

KEY QUESTIONS

the big six

6

How is the US' ODA spent?

Bilateral programs receive the vast majority of US ODA; US among largest contributors to multilateral organizations

The US provides development assistance mainly in the form of bilateral support to partner countries. According to OECD data, the US channels US\$29.2 billion of its ODA bilaterally, representing around 83% of total ODA in 2016. This is in part due to large Presidential Initiatives such as the President's Emergency Plan for AIDS Relief (PEPFAR), which provide significant funds bilaterally. For example, PEPFAR alone had a total budget of US\$6.8 billion in 2015 and 2016. Of this, US\$5.4 billion was bilaterally programmed for HIV/AIDs and tuberculosis (TB) programs.

Core ODA funding to multilateral organizations stood at US\$5.9 billion in 2016, up from US\$4.4 billion in 2015. This accounts for 17% of total ODA, significantly lower than the OECD DAC average of 38%. However, in absolute terms, the US is the second-largest provider of core contributions to multilateral organizations, after the United Kingdom. Key recipients in 2016 were: the World Bank (24% or US\$1.4 billion), UN agencies (15% or US\$894 million), and regional development banks (7% or US\$423 million). Other key multilateral recipients are the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund; US\$1.1 billion) and Gavi, the Vaccine Alliance (Gavi; US\$235 million), according to the organizations' own financial information. In addition to core contributions, the US provided US\$6.0 billion in earmarked funding to multilaterals for specific projects or regions (this is reported as bilateral ODA), bringing the total amount of ODA in 2016 channeled through multilateral organizations to US\$11.9 billion (34% of overall ODA).

Under the Obama administration, the US announced its first-ever multi-year pledge to the Global Fund: US\$4 billion over three years (2011 to 2013). The US subsequently hosted the fourth replenishment conference, pledging an additional US\$4 billion for 2014 to 2016. For 2017 to 2019, the US committed another US\$4.3 billion; however, the president's FY2019 request cuts the Global Fund contribution by US\$435 million (31%), which would bring the US contribution to around US\$3.9 billion. Since its inception, the US has also been a strong supporter of Gavi, though the FY2019 budget proposal requests US\$250 million, US\$25 million less than FY2017.

In the FY2018 budget passed by Congress on March 21, 2018, bilateral funding is cut slightly, in line with the

US\$3 billion decrease to the International Affairs Budget overall. However, there is variation within accounts. Bilateral PEPFAR funding, for example, is preserved at FY2017 levels (US\$4.3 billion) while Bilateral Economic Assistance is cut by US\$900 million, from US\$18 billion to US\$17 billion. Meanwhile, in the president's FY2019 budget request, multilateral assistance, primarily to International Financial Institutions, is reduced, including a US\$253 million (12%.) reduction, from US\$1.7 billion to US\$1.5 billion. The largest cuts are to the World Bank's IDA (US\$100 million, 8%) and the Asian Development Fund (US\$51 million, 52%). Contributions to the Green Climate Fund through the Treasury Department are also eliminated. Funding for voluntary contributions to UN agencies and other international organizations through the IO&P account, on the other hand, is maintained at FY2017 levels, or US\$339 million.

According to OECD data, US bilateral ODA is provided 100% in the form of grants. The US relies on the public sector (US\$11 billion, 37%; DAC average: 55%), and NGOs and civil society (US\$7.3 billion; 25%) to channel bilateral ODA, followed by multilateral organizations (US\$6.1 billion, 21%) and the private sector (US\$4 billion, 14%). Under the Obama administration, the US shifted its policy to work more with local partners in developing countries. However, the OECD DAC Peer Review (2016) points out that despite this focus on local capacity, the US' use of these mechanisms remains low. As part of a 2010 reform, USAID aimed to have 30% of mission programs by 2015 implemented through local actors in partner countries; though the share of programming implemented locally nearly doubled to 19% by 2015, the 30% target was missed. US private contractors, NGOs, and grantees remain the largest implementers of US ODA.

Who are the US' ODA recipients?

Strong focus on SSA, LICs, and fragile states

Geographically, the US focuses its bilateral ODA on sub-Saharan Africa (SSA). Between 2014 and 2016, the US provided US\$9.8 billion in bilateral ODA to the region on average (34% of bilateral ODA), followed by Asia (US\$4.4 billion, 16%) and Middle East and North Africa (MENA region; US\$3.1 billion, 11%). Excluding funding unallocated to a specific region (30%) between 2014 and 2016, 49% of US bilateral ODA went to SSA, 22% to Asia, and 16% to the MENA region. Afghanistan was by far the largest recipient country, receiving on average US\$1.7 billion

in US ODA between 2014 and 2016, followed by Jordan, with US\$977 million over the same period.

US bilateral ODA focuses on the world’s poorest countries. 36% of bilateral ODA between 2014 and 2016 went to low-income countries, which is significantly higher than the DAC average (25%); 28% was allocated to middle-income countries (DAC average: 33%).

How is bilateral funding programmed?

No overarching country-based approach; different mechanisms used depending on implementing entity and topic area

The US does not have a government-wide approach to implementing bilateral programming. USAID’s overseas missions develop five-year Regional or Country Development Cooperation Strategies (CDCS) in cooperation with Washington headquarters and local stakeholders. These outline sectoral and geographic focus areas, development objectives, results frameworks, strategic objectives, and implementation approaches. While CDCS cover five years, funding allocations and decisions at the local level must also take into account directives from USAID headquarters in Washington and the annual appropriations process, which makes multi-year commitments a challenge. The Millennium Challenge Corporation (MCC), conversely, can make multi-year commitments, as it is legally authorized to enter into five-year commitments known as ‘compacts’ with partner countries. While different approaches and mechanisms are deployed depending on which governmental agency is implementing, the State Department has Integrated Country Strategies (ICS) that strive to encapsulate the government’s foreign-policy objectives into one strategy. The

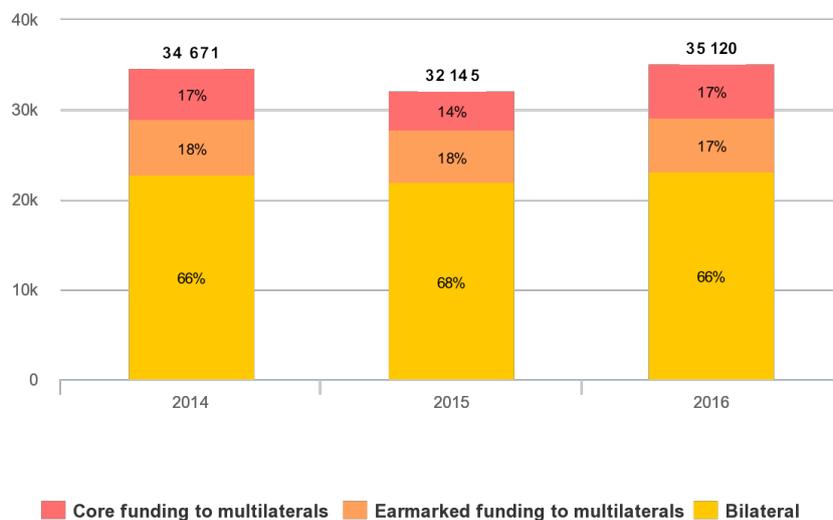
ICS are informed by the priorities outlined in USAID CDCS development objectives and those of other agencies active in the country.

Some Presidential Initiatives promote a more coordinated, longer-term approach to cooperation with partner countries. US funding for HIV/AIDS, for example, is provided through PEPFAR, which is supervised by the Office of the Global AIDS Coordinator (OGAC) at the State Department. Bilateral PEPFAR cooperation is implemented by several departments and agencies at the field and headquarters level, mainly USAID and the Department of Health and Human Services (HHS) through the Centers for Disease Control and Prevention (CDC) and the National Institutes of Health (NIH).

Within the framework of PEPFAR, partner countries can request bilateral funding through two parallel processes. First, in a process led by field offices, relevant implementing agencies jointly (through a PEPFAR coordinator) elaborate biannual Country Operational Plans (COPs) which outline investments and priority areas. Host country governments and other local partners are to be consulted during the elaboration of COPs, which are approved by OGAC after several rounds of review. Second, recipient countries can also request centrally-funded assistance from headquarters. Five-year Partnership Frameworks between the US and the host government, introduced in 2009, establish strategic goals and areas of intervention. These enable longer-term planning. For countries with such a framework, COPs are the annual work plans for US efforts to achieve framework results. Development of the Partnership Frameworks is cross-institutional, with OGAC supervising a process led by the US Ambassador in the country in question, with support from the interagency PEPFAR country team.

THE US' BILATERAL AND MULTILATERAL ODA

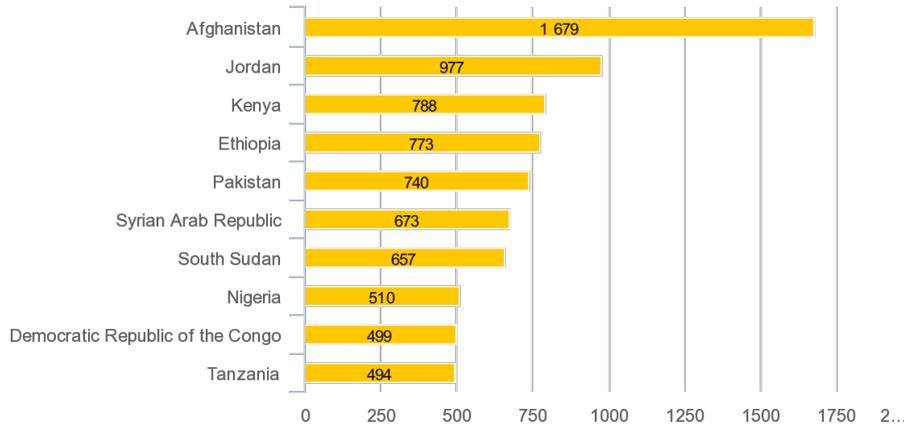
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

THE TOP 10 RECIPIENTS OF THE US' ODA

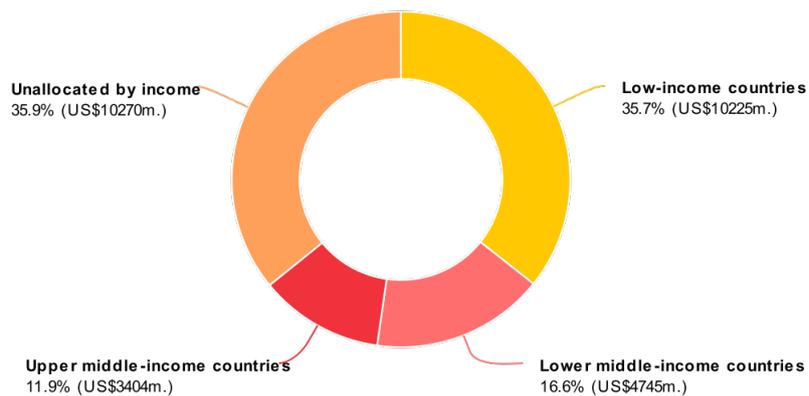
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

THE US' BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$28.6 billion



OECD CRS. Gross disbursements, in 2016 prices.