never	Rarely	Frequently	Almost always		
Contract int'l TA	11%	21%	55%	12%	35	0.838
Contract local TA	18%	21%	48%	12%	37	0.936
Ensure alignment	0%	0%	31%	69%	27	0.471
Fund professional training	16%	9%	54%	22%	22	0.973
Pay for outputs/outcomes	27%	16%	26%	31%	24	1.211
Provide budget support	55%	29%	9%	7%	18	0.925
Require PIU	10%	21%	36%	33%	25	0.987
Share data/best practices	0%	8%	48%	44%	42	0.630
Support new gov't positions	56%	23%	21%	0%	17	0.829
Use country systems	39%	21%	26%	15%	18	1.131

**Table 6: Summary Statistics of Perceived Utility (MCC)**

Practice	Perceived Utility of Practice (0 means not useful at all; 5 means extremely useful)						No. of Responses	Standard Deviation
	0	1	2	3	4	5		
Contract int'l TA	0%	6%	14%	19%	23%	38%	42	1.089
Contract local TA	0%	3%	0%	24%	31%	41%	19	1.648
Ensure alignment	0%	0%	0%	15%	11%	74%	9	2.112
Fund professional training	9%	6%	0%	18%	20%	48%	30	0.978
Pay for outputs/outcomes	0%	0%	7%	9%	19%	65%	32	1.284
Provide budget support	10%	0%	0%	42%	0%	48%	7	1.679
Require PIU	6%	4%	9%	9%	28%	44%	11	1.573
Share data/best practices	0%	5%	7%	32%	33%	23%	26	0.751
Support new gov't positions	36%	10%	0%	6%	38%	11%	16	0.953
Use country systems	7%	0%	7%	34%	0%	51%	22	1.504



**Table 7: Number of Responses by Respondent Type**

Approach	US Government		USAID		MCC	
	Host Country	Donor	Host Country	Donor	Host Country	Donor
Contract intl TA	66	84	37	52	29	6
Contract local TA	64	85	34	52	30	7
Ensure alignment	31	52	9	22	18	9
Fund professional training	33	61	15	37	13	9
Pay for outputs/outcomes	28	44	7	18	16	8
Provide budget support	21	56	11	25	9	9
Require PIU	29	43	7	17	17	8
Share data/best practices	80	123	36	63	32	10
Support new gov't positions	29	53	14	32	10	7
Use country systems	23	51	12	21	10	8

## **Annex IV: Survey Weights**

In our analysis, the data was weighted using non-response weights provided by AidData (unless otherwise stated). AidData constructed non-response weights by taking the inverse of the predicted response rate, calculated using a multivariate logistic regression. The set of variables used in regression were sex, institutional type, country, and stakeholder group (the four variables available for all members of the global sampling frame).<sup>54</sup> This model was used to compute the predicted rate of response for each member of the sampling frame, allowing AidData to calculate non-response weights by taking the inverse. To eliminate extreme weights, all weights above 2.5 were eliminated and replaced with 2.5. This only affected 66 of the 6,731 respondents.

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<sup>54</sup> All the included variables were statistically significant ( $p < 0.05$ ). AidData excluded from the model variables that were statistically insignificant ( $p > 0.30$ ).