

METRICS MATTER

How USAID counts “local” will have a big impact on funding for local partners

March 2023

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INTRODUCTION

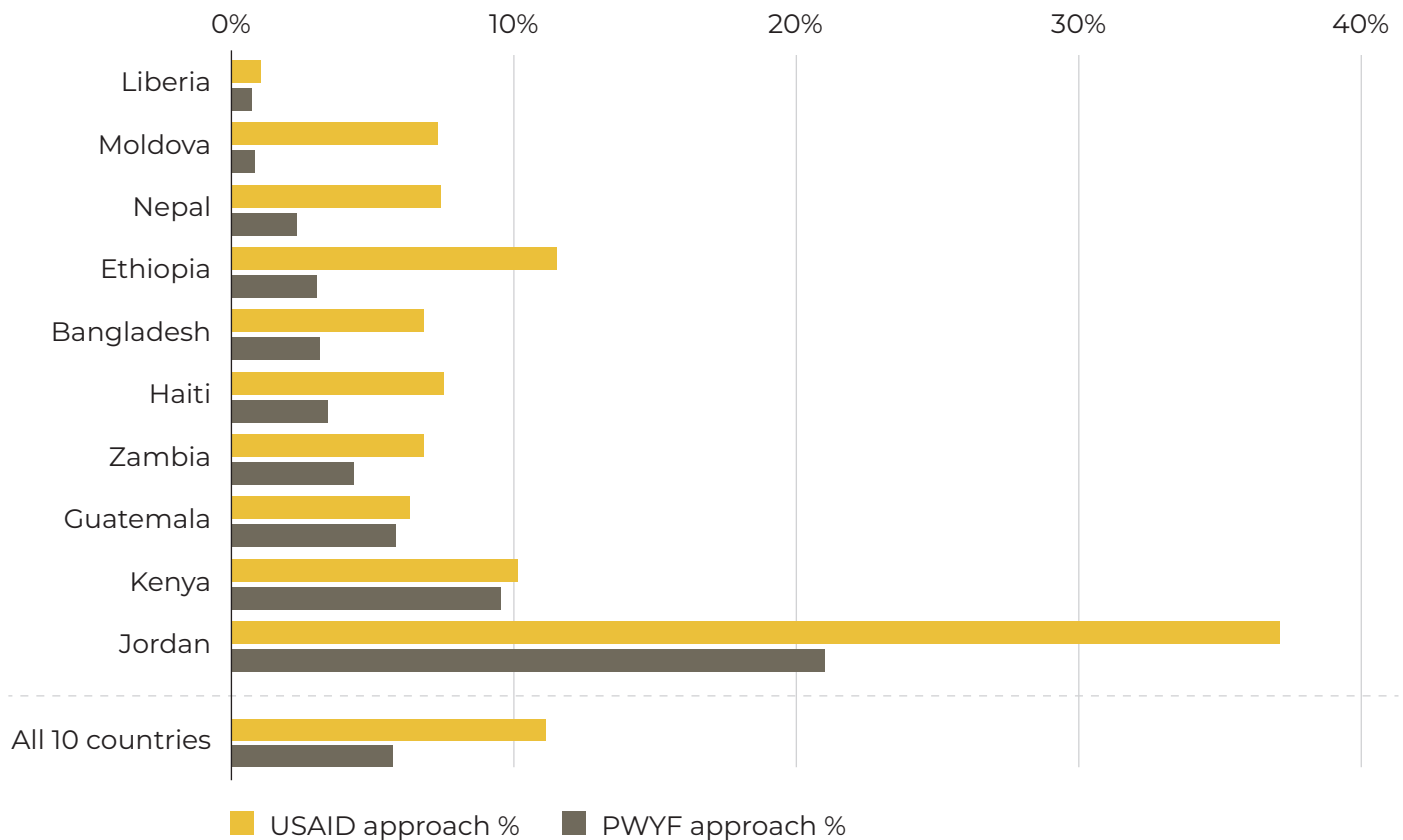
On November 4, 2021, the United States Agency for International Development (USAID) Administrator Samantha Power set out her vision to make aid more accessible, equitable, and responsive, including a key metric that 25% of USAID's funding will go to local partners by 2025.¹ Shifting to local ownership would start to change the landscape of USAID aid implementation, which has long been dominated by large U.S. consulting firms, intergovernmental organizations, and international NGOs. Local ownership is widely seen as a more sustainable and efficient way to deliver aid that utilizes local knowledge and helps to strengthen local capacity.

With other development partners,² Publish What You Fund has undertaken detailed research into the 25% local partner funding goal to establish an independent, credible, and replicable baseline to measure and track funding for local partners.³ Using a sample of ten countries where USAID works, Publish What You Fund calculated the current proportion of USAID funds received by local organizations. We compared two separate approaches – USAID's announced measurement approach that looks at a narrow set of funding and uses simple criteria to identify local organizations, and our own approach that includes more project funding and uses detailed criteria to identify local organizations.

The outcome of our analysis illustrates how differences in measurement approaches change the funding amounts USAID will need to provide local organizations to reach the 25% target.

Proportion of funding to local partners across 10 USAID funded countries

Disbursements recorded in US fiscal years 2019 to 2021



¹ USAID has stated that the 25% is a global goal. Eventually, it intends to set percentage goals for each mission and those targets and existing funding levels should likewise be publicly available.

² List of supporters group: Save the Children US, Care USA, Catholic Relief Services, FHI 360, Oxfam America, Global Communities, NKO Strategies, MFAN.

³ For more detail on the methodology, the country selection process, and definitions of numerators and denominators, see our full research paper here: <https://bit.ly/metricmatterreport>

RESULTS

Using the ten sample countries and applying both USAID’s and Publish What You Fund’s measurement approaches, USAID’s approach nearly doubles the percentage counted as going to local organizations:

- USAID’s local funding proportion is 11.1%
- Publish What You Fund’s local funding proportion is 5.7%

ANALYSIS

USAID’s approach to measurement results in a higher percentage of funding counted as “local.” This has two primary impacts: (1) the baseline will not align with USAID’s own definition and all future measurements will likewise be flawed, overestimating the actual funding being provided to local partners; and (2) because of this overestimation, USAID will not be sufficiently incentivized to undertake the reforms needed to significantly expand its work with truly local organizations. For example, if Locally Established Partners of U.S. consultancies and INGOs are allowed to count as local, this could create perverse incentives for U.S. organizations to set up local offices and pass these off as “local”.

LOCAL FUNDING AMOUNTS

The different measurement approaches have an impact on the dollar amounts of funding that will need to go to local organizations to meet the 25% target:

- Under USAID’s approach, an estimated \$612m went to local partners for FY19-21. To reach 25%, USAID would have needed to channel an additional \$769m to local organizations.
- Using Publish What You Fund’s approach, an estimated \$445m went to local partners. To reach 25% USAID would have needed to channel an additional \$1.50bn to local organizations.

Publish What You Fund estimates that when the funding differences are scaled-up to all of the countries where USAID operates, USAID’s measurement approach would under fund local partners by *\$1.43bn per year*.⁴ USAID has argued that it is constrained by burden reduction mandates that prevent it from taking a more nuanced approach to the 25% measurement.

MEASUREMENT APPROACHES

- We have used USAID’s International Aid Transparency Initiative (IATI) data as the starting point and then applied a series of secondary characteristics of implementing partners. This is publicly available data that will allow for independent replication. USAID is using internal data sources (SAM and GLAAS) that are not available to the public.
- Setting a replicable, accurate baseline at the outset is critical to track progress against the 25% goal. If the baseline is flawed or inflated, subsequent tracking will be problematic.
- To be considered “local” based on Publish What You Fund’s approach, an organization must be governed and staffed by local people and must not be a subsidiary of an international organization or brand.⁵ This aligns with USAID’s *definition* contained in ADS 303. However, USAID’s approach to *measuring* what is local misses these key characteristics.
- We calculate the local share as a proportion of all funding that has the potential to go to local organizations such as projects delivered by UN agencies and other multilaterals. USAID’s approach takes this funding out of the equation.

⁴ We based this estimate on a simple extrapolation, scaling up the shortfall proportional to the share of USAID’s annual expenditure in the ten case study countries.

⁵ We based our approach on an aggregate of definitions put forth by a range of credible stakeholders, including IASC, NEAR, and USAID’s own ADS 303 definition.

- USAID's approach looks at three data points to identify local organizations – place of incorporation, physical address, and place of contract activity – and calculates the percentage based on a smaller subset of project funding.
- The funding we analyzed includes US foreign assistance (including President's Emergency Plan for AIDS Relief funding) and humanitarian assistance. Government-to-government (G2G) funding is not included but is separately analyzed in our full research paper.⁶

Publish What You Fund approach:

Detailed local criteria
All project funding (excl. G2G)

USAID approach:

Simple local criteria
Project funding to NGOs, academia and private sector only

DASHBOARD

Publish What You Fund has created a dashboard⁷ which allows users to pick their own local characteristics, individual countries out of the 10 sampled, commitments or disbursements, and to visualize the different outcomes between USAID's and Publish What You Fund's approaches.

USAID local partner funding dashboard
How much does USAID channel to local organisations across 10 countries

On November 4th 2021 USAID's Administrator Samantha Power set out her vision to make aid more accessible, equitable and responsive. A key part of this vision was an ambitious commitment to the "localization" agenda: by 2025, 25% of USAID's funding will go to local partners.

Publish What You Fund has analyzed data from USAID receiver organizations in 10 countries across the years 2019-2021 in order to establish a baseline for this target. The analysis also takes into consideration what USAID funding the target is focussed on as well as the various approaches used by USAID and others to define a local organization.
 Publish What You Fund's full report can be accessed here: <https://www.publishwhatyoufund.org/download/metrics-matter/>

STEP ONE:
Use the drop-down filters on the right to filter across countries, transaction types, years and denominator.
Note: these filters apply to the whole dashboard

Recipient Country
All

Transaction Type
3 - Disbursement

Years filter
 US FY 2019-21
 Calendar 2019-21

What is being targetted (the denominator)
 All
 USAID denominator
 PWYF denominator

STEP TWO:
Compare the definitions of local. One key difference is the way in which local organizations are defined and identified (the numerator in the 25% calculation). While USAID has a detailed definition of local organizations, the approach to measuring local partner funding is varied.

USAID broader approach	Alternative detailed approach
Organizations are identified as "local" when: <ul style="list-style-type: none"> • Headquartered in the recipient country • Including subsidiaries/branches of international and regional 	Organizations are identified as "local" when: <ul style="list-style-type: none"> • Headquartered in the recipient country • Excluding subsidiaries/branches of international and regional

STEP THREE:
Create your own definition of a local entity using the entity characteristics below to filter the data and compare to the pre-defined local definitions.

Receiver entity's principal place of business/location of HQ
 All

Receiver entity HQ locations

United States	Italy
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RECOMMENDATIONS

Publish What You Fund suggests the following to improve tracking of funding:⁸

- USAID should reconsider its measurement approach and create a credible, replicable process that aligns with its definition of local funding and eliminates adverse incentives.
- USAID definitions and measurement approaches should be made fully transparent and should use publicly available data, such as IATI data, for independent verification.
- USAID should publish individual country targets and progress towards those targets when these are established.

⁶ See: <https://bit.ly/metricsmatterreport> for government-to-government funding analysis.

⁷ Link to the dashboard: <https://bit.ly/metricsmatterdashboard>

⁸ For more detail on the recommendations, see: <https://bit.ly/metricsmatterreport>