

# METRICS MATTER

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

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# Executive summary

## INTRODUCTION

On November 4, 2021, USAID's 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 funding will go to local partners and by 2030, 50% of programming will be led by local communities.

Large US consultancy firms, intergovernmental organizations, and international NGOs have dominated US aid implementation for the past few decades. Implementation by local organizations is mainly as minority partners of these much larger organizations or as direct recipients of very small proportions of overall spend. Shifting to greater local ownership of aid projects has been an important element of the aid effectiveness agenda for several decades.

Responding to these announcements, Publish What You Fund has carried out detailed research into the 25% local partner funding goal. From this research, we have calculated an independent baseline of the current proportion of USAID funds received by local organizations in 10 selected countries. While calculating this baseline, we developed what we see as a more detailed approach to measuring progress towards the 25% target. We have compared this with the approach that USAID is currently using to illustrate the significant difference that the choice of measurement approach will have on outcomes.

## RESULTS

Using our more detailed approach to measuring progress, the amount of funding going to local organizations across the 10 countries was 5.7% of the total (\$445m). This is \$1.50bn short of what would have been needed to reach a local funding level of 25%.<sup>1</sup>

Using USAID's measurement approach, the local funding proportion is 11.1% (\$612m). To reach 25% funding to local partners using the parameters of this approach, USAID would have needed to channel \$1.38bn through local organizations.<sup>2</sup> In this case, that means a shortfall of \$769m.

- Compared to our measurement approach, this is \$732m less that USAID would have needed to channel through local partners to reach 25% local funding over the three years we assessed.
- This is equivalent to \$244m per year less funding to local organizations for the 10 countries we looked at. Scaled up to the 100 countries where USAID operates, this would equate to approximately \$1.43bn per year.<sup>3</sup>
- USAID should measure progress towards its target in a way that is both rigorous and fair to local organizations, and should seek to maximize the promise of the ambitious goal it set for itself.

At the individual country level, the proportion of project funding channeled through local organizations was highest in Jordan. There, 21.0% of USAID funds went to local organizations (using Publish What You Fund's measurement approach). The majority of locally channeled funding in Jordan goes to local private companies. The other nine countries all had local funding proportions below 10%. In Guatemala 9.5% of funds were channeled to local organizations. This was followed by Moldova at 5.8% and Ethiopia at 4.3%. Liberia and Bangladesh have the lowest local funding proportion with just 0.8% (Bangladesh) and 0.7% (Liberia) of project funding going to local organizations.

<sup>1</sup> Total project funding to the 10 countries over the three years we reviewed was \$7.78bn. A quarter of this is \$1.95bn, so with total funding to local partners of \$445m, another \$1.50bn would be needed to reach 25%.

<sup>2</sup> The total denominator in this case was \$5.52bn. A quarter of this is \$1.38bn.

<sup>3</sup> 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.

## RESEARCH APPROACH

We used spending data published by USAID in the International Aid Transparency Initiative (IATI) Standard for the analysis. This data includes the names of the organizations receiving funding from USAID, and we carried out secondary research on these to identify key characteristics. Using this data, we were able to identify local and non-local partner organizations and quantify financial flows to these. We looked at spending data for three years, from 2019 to 2021 (US fiscal years).

To calculate the amount of funding going to local organizations as a percentage of total funding requires an approach to determining what to include as local (the numerator) and what that funding is a proportion of (the denominator). We developed an approach to each of these elements that differs from USAID’s current approach.

Firstly, for the numerator, while USAID has a detailed definition of local organizations, the approach they will use to measure local partner funding is different. To track progress towards the 25% goal USAID will identify local organizations as those that are incorporated in the country of performance. USAID has argued that a desire to reduce costs and administrative burdens has been central in determining this approach.

In our analysis, we take a different approach. We include a set of secondary characteristics, including requirements for governance and management by citizens of the recipient country. We identify and exclude locally established partners (LEPs) of international NGOs and companies, which we do not count as “local” (these partners could be included as local by USAID’s approach). Although we use a particular set of characteristics to identify local organizations, we have published the data sets and an accompanying [dashboard](#) that will allow other stakeholders to apply whatever criteria they deem appropriate. It is also worth noting that changing some of the more nuanced criteria, while important to some stakeholders, makes only a very small difference to the overall results.

Secondly, for the denominator in the percentage calculation, there are many ways this could be interpreted. It could be a proportion of USAID’s total aid and development budget; a proportion of project spend that is suitable for local partnership; or a proportion of a narrower subset of these flows. We followed a principle that the 25% should be a proportion of those funding flows that could be delivered by local partners: the total project funding to the countries we reviewed. USAID will use a subset of these flows for their denominator. They are calculating the percentage as a proportion of project funds channeled to NGOs, the private sector or academic institutions only. This excludes flows for projects implemented by UN agencies and other multilaterals.

## GOVERNMENT-TO-GOVERNMENT AID

An important part of the localization debate is whether to include government-to-government aid as local funding. USAID partners with government entities to implement projects in some countries and in others it makes direct payments into national budgets (budget support). Some voices in the localization debate argue for the inclusion of funding to governments as local. Others see the movement to greater local aid delivery as a means to increase the participation of local non-governmental organizations. They see this as the quickest, most efficient route to reach low-income or marginalized communities, while also strengthening civil society capacity. USAID is not currently planning to count government-to-government funding towards the 25% local partner target but will be tracking it separately. Given this, we also excluded it from our approach.

# Introduction

On November 4, 2021 USAID's Administrator Samantha Power set out her new vision to make aid more accessible, equitable and responsive. A key part of this vision is the commitment to the "localization" agenda: by 2025 a quarter of USAID's funding will go to local partners and by 2030, 50% of programming will be led by local communities.

This bold move to shift agency over aid delivery to people in recipient countries has been met with enthusiastic support by many in the US international development community. US aid implementation has been dominated by large US consultancy firms, intergovernmental organizations, and international NGOs for the past few decades. Implementation by local organizations is mainly as minority partners of these much larger organizations or as direct recipients of very small proportions of overall spend.

Greater local ownership of aid projects has been an important element of the aid effectiveness agenda for several decades. It runs through the principles set out in the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action, which include local ownership, inclusive partnerships and capacity development. In the United States, efforts to decentralize decision-making and increase local agency have been made by recent administrations from both political parties.

The George W. Bush administration introduced the Millennium Challenge Corporation, as a new agency that would govern funds in partnership with recipient country governments. Under President Obama, Administrator Raj Shah introduced USAID Forward, a set of reforms that included the Local Solutions initiative, a 30% local partner funding target to be met by 2015. However, the 30% target was not reached. Congress subsequently approved the Local Works program, a pot of multi-year, sector flexible money that missions can apply for to respond to locally led priorities and implement locally driven solutions. The USAID Administrator during the Trump administration – Mark Green – put forward the Journey to Self-Reliance as his flagship agenda. The principle behind this was for aid to catalyze national governance reforms that would allow countries to develop so they would no longer require international assistance.

While these efforts have each had a degree of success, there are intractable barriers in USAID that have meant progress towards greater local ownership has been incremental at best. These are set out in detail, along with proposed approaches to address each of them, in George Ingram's report "[Locally driven development: overcoming the obstacles](#)" published by the Brookings Institution.<sup>4</sup>

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<sup>4</sup> Patrick Fine also examines what he refers to as "old tropes" holding back greater local partner implementation and proposes some solutions in a blog piece, also for the Brookings Institution: <https://www.brookings.edu/blog/future-development/2022/12/01/rethinking-the-constraints-to-localization-of-foreign-aid/>

## MEASURING PROGRESS

The purpose of this study is to review current USAID spending patterns and establish an independent baseline against which to measure progress towards the ambitious 25% target for channeling funds to local organizations. Since the 50% target for locally led programming is still not defined<sup>5</sup> and data is not systematically available to assess progress, we are not currently able to review this target.

We have developed an approach to assess the proportion of aid channeled through local organizations using project spending data published by USAID. USAID has indicated that the 25% target applies to primary recipients of their funds and not sub-grants made by larger organizations or other intermediaries, and we have made our assessment on this basis. As well as presenting results of the current levels of funding received by local organizations, this exercise provides detailed information about USAID’s country programs, which can help inform efforts to move forward with the localization agenda.

When seeking to measure something like the amount of funding channeled to local organizations you must determine two things – the definition of the thing you hope to measure (numerator) and the population of data from which the numerator is a proportion (the denominator). Adjusting either of these will affect the values and proportions of what you are trying to measure. And if one is trying to achieve a goal, such as a 25% funding target, then changing either of these elements can make it either easier or more difficult to achieve that goal.

This research provides insights into the elements of the target and illustrates the implications of choices made about how to define and measure it. We illustrate the significant differences that can be made to results by adjusting the definitions of what counts as a “local” organization and by adjusting what is counted or excluded from overall spending totals.

There is currently no universally agreed definition of what “local” means in this context, or what constitutes a “local organization”. While at first glance it may seem intuitive, the large variety of organization types in the aid and development ecosystem means some organizations could be excluded from the count because they have features that don’t fit the definition (for example, a diaspora-run organization based overseas would not meet most definitions because it is not headquartered locally). Additionally, there are strong opinions among stakeholders about whether to include or exclude particular organization types. Variables include location of the organization’s main office, where the organization is legally registered, whether the organization is staffed and governed by citizens of the aid recipient country (or a specific beneficiary group of non-citizens) and whether the organization is a subsidiary of an international organization or brand. As well as changing static measurement results these questions are also important for the dynamic incentives created by inclusion or exclusion of organization types.

USAID’s IATI data includes names and references of implementers and we conducted secondary research into these. Using information on organization websites and from publicly available registries, we identified a set of characteristics for each organization. In this report, we present an example approach to identifying local organizations using these characteristics. This is not intended to be conclusive, however. Rather we have used it to compare with USAID’s approach and illustrate the impact these choices have on outcomes.

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<sup>5</sup> USAID plans to release the methodology for tracking progress on this target in March 2023: <https://www.usaid.gov/sites/default/files/2022-12/FY2023-First-QuarterBusiness-Forecast-Script-Dec-7-2022.pdf>

# How USAID plans to measure the target

## HOW WILL USAID DEFINE “LOCAL”?

USAID uses the criteria outlined in the [ADS 303](#) directive to define what constitutes a “local” organization. According to this directive, a local entity is an individual, a corporation, a nonprofit organization or other group of people that is:

- Legally organized under the country’s laws
- The country is its principal place of business or operations
- It is majority owned by individuals who are citizens or lawful permanent residents of the country
- It is managed by a governing body the majority of who are citizens or lawful permanent residents of the country

ADS 303 includes a separate definition for locally established partners (LEPs) of US or international organizations. Local offices of US organizations must meet the following criteria to qualify as an LEP:

- Continuous operations in the country for at least five years
- Local staff comprise at least 50% of office personnel
- A local office registered with the local authorities and with a local bank account
- A portfolio of locally implemented programs.
- Demonstrated links to the local community including a majority of local citizens on any governing body or board and evidence of local support or roots.

Whether locally established partners are counted as local implementers is controversial. Many civil society advocates see this as a way for US and other international actors to perpetuate their dominant role as USAID contractors. LEPs are not currently included in the ADS 303 local entity definition. However, the data USAID plans to use to measure progress towards the 25% goal does not include several of the criteria in the ADS 303 definition (including information about who organizations are governed and staffed by). This means LEPs may be included in measurements of progress towards the 25% goal. USAID has argued that a desire to reduce costs and administrative burdens has been central in determining the planned measurement approach.



## WHAT FUNDING IS SUBJECT TO THE TARGET?

As well as the definition of which organizations count as “local” and therefore contribute to the 25%, the other side of the equation is the spending this target is a proportion of (the denominator in the percentage calculation). It could, for example, apply to the totality of the USAID budget, or just spending that is allocated to recipient countries (bilateral expenditure, excluding global spend such as core contributions to multilaterals and global administrative and personnel costs). Within bilateral aid it could apply to a sub-set of expenditure, excluding particular funding streams and channels.

USAID’s current approach is to apply the target to direct awards to NGOs, the private sector and academic institutions only. This excludes:

- USAID administration and personnel costs
- Agreements and transfers between US government agencies.
- Government-to-government budget support
- Project funding with government entities as implementers
- Programs implemented by multilaterals such as UN agencies and development banks
- Personal service contracts

## WHAT DATA WILL USAID USE TO MEASURE PROGRESS?

Finally, another consideration is the data USAID will use to measure the targets. USAID has various accounting and contract management systems from which it can extract information. USAID has said it will use its Enterprise Systems, including using data from the US Government System for Award Management (SAM) to identify organization types, places of performance and headquarter locations. Another system that could be used in combination with SAM is the Global Acquisition and Assistance System (GLAAS) procurement system. Some of these systems allow public access to a subset of the data they hold. However, it is not currently possible to review the full set of information that would be required to carry out the research presented here. This limits the possibility to carry out independent verification of USAID’s data and results.

# Our research approach

Publish What You Fund has consulted with a group of supportive US international aid and development NGOs to produce analysis into USAID funding for local organizations. The aim of this research is to provide an independent baseline that can be used to track progress towards the 25% target for direct funding to local organizations. The research also provides insights into the implications of decisions made about how to measure and count progress towards this target.

## DATA USED FOR THE RESEARCH

USAID makes detailed information about its spending available in the International Aid Transparency Initiative (IATI) Standard. This data is standardized, machine readable, timely and provides detailed information about project activities, including the names, and often alphanumeric references, of implementing organizations. USAID publishes this data on a monthly basis with an approximately three-month (quarter) time lag for full data to come through into their systems. USAID consistently scores in the “good” category of the [Aid Transparency Index](#), meaning its data is detailed, timely and relatively complete.

Access and usability of IATI data has improved significantly in the last few years and, with a base level of technical knowledge, it can be used for detailed research into aid spending. Publish What You Fund has developed an approach to using this data to assess the quantities of funding channeled to “local” organizations.

The approach uses USAID’s granular spending data, downloaded on a country-by-country basis. The data includes details of the organizations that receive USAID funding and implement projects. There is a code-list in the IATI Standard to identify organization-types. However, USAID does not currently use this consistently or comprehensively and it does not provide the detailed information about organizations that would be required to operationalize more nuanced definitions of “local”.

## ORGANIZATION CHARACTERISTICS AND DEFINITIONS OF “LOCAL” (NUMERATOR)

To produce accurate, detailed analysis of the recipient organizations, we carried out secondary research to identify a set of relevant characteristics, derived from existing definitions,<sup>6</sup> for each organization. These include the organization type, headquarters location, geographic scope of work, makeup of staff and governing board, and whether the organization is a subsidiary of an international organization or brand.<sup>7</sup> See Annex 1 for a full list of the characteristics and the coding protocol used to identify these. Using the characteristics we are then able to filter expenditure data according to whether it is channeled through local organizations.

We have worked with two possible approaches to identifying local organizations. USAID has said that it will identify local partners as those that are both incorporated and located in the country where the project is taking place. We have used this looser approach to illustrate the results it will produce. However, several of the details contained in the ADS 303 definition, as well as those identified by advocates as essential characteristics of local organizations, are missed. We have therefore modelled an alternative, more rigorous approach using narrower criteria. The two example approaches are as follows:

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<sup>6</sup> Definitions we used to identify characteristics include those put forward by USAID, PEPFAR, Network for Empowered Aid Response (NEAR) and the Inter-Agency Standing Committee (IASC) definition developed as part of the Grand Bargain commitments.

<sup>7</sup> A full list of the organization characteristics we assessed is in annex 1.

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

USAID numerator	Publish What You Fund numerator
<p><b>Organizations are identified as “local” when:</b></p> <ul style="list-style-type: none"> <li>• Headquartered and incorporated in the recipient country</li> <li>• Either managed and governed by nationals of the recipient country or by non-nationals</li> <li>• Working sub-nationally, nationally, regionally or internationally</li> </ul>	<p><b>Organizations are identified as “local” when:</b></p> <ul style="list-style-type: none"> <li>• Headquartered and incorporated in the recipient country</li> <li>• Excluding subsidiaries/brands of international organizations</li> <li>• Managed and governed by nationals of the recipient countries or by non-nationals from a specific beneficiary group (e.g. refugees)</li> <li>• Only working sub-nationally or nationally</li> </ul>

Both of these approaches exclude public sector implementers and only apply to non-state actors (NGOs, private companies and academic institutions).

### USAID FUNDING STREAMS THE TARGET IS APPLIED TO (THE DENOMINATOR)

As well as modelling two different approaches to identifying which organizations we count as local, we have also modelled two different sets of funding streams included as the denominator in the calculation. The help illustrate this, Table 2 below shows all of the USAID funding streams to our 10 focus countries (this is also presented in a tree map in Annex 2):

**Table 2.** Funding streams included in the Publish What You Fund denominator

Aid type	Receiver type	Total	Included in denominator
A02 - Sector budget support	Public Sector	\$2,942,232,535	
B03 - Contributions to specific-purpose programmes and funds managed by implementing partners	UN agency	\$10,240,817	X
C01 - Project-type interventions	Academia	\$136,177,010	X
C01 - Project-type interventions	Global program	\$200,276,327	X
C01 - Project-type interventions	Multilateral	\$15,261,363	X
C01 - Project-type interventions	NGO	\$3,208,862,578	X
C01 - Project-type interventions	Private	\$2,179,723,582	X
C01 - Project-type interventions	Public Sector	\$396,169,196	
C01 - Project-type interventions	Redacted	\$201,070,600	X
C01 - Project-type interventions	UN agency	\$1,709,336,512	X
C01 - Project-type interventions	Unknown	\$122,808,067	X
D01 - Donor country personnel		\$45,505,501	
D02 - Other technical assistance		\$32,773,629	
G01 - Administrative costs not included elsewhere		\$605,983,185	
<b>TOTAL</b>		<b>\$11,806,420,903</b>	<b>\$7,783,756,857</b>

The first denominator we have modelled includes all the aid flows marked with an X in the above table. This includes all project-type interventions, including all implementer types, except public sector implementers which are counted separately. It excludes non-project spending: direct government-to-government contributions, administrative costs, USAID personnel and technical assistance. For clarity, we call this the “Publish What You Fund denominator”.

The rationale behind this model is to exclude costs which are not eligible to be delivered by local partners (administration and personnel), costs that are generally delivered by individuals not organizations (technical assistance), and government-to-government funding (which we have counted separately). We have included all other aid that could, in theory, be delivered by local organizations.

The second denominator we have modelled follows the approach that USAID is using – we refer to this as the “USAID denominator”. This focuses only on direct awards to non-government and private sector organizations. They have indicated that they will exclude project type interventions delivered by the public sector (government-to-government), by UN agencies and multilaterals, and will include only funding channeled through NGOs, private sector organizations and academic institutions. The spending areas included in this denominator are marked in Table 3 below:

**Table 3.** Funding streams included in the USAID denominator

Aid type	Receiver type	Total	Included in USAID denominator
A02 - Sector budget support	Public Sector	\$2,942,232,535	
B03 - Contributions to specific-purpose programmes and funds managed by implementing partners	UN agency	\$10,240,817	
C01 - Project-type interventions	Academia	\$136,177,010	X
C01 - Project-type interventions	Global program	\$200,276,327	
C01 - Project-type interventions	Multilateral	\$15,261,363	
C01 - Project-type interventions	NGO	\$3,208,862,578	X
C01 - Project-type interventions	Private	\$2,179,723,582	X
C01 - Project-type interventions	Public Sector	\$396,169,196	
C01 - Project-type interventions	Redacted	\$201,070,600	
C01 - Project-type interventions	UN agency	\$1,709,336,512	
C01 - Project-type interventions	Unknown	\$122,808,067	
D01 - Donor country personnel		\$45,505,501	
D02 - Other technical assistance		\$32,773,629	
G01 - Administrative costs not included elsewhere		\$605,983,185	
<b>TOTAL</b>		<b>\$11,806,420,903</b>	<b>\$5,524,763,171</b>

The two approaches we present are calculated as follows (G2G is government-to-government aid):

**Publish What You Fund approach:**

*Detailed local criteria*  


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*All project funding (excl. G2G)*

**USAID approach:**

*Simple local criteria*  


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*Project funding to NGOs, academia and private sector only*

## COUNTRY SELECTION

The secondary research was carried out manually by Publish What You Fund staff and is labor intensive. For this reason, we limited our analysis to 10 USAID recipient countries. We selected countries from across USAID’s focus regions and included countries from a mix of country-income classifications. We prioritized countries that receive larger amounts of USAID funding and purposely included several countries where USAID’s Local Works programs are operative. Given that our selection process was purposive rather than random, our selection is somewhat biased towards countries that have a higher than average proportion of local implementers and we expect this to show in our overall results. For this reason, we do not expect our totals to be directly representative of local implementer totals across USAID’s portfolio. Given the heterogeneity of USAID operations in different countries and regions it would not be possible to create a representative sample. We have therefore prioritized a diverse set of countries that will surface challenges in quantifying and measuring local implementation targets.

The 10 countries we selected are:

### Sub-Saharan Africa

Kenya (prioritized for Local Works programs)

Ethiopia

Zambia

Liberia

### South and Central Asia

Bangladesh

Nepal

### Western Hemisphere

Haiti

Guatemala (prioritized for Local Works programs, including Centroamérica Local)

### Europe and Eurasia

Moldova

### Middle East and North Africa

Jordan

## TIME PERIODS

For each of these countries we looked at disbursement<sup>8</sup> data covering the last three US fiscal years for which full data was available: 2019, 2020 and 2021. Partial data was available for financial year 2022 but a full set of transactions for quarter four was not available at the time of data download. The same research could be carried out using data for 2022 and subsequent years when this becomes available. Researchers can also replicate our analysis for different time periods and using commitments rather than disbursements using the [public dataset](#) we have released alongside this report.

## MARGINS OF ERROR

There are some margins of error in our results that should be noted when interpreting the findings. These are:

- **Redacted or unknown implementers.** In some cases, USAID redacts implementer names, identifies an implementer as “unknown” or leaves the implementer name blank. We have assumed that all redacted or unknown implementers are not local (based on a principle of only identifying an organization as local when we have the evidence). However, some or all of these organizations could be local so we must assume our estimates could be slightly low. The amount of funding<sup>9</sup> channeled to “unknown” or “redacted” organizations ranges from 11.0% (Jordan) to 0.0% (Zambia). The average across the 10 countries is 3.7%. There is no basis for assigning a probability to this margin of error.
- **Human error in coding.** In total we reviewed 922 organizations across the 10 case study countries. In some cases full information was not available so we had to make best guesses. Some of these guesses could be incorrect, so there could be inaccuracies that effect the results. The margin of error in this situation is likely to be small and could lead to under- or over-estimates of funding to local organizations.
- **Errors in USAID’s transparency data.** Publication of aid information in the IATI Standard is voluntary and carried out in real time as data becomes available. It is not independently verified, although the publication process includes automated validation checks. For this reason, there could be some errors or inaccuracies in USAID’s data. It should be noted that data published in the IATI Standard is an official public record of the publisher’s aid spending.
- **Lack of beneficial ownership information.** At the time of review there were no publicly available beneficial ownership registries [in the countries we assessed](#). This means we cannot be sure whether the ultimate beneficial owners of private sector implementers are citizens of the recipient country or not. We have assumed that nationally registered, nationally staffed companies are owned nationally. However, given this lack of information we cannot confirm this for certain. Potential inaccuracies resulting from these assumptions would mean our estimates could be slightly high.

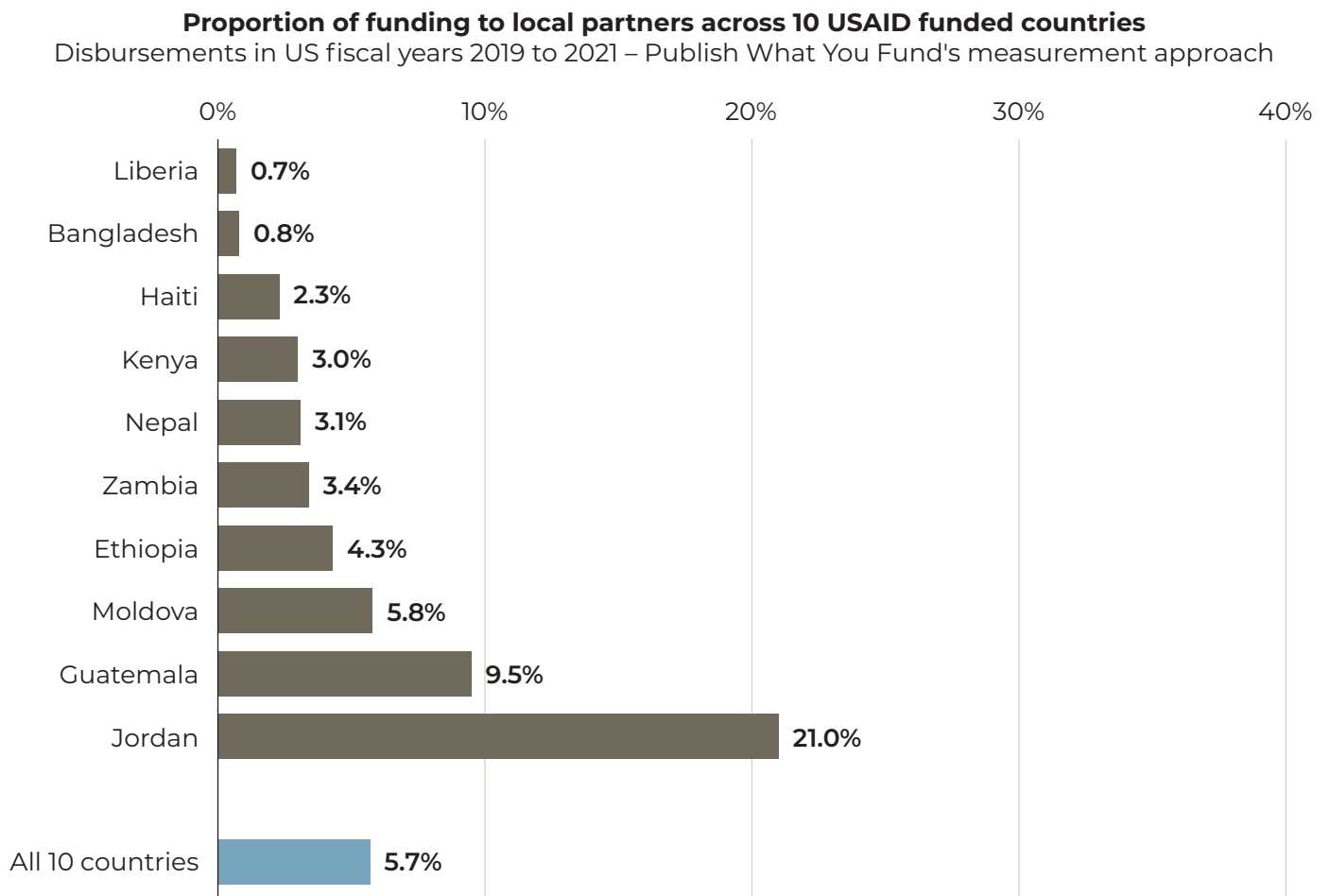
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<sup>8</sup> We chose to use disbursement transactions rather than commitments since they represent actual transfers of money from USAID to an implementer, and so are a more accurate reflection of money flowing to recipient countries.

<sup>9</sup> Using the Publish What You Fund denominator.

# Results

**Graph 1.** Results using Publish What You Fund’s denominator and approach to identifying local organizations



Graph 1 presents results using data for USAID country spending (disbursements) in financial years 2019-21. These results are based on the Publish What You Fund approach to identifying local organizations, which closely aligns with more detailed definitions of local, including USAID’s own ADS 303 definition. The percentages are calculated as a proportion of the Publish What You Fund denominator - including all programmatic spending channeled through all entity types (private sector, NGO, academia, UN agencies and other multilaterals and global programs), excluding the public sector.

The 25% target is an agency-wide goal for USAID, and as such, we have presented an overall total for all 10 countries. Each USAID country mission will set their own target to contribute to the agency-wide goal. We have included individual country results that can be compared against country targets once these are known (see recommendations).

The total proportion of project funding that went to local partners across the 10 countries in our sample was 5.7% (\$445m). In absolute terms, to reach the 25% target for all 10 countries for the three years we assessed (2019-21), USAID would need to have channeled \$1.95bn through local organizations. This means the shortfall is \$1.50bn.

**Table 4.** Results per country using Publish What You Fund’s denominator and approach to identifying local organizations

Country	Total project funding (Publish What You Fund denominator)	Local USD disbursements PWYF approach	Proportion of funding to local organizations
Liberia	\$271,987,990	\$1,852,668	0.7%
Bangladesh	\$802,201,038	\$6,254,952	0.8%
Haiti	\$546,040,339	\$12,712,340	2.3%
Kenya	\$1,167,947,556	\$34,978,099	3.0%
Nepal	\$336,377,399	\$10,269,073	3.1%
Zambia	\$715,354,356	\$24,646,643	3.4%
Ethiopia	\$2,526,067,999	\$108,981,839	4.3%
Moldova	\$84,564,300	\$4,889,134	5.8%
Guatemala	\$347,066,925	\$33,132,808	9.5%
Jordan	\$986,148,955	\$207,465,647	21.0%
<b>ALL 10 COUNTRIES</b>	<b>\$7,783,756,857</b>	<b>\$445,103,499</b>	<b>5.7%</b>

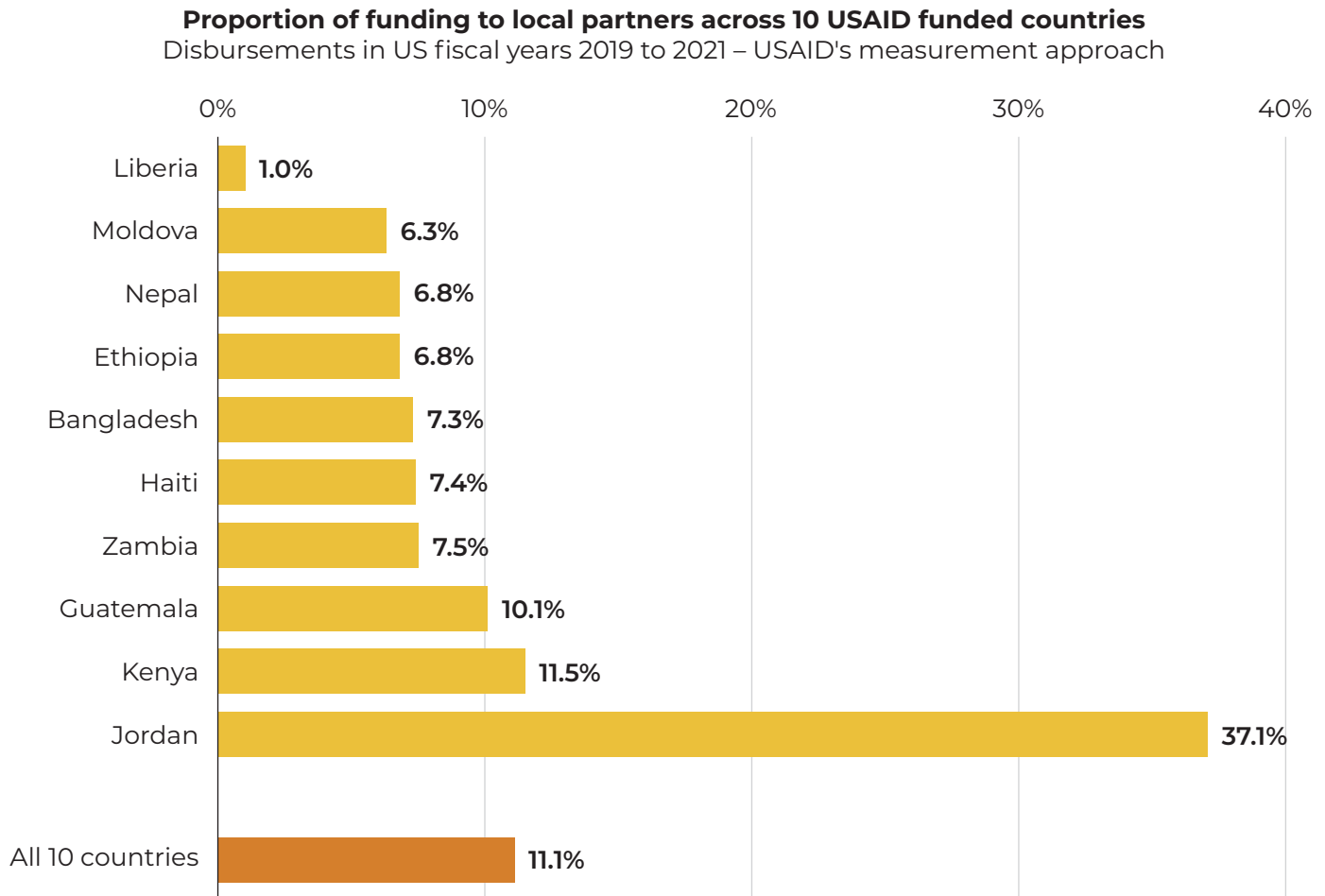
At the individual country level, the proportion of project funding channeled through local organizations was highest in Jordan. There, 21.0% of USAID funds went to local organizations. The majority of locally channeled funding in Jordan goes to local private companies. The other nine countries all had local funding proportions below 10%. In Guatemala 9.5% of funds were channeled to local organizations. This was followed by Moldova at 5.8% and Ethiopia at 4.3%. Liberia and Bangladesh have the lowest local funding proportion with just 0.8% (Bangladesh) and 0.7% (Liberia) of funding going to local organizations.

## RESULTS USING USAID’S APPROACH AND DENOMINATOR

For the purpose of comparison, we have carried out the same analysis using the approach and denominator that USAID plans to use to track its progress. In this case we follow the approach to identifying local organizations that USAID plans to use. This uses straightforward criteria: funding is counted as local if it goes to organizations that are incorporated in the country of performance. This approach could miss nuances that are captured in our more detailed approach, including whether the organization is governed and staffed by people from the country of performance and whether the organization is a locally established partner of an international NGO or company (LEP).

We have calculated funding to local organizations as a proportion of the denominator that USAID is using, which includes funding to projects implemented by NGOs, the private sector and academic institutions. It excludes other project funding such as activities delivered by the UN, other Public International Organizations and the public sector. This is a much smaller subset of overall aid on which to measure the 25% target.



**Graph 2.** Results using USAID’s approach to identifying local organizations and USAID’s denominator

Using this approach, the local funding proportion is 11.1% (\$612.4m). To reach 25% of funding going to local organizations based on this denominator, USAID would have needed to give \$1.38bn through local organizations. In this case, that means a shortfall of \$769m. This equates to USAID needing to channel \$732m less through local organizations in our ten focus countries in order to reach 25% if they use this measurement approach as opposed to our approach.

Using the USAID approach, the lower denominator and more organizations counted as local means Jordan reaches a proportion of 37.1% of funds going to local organizations (mostly private companies). Kenya reaches 11.5% and Guatemala 10.1%. The rest of the countries have local funding proportions of between 6% and 8%, except Liberia, which has the lowest proportion, with just 1% of the funds counted going to local organizations.

This illustrates how USAID’s approach to including organizations as local, coupled with a narrower set of funding streams against which these are counted, will allow USAID to meet its global target with significantly less funding channeled to local organizations. It will also be easier to meet individual country targets when these are set. We therefore advocate for USAID to use a more rigorous approach to identifying local organizations and to calculate progress towards the 25% target using a larger denominator.

**Table 5.** Results using USAID's denominator and approach to identifying local organizations

Country	Total aid, USAID denominator	Local USD disbursements (USAID approach)	Proportion of funding to local organizations
Liberia	\$240,733,375	\$2,295,152	1.0%
Moldova	\$76,994,440	\$4,889,134	6.3%
Ethiopia	\$1,602,408,379	\$109,184,773	6.8%
Nepal	\$301,629,197	\$20,634,549	6.8%
Bangladesh	\$449,544,289	\$32,710,726	7.3%
Haiti	\$358,632,135	\$26,419,293	7.4%
Zambia	\$665,929,057	\$50,136,159	7.5%
Guatemala	\$326,446,910	\$33,132,808	10.1%
Kenya	\$874,599,727	\$100,193,737	11.5%
Jordan	\$627,845,660	\$232,798,422	37.1%
<b>ALL 10 COUNTRIES</b>	<b>\$5,524,763,171</b>	<b>\$612,394,754</b>	<b>11.1%</b>

# Discussion

**All of the additional analysis in this section uses the Publish What You Fund denominator and approach to identifying local organizations.**

## GOVERNMENT-TO-GOVERNMENT AID

An important part of the localization debate is whether to include government-to-government aid as “local”. This can be either projects implemented by government entities or direct payments into national budgets (budget support - which can be earmarked for a specific purpose or sector). Some voices in the localization debate argue that increased funding to governments is an effective way to localize aid spending. Justin Sandefur, for example, makes the case that support to government budgets scores highly along metrics of both local implementation and local agency: governments are staffed by their own citizens and develop their own policies and programs.<sup>10</sup> Others would leave government-to-government out of the equation, seeing localization through a non-governmental lens. This view focuses on direct funding to NGOs and CBOs as the quickest, most efficient route to reach low-income or marginalized communities, while also strengthening civil society capacity.

USAID is not currently planning to count government-to-government funding towards the 25% local partner target but will be tracking it separately.

## BUDGET SUPPORT

We excluded budget support from our two scenarios presented so far. The only country from our selection of 10 that receives budget support from USAID is Jordan. Jordan is the largest recipient of USAID budget support by a large margin – from July to December 2021 USAID provided \$970m of direct government assistance, of which Jordan received \$943m.<sup>11</sup> During the period we reviewed (2019-2021) USAID recorded \$2.95bn in budget support disbursements to Jordan. Including budget support in local implementer totals for Jordan increases the local funding proportion to 80.2% of total funding – see graph 3 below. Across the 10 sample countries, the local funding proportion increases to 34.1% if Jordan’s budget support is counted as local.<sup>12</sup>

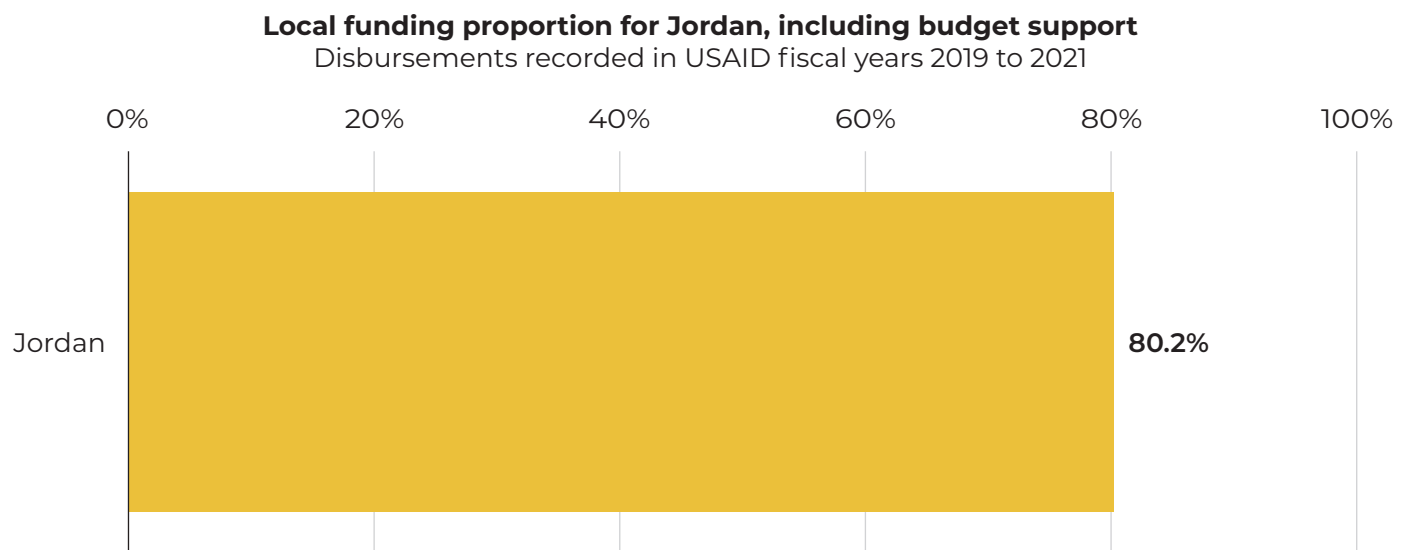
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<sup>10</sup> <https://www.cgdev.org/blog/usaaid-localization-numbers>

<sup>11</sup> See: <https://www.usaid.gov/sites/default/files/2022-09/July-Dec-2021-Government-to-Government-Report.pdf>. Since this figure is through 2021 it does not account for the government-to-government support provided by the US to Ukraine in 2022.

<sup>12</sup> It should be noted that since Jordan is an outlier as the main recipient of US budget support, this proportion would decrease if the results from our sample were scaled up to all USAID countries.

**Graph 3.** Percentage of USAID aid received by local organizations in Jordan if budget support is included as “local”



This important consideration merits reflection on both the principles and practicalities in play. While there is broad agreement about the central localization principle of increasing national ownership and agency over aid, there are different views about whose agency should be prioritized. The practical implications of whether to include government-to-government transfers in localization targets are significant. With the inclusion of direct government transfers, the 25% target could be met quite easily by changing USAID’s approach to re-incorporate budget support. Little change would then be needed in funding to local non-state actors.

### PROJECT FUNDING TO GOVERNMENTS

As well as NGOs, private companies and academic institutions, USAID also partners with government entities to deliver development projects. This can include contracting with government ministries, state owned enterprises, municipal governments, election bodies, police forces and other government agencies. When assessing project partners, government entities meet all of the criteria set out in our working definitions and approaches to identifying local organizations: they are registered in the country of performance, they are governed and staffed by citizens of the country of performance and they work nationally or sub-nationally. However, since USAID is not including government-to-government funding in its local partner funding totals we have also not counted these projects.

Table 6 below shows the totals of government-to-government project funding for the 10 countries in our sample. Amounts vary significantly from country to country.<sup>13</sup> If project government-to-government funding were to be included as local, the effect on the progress towards the 25% local funding target would be an increase of 4.9 percentage points. This would increase the proportion of local funding across all 10 countries from 5.7% to 10.6%.

<sup>13</sup> The research only found two instances of subnational governments receiving direct funding, both in Guatemala (funding for subnational regional organizations coordinating several municipalities). These public bodies are the closest to communities, and most likely to be attuned to local needs and concerns.

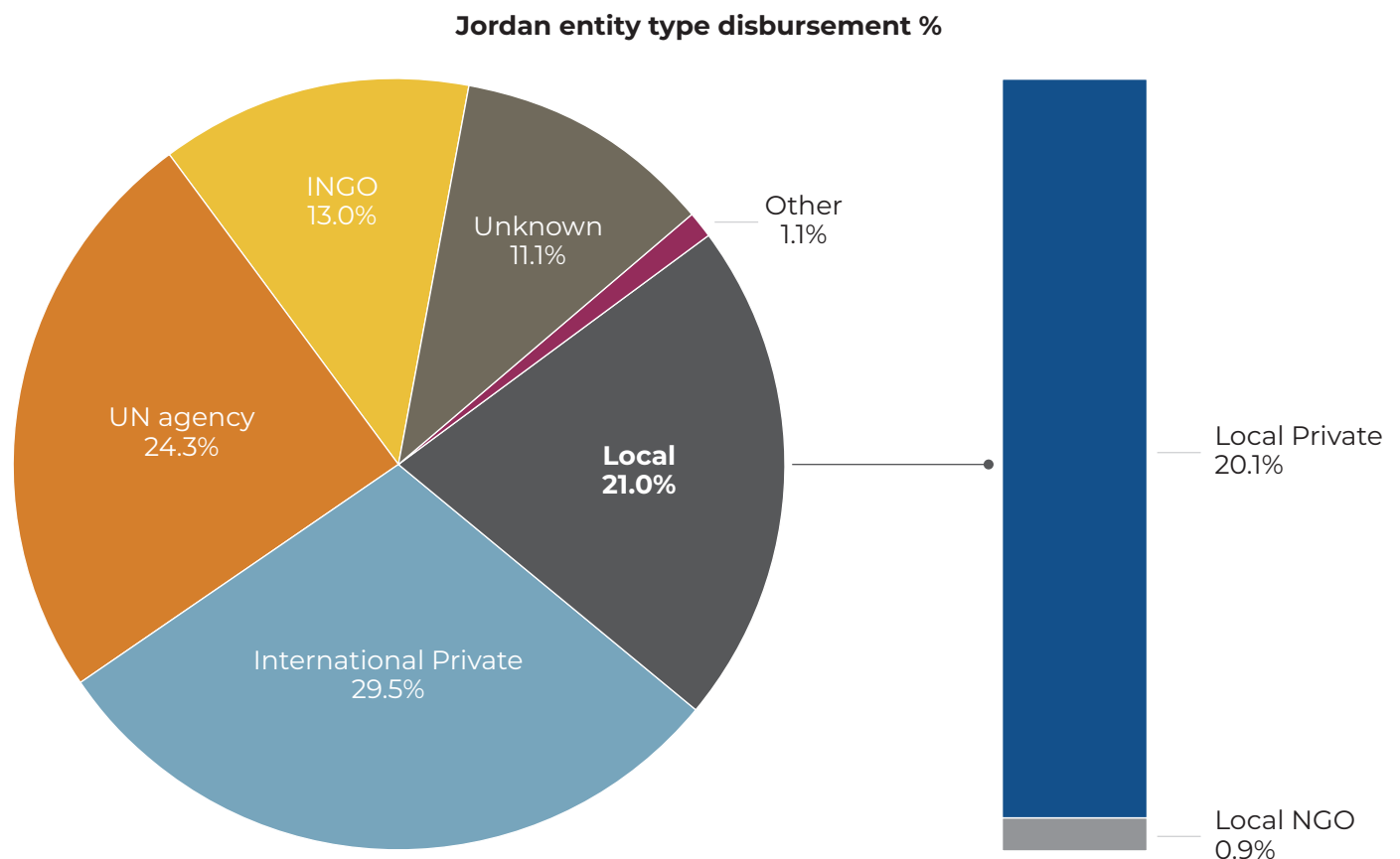
**Table 6.** Government-to-government project funding across countries in our sample for fiscal years 2019–21

Recipient country	Total public sector project funding
Kenya	\$346,660,256
Liberia	\$14,928,344
Bangladesh	\$6,695,761
Jordan	\$5,828,897
Nepal	\$3,726,789
Ethiopia	\$2,454,715
Guatemala	\$2,234,905
Zambia	\$926,802
Haiti	\$255,854
Moldova	\$-
<b>TOTAL</b>	<b>\$383,712,323</b>

**ANALYSIS OF ORGANIZATION TYPES**

The makeup of organizations that we identified as local implementers varies significantly from country to country. The following graphs (numbers 4, 5 and 6) provide examples of the types of entities included in the local and non-local funding to each of our focus countries.

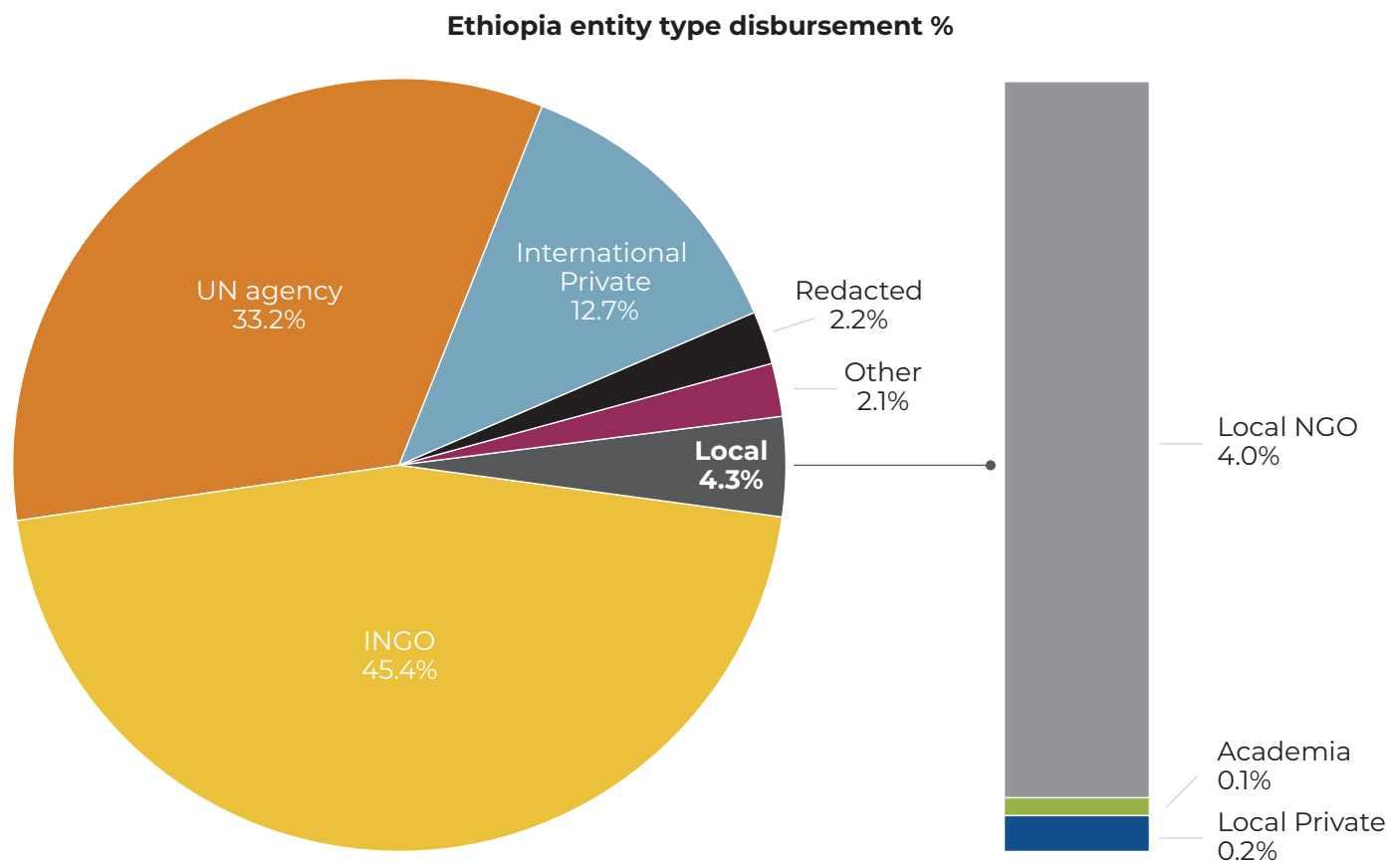
**Graph 4.** Entity recipient types in Jordan for non-local and local funding



Local implementation in Jordan is dominated by private sector organizations. We have categorized these as local when they meet the criteria of our definitions including being based and registered in the host country. However, information is not currently publicly available to confirm the identities of beneficial owners of companies registered in Jordan. Availability of [public beneficial ownership registers](#) will be important to accurately assess whether private sector implementers are indeed local.

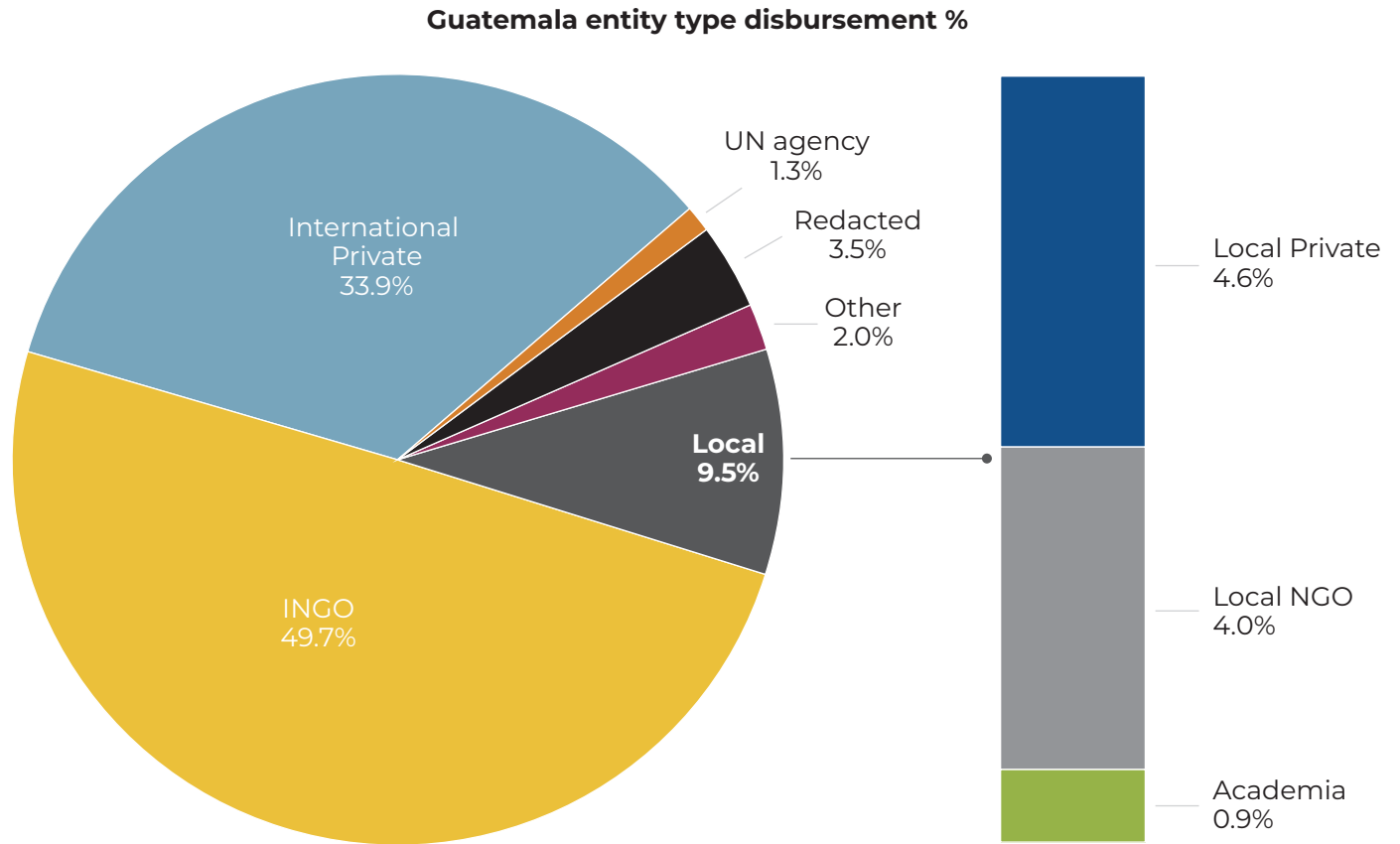
USAID channels the majority of its aid to Ethiopia through international NGOs, UN agencies, and private sector implementers. Of the 4.3% of funding we found to be delivered by local organizations, nearly all of this is delivered by local NGOs.

**Graph 5.** Entity recipient types in Ethiopia for non-local and local funding



USAID aid to Guatemala is mainly delivered by NGOs and the private sector. Local partners are a relatively even split between local NGOs and local private sector entities, with a small amount going through local academic institutions.

**Graph 6.** Entity recipient types in Guatemala for non-local and local funding



# Recommendations

- **USAID should reconsider its measurement approach and create a credible, replicable process that aligns with its definition of local funding and eliminates adverse incentives.**

While the USAID definition of local incorporates many of the features that local partners advocate for, several of these are missing from the current measurement approach. An important consideration is whether Locally Established Partners can be counted, since their inclusion could create dynamic incentives for US organizations to set up local subsidiaries to apply for “local” funding.

- **USAID definitions and measurement approaches should be made fully transparent and should use publicly available data, such as IATI data, for independent verification.**

Localization advocates will be keen to scrutinize definitions and progress towards greater local funding. Making the approaches and data transparent will help to build trust and demonstrate how additional funds are being channeled to local partners.

- **USAID should publish individual country targets and progress towards those targets when these are established.**

This will allow advocates and civil society to monitor progress in their countries. It will also help set expectations about levels of local funding that will become available in each USAID country.



# Annex 1

## CODING PROTOCOL FOR CATEGORIZING IMPLEMENTING ORGANIZATIONS

Publish What You Fund’s research into USAID’s funding to local partners uses a standardized approach to categorize implementing organizations. The approach employs 13 organization characteristics that can be used to categorize implementers as “local”. The questions and data sources used to identify each of these characteristics are outlined below. This protocol sets out how to research each question in a standardized way and can be used in future research.

Question	Method	Source 1: Organization’s website / online search	Source 2: Open Corporates <sup>13</sup> <a href="https://opencorporates.com/">https://opencorporates.com/</a>	Source 3: national NGO or Company Registry <a href="https://www.wango.org/">https://www.wango.org/</a>	Source 4: IATI data <a href="https://iatiregistry.org/">https://iatiregistry.org/</a>	Source 5: Other media	Notes
1. Entity’s principal place of business (donor country, recipient country, third country)	Review of headquarters address	Organization’s website. HQ location may be found on the “Contact us” page/ locations page or in footnotes.	Search for entity name	Search for entity name	Search for entity name	Organization LinkedIn page office address	Review the receiver organization or headquarters of the receiver organization. For example, “Oxfam GB” is listed as the recipient for activities in Ethiopia, Haiti, Kenya & Nepal. Since the recipient is listed as “Oxfam GB” the headquarters location should be listed as the UK office and not any in-country offices.  Unless the “receiver org” column explicitly states that the funding reported was received directly by a country-based office, the presence of other country-based offices is not relevant for this assessment.  Where an organization has its main office outside the USA but has set up a US entity that directly receives USAID funds, the headquarters is defined as the main office address.
2. Type of entity (private, academia, NGO, public sector, UN agency, multilateral)	Assessment of organization type	Organization’s website. Review the “About us” section	Search for entity name	Search for entity name	IATI data (if available)		

<sup>13</sup> The Open Corporates website is a single repository for all publicly accessible corporate data so this will be a secondary source should the entity not have much information on their own website. It can also be used to triangulate the findings from the organization’s website.

Question	Method	Source 1: Organization's website / online search	Source 2: Open Corporates <a href="https://opencorporates.com/">https://opencorporates.com/</a>	Source 3: national NGO or Company Registry <a href="https://www.wango.org/">https://www.wango.org/</a>	Source 4: IATI data <a href="https://iatiregistry.org/">https://iatiregistry.org/</a>	Source 5: Other media	Notes
3. Organization's focus (sub-national, national, regional, international)	Review of scope of operations	Review the "work we do" section.			IATI data (if available)		International: working in two or more countries across regions National: within one country only Regional: working in two or more countries within a region Consider how a local stakeholder would define this
4. Is the organization a CBO? (i.e. does it only work sub-nationally within the area local to the organization's HQ)	Self-assessment of CBO claims	Review the "work we do"/ "About us" sections. Many CBOs do not have an online presence.					Yes: only if it exclusively works sub-nationally in the area where it is based. Sub-national in this case means the organization only works with a single community.
5. Is the organization legally organized under national laws in the recipient country? (yes/no)	Review of registered address information. Company or NGO registration number	"Contact us" / "About us" sections. Company or NGO registration number (if it is in recipient country)	Company registration number and listed addresses	NGO registration number listed addresses	IATI organization registration address or DUNS number if included		Yes/No. If an organization is registered in the recipient country this is a 'yes' (see also notes under question 1).
6. Is the organization a subsidiary/brand of an international organization? (yes/no)	Review of organization structure / name(s)	Organization's website "About us" section/ Annual report and accounts. Online key word search for: "organization name" + subsidiary/ owned'	Check company ownership structure on Open Corporates				Private entity: Check if the organization is owned by an international company. The parent company might have a different name from the entity being assessed therefore check Open Corporates. NGO: check if the organization uses the brand name of an international NGO.
7. Is the organization a subsidiary/brand of a regional organization? (yes/no)	Review of organization structure/name	Organization's website "About us" section/ Annual report and accounts. Online key word search for: "organization name" + "subsidiary/owned"	Check company ownership structure on Open Corporates				Private entity: Check if the organization is owned by a company operating regionally. The parent company might have a different name from the entity being assessed therefore check Open Corporates. NGO: check if the organization uses the brand of a regional NGO.

Question	Method	Source 1: Organization's website / online search	Source 2: Open Corporates <a href="https://opencorporates.com/">https://opencorporates.com/</a>	Source 3: national NGO or Company Registry <a href="https://www.wango.org/">https://www.wango.org/</a>	Source 4: IATI data <a href="https://iatiregistry.org/">https://iatiregistry.org/</a>	Source 5: Other media	Notes
8. How long has the organization been operating in the country?	Review of organization history	Organization's website "About us" section	Check Open Corporates for dates as well. Be aware if the organization has changed its name.	Check NGO or national company registry for dates. Be aware if the organization has changed its name.			Record the year in which the organization began operations in the country.
9. Is the organization beneficially owned (the owners) by individuals who are citizens of the country which is the organization's principal place of business?	Self-assessment of organization ownership details.	"About us" section to locate owner names/details.	Beneficial ownership requires greater transparency.  At the time of our research, none of our focus countries had a publicly accessible beneficial ownership registry. See Open Ownership website.				A beneficial owner is a person who ultimately has the right to some share of a legal entity's income or assets, or the ability to control its activities.  As such, this question is not relevant for non-private entities (NGOs, public sector entities).  Beneficial ownership of private entities is difficult to validate. Open Corporates has a database which lists beneficial owners from open data across several countries but due to limitations in available beneficial ownership data this is not comprehensive.
10. Is the organization majority run (the executive) by citizens of the country which is the organization's principal place of business (or else run by and for a specific target group e.g. refugees)?		Annual reports that list staff					
11. Is the organization majority governed (the board) by individuals who are citizens of the country which is the organization's principal place of business (or else run by and for a specific target group e.g. refugee organizations)?	Self-assessment of board members or trustees	"About us", "Trustees" or "Board" sections.  Annual reports that list board members	Check for listed board members	Check for listed board members		Linkedin board members search	

Question	Method	Source 1: Organization's website / online search	Source 2: Open Corporates <a href="https://opencorporates.com/">https://opencorporates.com/</a>	Source 3: national NGO or Company Registry <a href="https://www.wango.org/">https://www.wango.org/</a>	Source 4: IATI data <a href="https://iatiregistry.org/">https://iatiregistry.org/</a>	Source 5: Other media	Notes
12. Does the organization have a bank account in the recipient country? (yes/no)	Self-assessment of organization address/ registration	Search for address in recipient country. Can be found on the "Contact us" page or address on site footnote.	Check addresses on Open Corporates	Check NGO registration location			If organization has its address in the recipient country (question 1) it is safe to assume 'yes,' unless there is evidence against this.
13. Does the organization manage other programs? (yes/no)	Review evidence of types of programmatic work done	Annual report / "Where we work" / "Our work" sections.			IATI data (if available)		

There are three receiver organization types which required special treatment:

- Unspecified Vendor/Enterprise: unspecified vendors/Enterprises are marked as "unknown"
- USAID redacted: this category includes large global projects. These are marked as "redacted"
- "Unknown USAID" as receiving organization. These are marked as "unknown"

# Annex 2

**USAID aid and implementer types aggregated across 10 countries**  
 Total disbursements to 10 sample countries for fiscal years 2019 to 2021

