

METRICS MATTER II

USAID's measurement approach is undermining progress on localization

June 2024

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ACKNOWLEDGEMENTS

This report was researched and written by Henry Lewis, Gary Forster and Sally Paxton with research support provided by Alex Tilley and Elma Jenkins.

We would like to thank the following organizations that funded and supported this research:

CARE
Catholic Relief Services
FHI360
Global Communities
Modernizing Foreign Assistance Network (MFAN)
Oxfam America
Save the Children US

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Introduction

On November 4, 2021, the US Agency for International Development (USAID) Administrator Samantha Power set out her vision to make aid more accessible, equitable, and responsive. A key part of this vision is the commitment to the “localization” agenda: by 2025, 25% of USAID’s direct funding will go to local partners and by 2030, 50% of programming will be led by local actors, including communities themselves.

At the outset, it is important to acknowledge USAID’s leadership on locally led development. It is currently the only major bilateral aid agency which has set a localization target, provided a methodology, published progress reports, and made the underlying data publicly accessible for independent verification. Further, regardless of measurement approaches, progress will be slow, given legacy grants and contracts as well as the time it takes for USAID to make organizational changes. Stakeholders need to be encouraged to stay the course, continue to monitor USAID’s performance, and ensure a suitable measurement approach is implemented as soon as possible.

As set forth in USAID’s Localization Vision, USAID aims to expand the diversity of local actors and elevate the voices of underrepresented populations.¹ Administrator Power has explicitly expressed using this localization effort “to interrogate the traditional power dynamics of donor-driven development and look for ways to amplify the local voices of those who too often have been left out of the conversation”.² These ambitions are supported by the agency’s new Acquisition and Assistance Strategy (A&A Strategy), a document which the agency describes as “a guide to forming new partnerships” to “lower barriers for organizations and institutions of all types to join our mission”.³ Objective 3 of the new A&A strategy is “a more diverse set of partners engaged to implement locally led development solutions”. Additionally, USAID seeks to strengthen local partners’ capacity and has recently released an update of its Local Capacity Strengthening (LCS) policy.⁴

It is in this spirit that we have produced this second edition of our Metrics Matter series,⁵ Metrics Matter II, both to evaluate USAID’s progress in directly funding local organizations and to revisit the suitability of USAID’s measurement approach to achieve the organization’s stated goals. While the 25% direct funding target is only one aspect of USAID’s broader localization effort, we agree with the sentiment in USAID’s FY2022 Localization Progress Report when it said that “[c]ontrol of resources is a key component of ownership, and spending patterns are an important demonstration of an agency’s priorities”.

There is a plethora of definitions of what constitutes local, including many definitions that the US government (including USAID) uses. For the purposes of Metrics Matter II, we have compared the definition USAID used to measure progress in its FY2022 Localization Progress Report with the Inter-Agency Standing Committee (IASC) definition.⁶

1 https://www.usaid.gov/sites/default/files/2022-12/USAIDs_Localization_Vision-508.pdf

2 <https://www.usaid.gov/sites/default/files/2023-06/Localization%20Progress%20Report%20Summary%20.pdf>

USAID produced its first progress report on June 12, 2023, using FY2022 obligations and internal data.

Publish What You Fund has used USAID’s IATI data, a publicly available data set. USAID’s second progress report is due soon.

3 <https://www.usaid.gov/sites/default/files/2023-03/USAID-AA-Strategy-Report.pdf>

4 <https://www.usaid.gov/sites/default/files/2024-05/LCS-Implementation-Update-2024-1B-FINAL-with-508.pdf>

5 For more information about our work and a copy of Metrics Matter I report, see <https://www.publishwhatyoufund.org/projects/localization>

6 The IASC definition of “Local and national non-state actors” are “Organizations engaged in relief that are headquartered and operating in their own aid recipient country and which are not affiliated to an international NGO”. Note: “A local actor is not considered to be affiliated merely because it is part of a network, confederation or alliance wherein it maintains independent fundraising and governance systems”.

Table 1. Characteristics included in the USAID and Publish What You Fund approaches to identifying local organizations

USAID numerator	IASC numerator (used by Publish What You Fund)
<p>Organizations are identified as “local” when:</p> <ul style="list-style-type: none"> • Headquartered and incorporated in the recipient country • Either managed and governed by nationals of the recipient country or by non-nationals • Working sub-nationally, nationally, regionally, or internationally 	<p>Organizations are identified as “local” when:</p> <ul style="list-style-type: none"> • Headquartered and operating in the recipient country • Working sub-nationally, nationally, regionally, or internationally • Not affiliated to an international NGO or international private sector organizations • Independent governance and fundraising systems

Ultimately, the definition and the approach to tracking direct funding need to support USAID's overall vision, including its goal to diversify its in-country partner base and to lift-up under-represented voices. Our analysis provides two main takeaways: Regardless of which approach one considers, USAID is a long way from channeling 25% of its funding directly to local organizations. Just as importantly, how USAID defines and measures its 25% goal is working against its own progress. It is allowing perverse incentives – such as affiliates of international organizations to be counted as local – and leaving significant funding opportunities – such as projectized funding that currently goes to UN agencies and multilaterals – untapped for local partners. These two issues are discussed in greater detail in the Results section.

Methodology

The purpose of this study is to review current USAID direct funding to local organizations and compare it against an independent, replicable measurement approach. In Metrics Matter I, Publish What You Fund developed an independent methodology to measure progress towards USAID's 25% direct funding metric.

Metrics Matter II modified the methodology slightly to:⁷

- Analyze USAID's direct funding to local organizations in 10 countries⁸ (the numerator) using International Aid Transparency Initiative (IATI) data for expenditures for FY2023.
- Apply both the IASC definition of "local" and the USAID definition of "local" to produce comparable datasets.
- Analyze the direct funding percentage, comparing the more limited financial flows that USAID used in its measurement approach against the flows which we believe are suitable for localization (the denominator).

For our analysis, as a starting point, we have used USAID's IATI data, a publicly available data set. In its 2022 progress report, USAID used internal data which is not available to outside stakeholders, thus not allowing independent replication and verification. USAID is expected again to use internal data for its 2023 progress report.

Publish What You Fund's analysis entailed the use of additional desk research to determine whether an organization meets the IASC definition of local. In doing so, we are cognizant that there is no perfect interpretation of any local definition, but we are guided by the overall goal of keeping the vision of locally led development consistent with the interpretation; important factors include the overall ability of an organization to govern itself, to make its own decisions, to be financially independent, to be based in the country where it works, and to be accountable to communities being served. While there will always be decisions on the margins, it is important that the application of the definition not enable perverse incentives because of a definition of local that is too broad.

The denominator – the question of 25% of what – also has a significant effect on measuring direct funding. USAID elected to use a smaller overall funding pie which includes only funds being channeled to NGOs, the private sector, or academic institutions. Publish What You Fund used total project flows to countries, following the principle that all these flows could potentially be delivered by local organizations, including project funds for UN agencies and other multilaterals. UN projectized money represents resources outside of those that are used to run UN organizations and are made available to meet specific needs such as emergencies and/or to provide food and health services. We believe that these funding opportunities – which represent significant funding – should be open to local organizations to compete.

⁷ A note on comparability between Metrics Matter I and Metrics Matter II: For Metrics Matter I, we compared USAID's definition of local with a variety of bespoke definitions which reflected the priorities of stakeholders at the time. For Metrics Matter II we have compared USAID's definition of local with the Inter-Agency Standing Committee (IASC/Grand Bargain) definition of local as it best reflects USAID's vision to diversify its partner base, it has been independently developed by the Grand Bargain community, and it has been adopted by USAID for Grand Bargain purposes. The funding differences between the IASC definition and our previous definition are marginal.

⁸ We analyzed the same ten countries in both Metrics Matter reports: Kenya, Ethiopia, Zambia, Liberia, Bangladesh, Nepal, Haiti, Guatemala, Moldova, and Jordan.

Table 2. Funding streams included in the Publish What You Fund and USAID denominators for US fiscal year 2023

Aid type		Receiver type	Total	Included in PWYF denominator	Included in USAID denominator
A02	Sector budget support	Public Sector	\$897,138,663		
A02	Sector budget support	Unknown	\$14,600,000		
B021	Core contributions to multilateral institutions	UN agency	\$2,659,130		
C01	Project-type interventions	Academia	\$77,186,698	✓	✓
C01	Project-type interventions	Global program	\$76,588,316	✓	
C01	Project-type interventions	Multilateral	\$113,661,913	✓	
C01	Project-type interventions	NGO	\$1,603,045,759	✓	✓
C01	Project-type interventions	Private	\$729,708,368	✓	✓
C01	Project-type interventions	Public Sector	\$21,986,748		
C01	Project-type interventions	Redacted	\$121,541,775	✓	
C01	Project-type interventions	UN agency	\$1,506,718,051	✓	
C01	Project-type interventions	Unknown	\$6,832,144	✓	
D01	Donor country personnel		\$16,885,624		
D02	Other technical assistance		\$27,118,823		
G01	Administrative costs not included elsewhere		\$252,638,784		
TOTAL			\$5,468,310,796	\$4,235,283,024	\$2,409,940,825

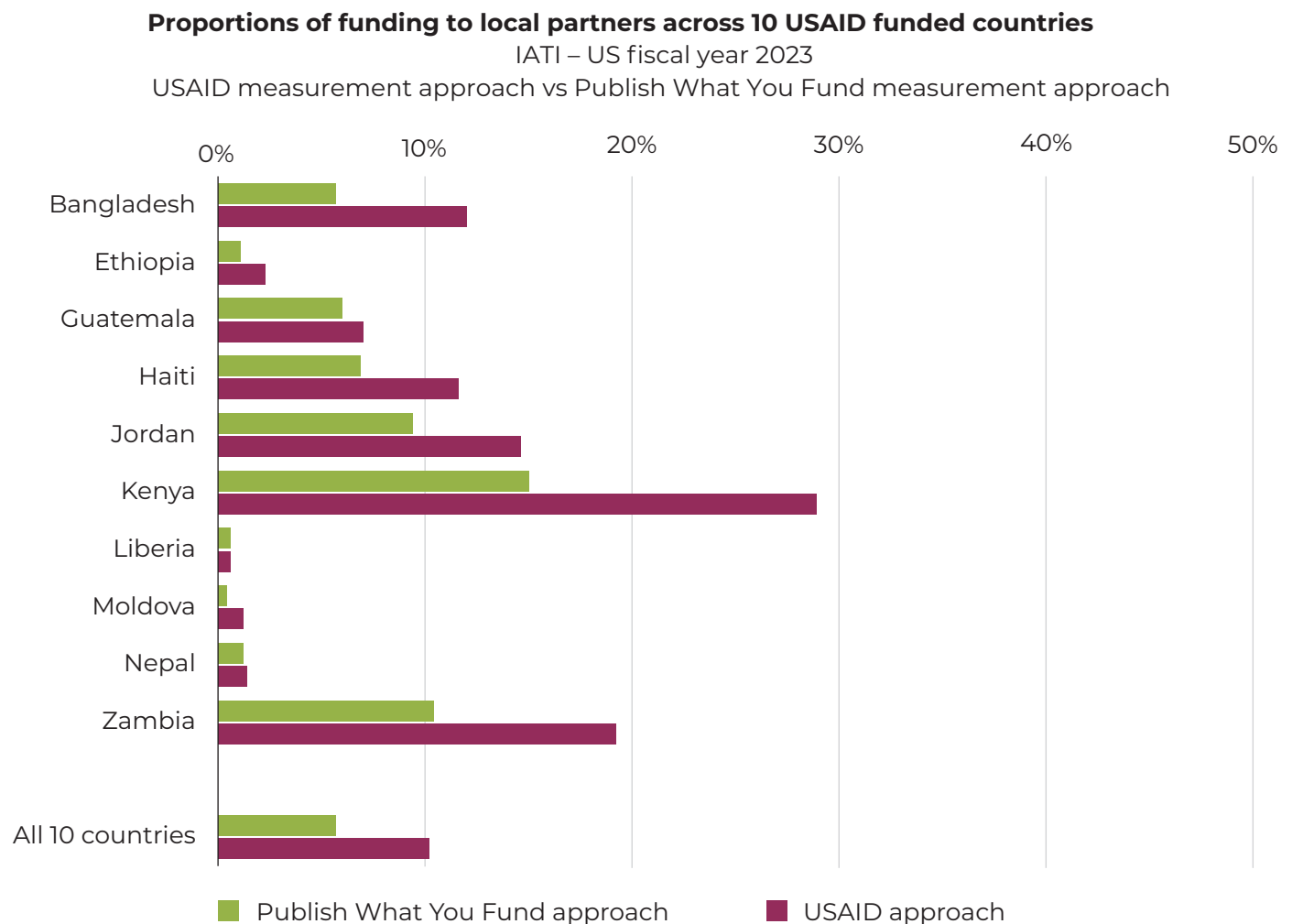
For more about our methodology, read [here](#).

Results

USAID's measurement approach continues to have profound implications on its performance against its stated goal. Metrics Matter II examined the same ten countries as Metrics Matter I, cross referenced our analysis with USAID's actual classifications of organizations in its FY2022 report as part of our data quality checks, and found the following for FY2023:⁹

- Applying USAID's measurement approach, 10.3% of funding goes directly to local organizations.
- Applying Publish What You Fund's measurement approach, 5.2% of funding goes directly to local organizations.

Graph 1. Results comparing Publish What You Fund's measurement approach to identifying local organizations with USAID's approach



⁹ Metrics Matter II focuses on USAID disbursements in FY 2023, but we have also included data spanning five years, from US FY2019 to FY2023. See our full dataset: <https://www.publishwhatyoufund.org/download/publish-what-you-fund-and-usaid-localization-data-2019-2023/?tmstv=1717424983>

Using Publish What You Fund's measurement approach at the individual country level, the proportion of USAID project funding which directly funds local organizations was highest in Kenya. There, 15.0% of USAID funds went to local organizations, with most of the local funding going to local NGOs. Zambia was second with 10.4%. The other eight countries all had local funding proportions below 10%. In Jordan, 9.4% of funds went directly to local organizations, followed by Haiti at 6.9%, Guatemala at 6.0%, and Bangladesh at 5.7%. Nepal and Ethiopia both had less than 2% with 1.2% and 1.1% respectively. Liberia and Moldova have the lowest local direct funding proportion with just 0.6% (Liberia) and 0.4% (Moldova).

Information about the amount of funding going directly to local organizations in specific countries is helpful to highlight what is possible, what the barriers and opportunities are in a specific context, and to increase sharing and learning between missions. USAID originally committed to releasing the individual mission targets for the 25% metric but has not yet done so.

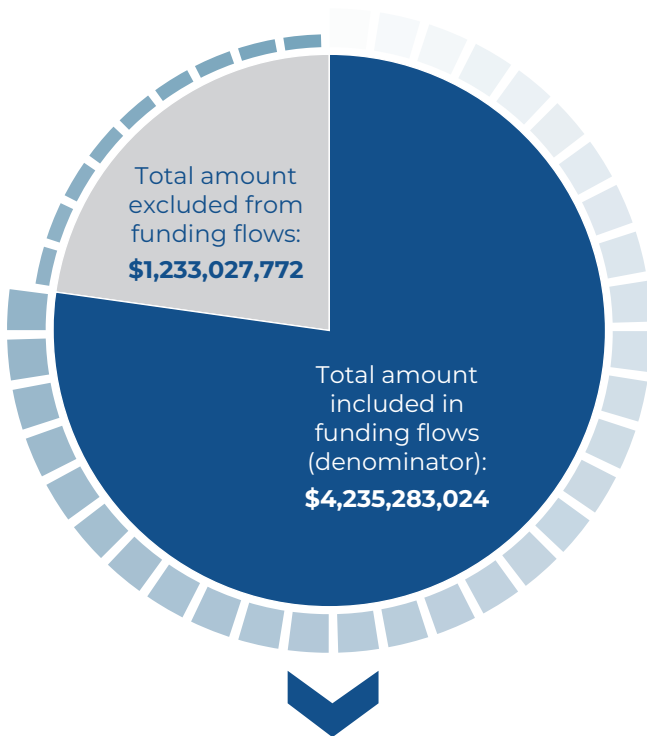
In addition to funding percentages, we also analyzed the funding amounts that result from the measurement approaches of USAID and Publish What You Fund **for our ten countries:**

1. For the numerator, USAID's definition of local counts \$26m more than the IASC definition would allow. This is a 12% inflation of total funding to local organizations, and correlates to organizations which are affiliated with regional or international NGOs or companies (such as Population Services Kenya and Right to Care Zambia).
2. A far bigger consequence to increasing direct funding to local organizations is the difference between what USAID and Publish What You Fund include in the denominator. USAID's denominator reduces the envelope of funding considered for the 25% target from \$4.2bn to \$2.4bn (table 2 in the Methodology section). A significant part of this envelope – 35.6% – is funding to UN agencies for project payments, which translates into \$1.5bn (mostly in Kenya, Jordan, Haiti, Guatemala, Ethiopia, and Bangladesh).
3. Taken together, the contrast between measurement approaches is stark. When using the USAID definition and denominator, the proportion of funds going to local organizations is 10.3%, or \$247m out of a total funding envelope of \$2.4bn. When using the IASC definition of local and Publish What You Fund's denominator, the proportion of funds going to local organizations is 5.2%, or \$221m out of a \$4.2bn envelope.
4. These differences are not just percentage differences in direct funding but have very real implications for money that could directly fund local organizations. For USAID to achieve their 25% goal using its current measurement approach, it would need to direct an extra \$355m each year to local organizations just in our ten focus countries. Using the IASC definition and Publish What You Fund's denominator, USAID would need to directly fund an extra \$840m to local organizations in the ten countries we assessed.
5. For the ten focus countries neither measurement approach indicates that progress has been made in direct funding to local organizations. Instead, the data suggests the opposite, with the average percentage dropping from 7.6% in 2019 to 5.2% in 2023 using Publish What You Fund's measurement approach and from 12.3% in 2019 to 10.3% in 2023 using USAID's measurement approach. Graph 3 shows the percentages of funding channeled to local organizations according to the IASC definition and Publish What You Fund's denominator.

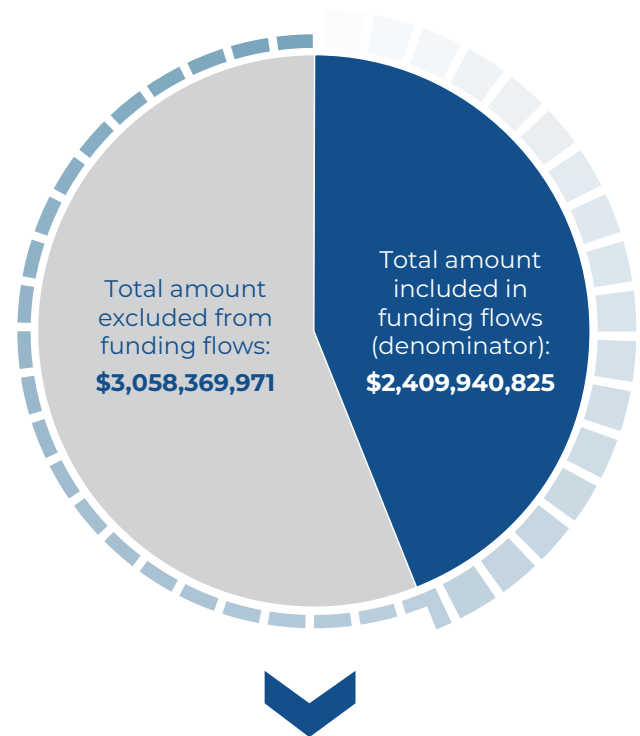
Graph 2. Comparison of USAID and Publish What You Fund denominators

Measurement Approach for 10 countries: IATI – US fiscal year 2023

Publish What You Fund



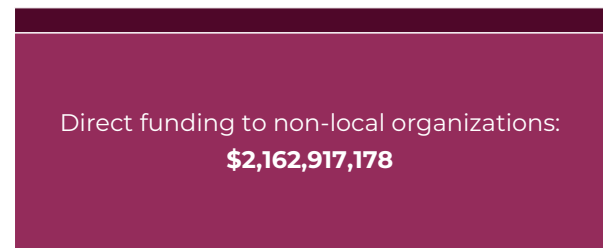
USAID



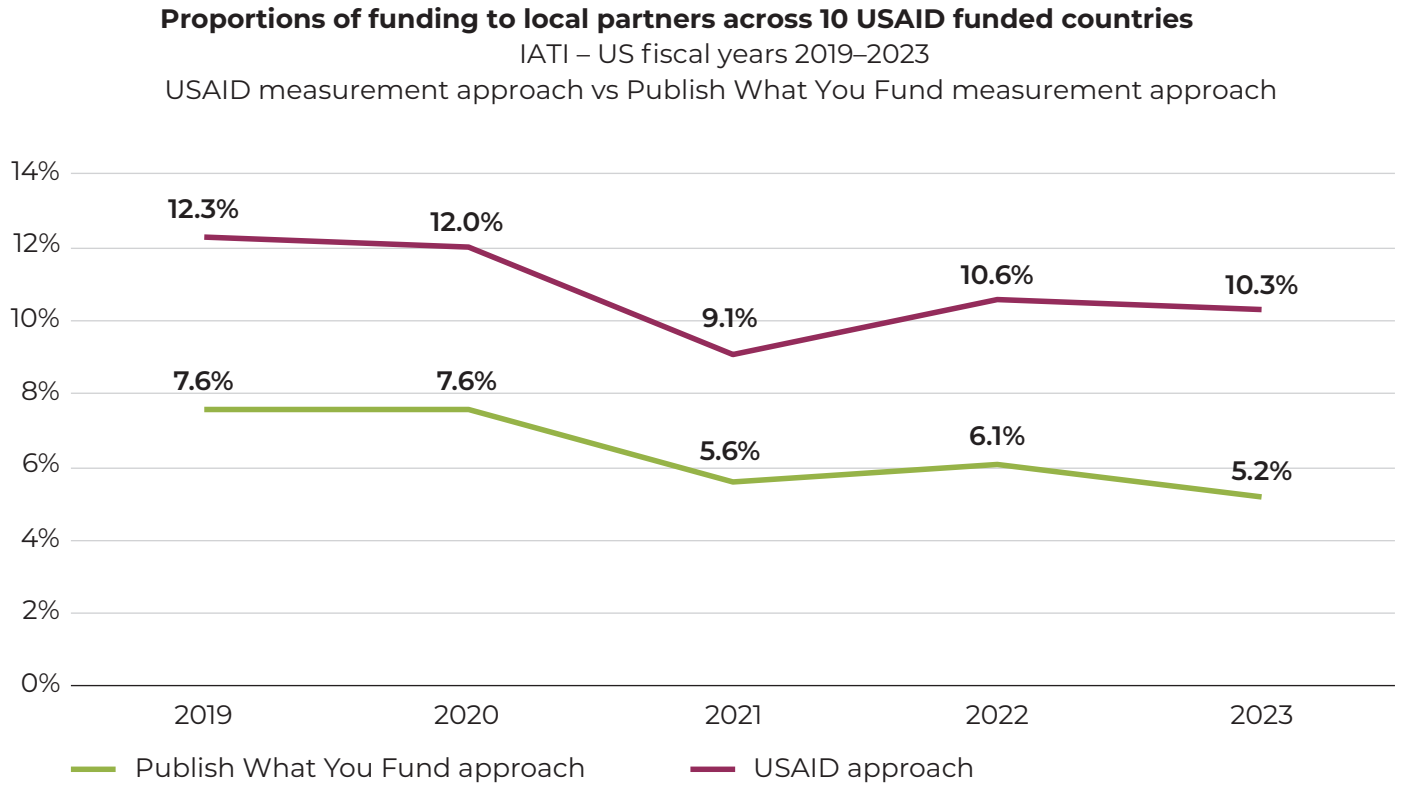
Direct funding to local organizations (numerator):
\$220,796,574



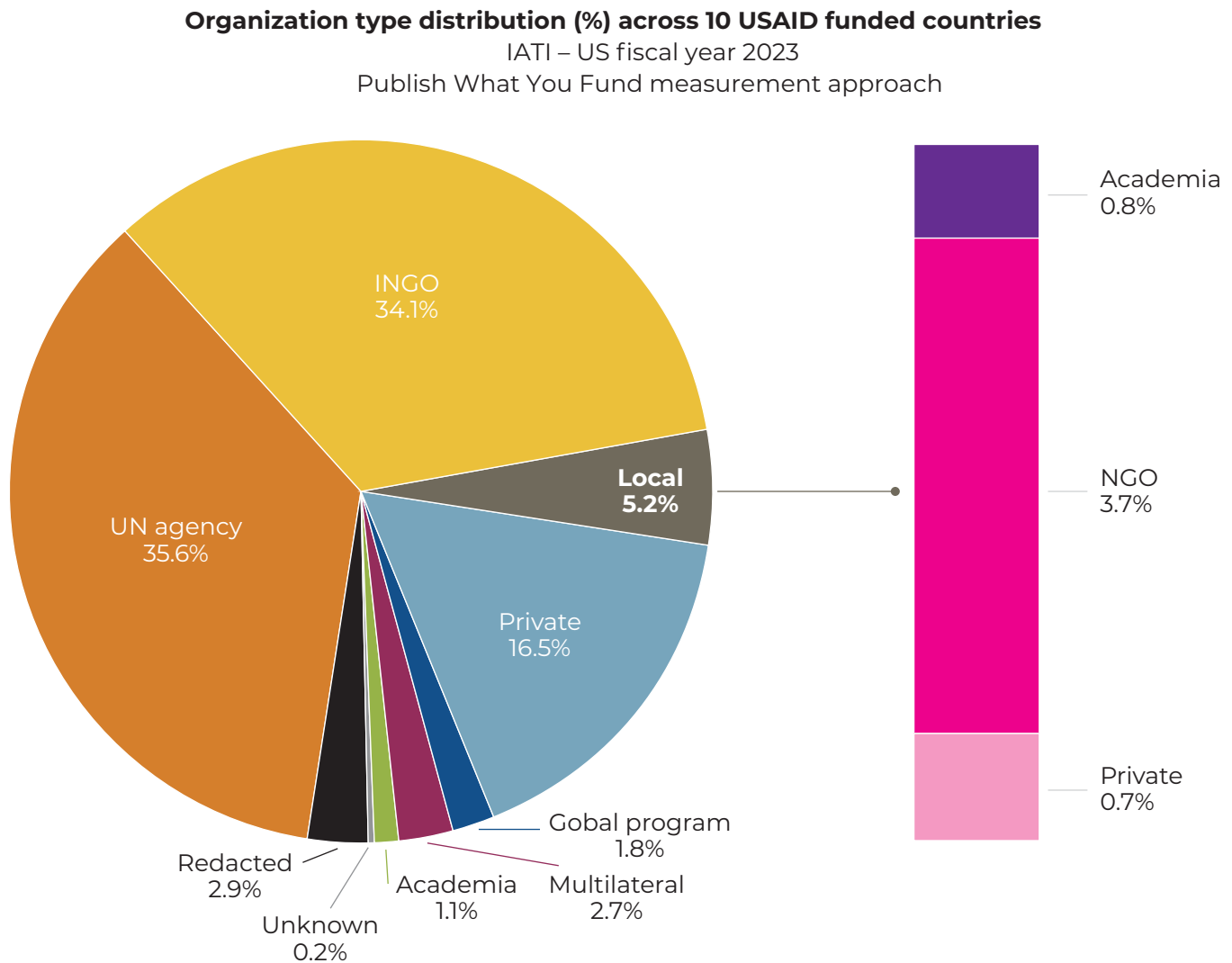
Direct funding to local organizations (numerator):
\$247,023,647



Graph 3. Comparison of average proportion of funding directed to local organizations using Publish What You Fund's and USAID's measurement approaches.



Graph 4. Entity recipient types across the 10 countries for non-local and local funding



Recommendations

We acknowledge and congratulate USAID's bold step to set a target for localization, to develop a measurement method, to monitor progress, and to provide access to the underlying data for FY2022 to allow that progress to be independently verified. USAID's efforts and leadership should be acknowledged.

We recommend that USAID takes the following action to improve its data and move us closer to credible, transparent reporting that will not create perverse incentives.

1. USAID's definition of local needs to be tighter:

- a. USAID set 2025 as the target year for achieving the 25% goal. USAID should reassess its measurement approach to ensure that its direct funding to local organizations is in line with both its vision and with incentives. This includes removing local affiliates of international organizations, tightening the definition to be more in line with the IASC, and providing more guidance on what independent fundraising and governance mean.

2. USAID's denominator:

- a. USAID's FY2022 Progress Report explained what funding flows were included in the denominator but did not detail excluded financial flows, which represent significant funding opportunities. USAID should examine these additional opportunities for direct funding, including developing a strategy for how to open UN projectized funding to local organizations. This should be a priority for USAID.

3. USAID's data:

- a. USAID's reporting on funds to local actors should include both disbursements and obligations, as disbursements reflect actual funding. This information is available in USAID's IATI data.
- b. To the extent undertaken in its progress reports, USAID should provide a methodology and explanation for its manual check of the data. This should improve data quality and allow stakeholders to understand when organizations which meet USAID's definition have been reclassified as local/non-local and why.
- c. USAID had committed to publishing the individual direct funding targets for USAID's missions, understanding that local context will vary across missions. USAID should release such information, which may help local actors understand the goals and opportunities within their countries.
- d. USAID should ensure as many entities as possible are identified in the data set by providing names for all entries and eliminating the practice of using "miscellaneous foreign awardees", "recipient not reported" or "undisclosed." An explanation should be provided for any entity whose name is not published. In the FY2022 Report, more than \$100m was categorized in this manner.