



USAID
FROM THE AMERICAN PEOPLE



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FINANCIAL MANAGEMENT: PARTNERING FOR RESULTS

*LEARNING FROM THE PAST,
BUILDING THE FUTURE*

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ABBREVIATIONS AND ACRONYMS

DCHA	Bureau for Democracy, Conflict, and Humanitarian Assistance
E3	Bureau for Economic Growth, Education, and Environment
FM	Financial management
FMAG	Financial Management Advisory Group
GAO	Government Accountability Office
GC	General Counsel
GH	Bureau for Global Health
KSC	Knowledge Services Center (M/CIO/ITSD/KM)
IFAC	International Federation of Accountants
IMF	International Monetary Fund
MDGS	Millennium Development Goals
M/CFO	Bureau for Management, Office of the Chief Financial Officer
M/OAA	Bureau for Management, Office of Acquisition and Assistance
MOU	Memorandum of Understanding
NGO	Nongovernmental Organization
OFM	Office of Financial Management
PAO	Professional Accountancy Organization
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRAF	PFM Risk Assessment Framework
PPL	Bureau for Policy, Planning, and Learning
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
TADAT	Tax Administration Diagnostic Assessment Tool
TDY	Temporary Duty Opportunities
USAID	United States Agency for International Development

MESSAGE: ASSISTANT ADMINISTRATOR FOR THE BUREAU FOR MANAGEMENT

Global development is at a pivotal time.

Looking back over the decade and a half since 2000, when the international community adopted the Millennium Development Goals (MDGs), it is clear that meaningful progress has been achieved. For example, a child born today is twice as likely to survive to adolescence as in 1990, and malnutrition and youth illiteracy have both decreased substantially.

While progress has been made, significant challenges remain. More than 1 billion people still go to bed hungry and do not have access to clean drinking water or basic sanitation.

As the MDGs expired last year, the international community adopted the Sustainable Development Goals (SDGs) to guide our course for the next 15 years as we tackle poverty, hunger, climate change, and other global problems.

As the U.S. Government's lead development agency, USAID is a partner and catalyst to achieve the SDGs.

Our FM team, working together with internal and external partners and in collaboration with partner countries, supports the achievement of both the SDGs and USAID's vision for ending extreme poverty. When countries, private sector entities, and nonprofit organizations have robust financial management (FM) systems in place, they are held accountable for using all development resources efficiently and effectively for the intended purposes.

As the development agenda evolves, the FM function must continue to adapt and respond to changing circumstances. This publication puts that evolution into context—it explains how FM is integral to development, gives a few examples of some of the wide-ranging work the USAID FM function has been responsible for, outlines the vision and objectives for the function, and describes how the function is being organized into a more closely-knit network for mutual learning and support, and for greater achievement.

The international community is clearly gearing up to achieve the SDGs, and the USAID FM network and external partners have committed to being a part of that effort. I commend the USAID Chief Financial Officer for his leadership and the financial community at large for their commitment to achieving the SDGs.



Angelique W. Crumbly
Assistant Administrator for the
Bureau for Management, USAID

PHOTO CREDIT: USAID

FOREWORD: CHIEF FINANCIAL OFFICER



Reginald W. Mitchell
Chief Financial Officer, USAID

PHOTO CREDIT: USAID

The financial management (FM) community is an essential part of the team that works to achieve USAID’s mission and the Sustainable Development Goals. FM—along with other management operations and bureau colleagues—is on the front lines in supporting development efforts across the wide spectrum of Agency activities, whether they focus on health, education, democracy and governance, economic growth, or other technical areas.

To fully support this agenda, the FM community is evolving as a function. FM has—and will always have—the *fiduciary role* of providing reasonable assurance that the financing provided by USAID is used for the intended purposes. In addition, as part of my vision, we expect to increase our emphasis on our *development role*—that is, supporting partner countries, private sector entities, and nonprofit organizations in developing sustainable FM capacity.

This publication provides the context for this movement from “old” to “new.” It touches briefly on the global development challenge and USAID’s role in addressing that challenge; it explains how good financial management is absolutely essential to good development; and it describes how the FM function in USAID, working closely with internal and external partners, makes a difference to USAID’s work. Finally—because another part of my vision is to create an Agency-wide community of FM staff who exchange information with, support, and learn from one another—this publication shows how M/CFO is evolving to provide the support FM staff may need as they focus more on their development role.

Part of being a community is sharing stories, and we in the FM community have many powerful stories that deserve to be shared. We tell a few of them in this publication. At the same time, we’re launching a page on the M/CFO internal website where we will publish our stories. We look forward to sharing our experiences, looking both to lessons from the past and our efforts for the future: who we are (becoming) and the challenges we confront every day; the innovations we develop and implement to meet those challenges; the work we do with others both internally and externally, in cooperation with partner countries; and most important, the direction we are moving in as a function and as key players on the development team.

Partnering for Results: Learning from the Past, Building the Future is the result of a highly collaborative approach. It was spearheaded by M/CFO staff but could not have come together without the stories and overall contributions of the FM community, both in Washington and in the field, and our partners in E3, DCHA, GC, GH, PPL, M/OAA, and elsewhere. My special thanks to the FM Publication team of Albert Moesle (Team Lead), James Redder, Lydia Nylander, Thao Tran, Dorothea Malloy, and Patricia Rogers; to Tony Hegarty for providing overarching leadership and guidance; and most important, to all the individuals who shared their stories and pictures. Finally, my appreciation to Marilyn Langfeld and the KSC team for the graphics work.

It is our hope that *Partnering for Results* conveys this spirit of collaboration. While the development challenge before us is great, it is my belief that working with internal and external partners, together with partner countries, in the spirit of cooperation will be the key to our success.

Together we can and will go far.

FINANCIAL MANAGEMENT: ADDING VALUE





**Farmers inspect wheat
in Balkh, Afghanistan.**

PHOTO CREDIT: ASAP PROGRAM / USAID AFGHANISTAN

THE DEVELOPMENT CHALLENGE: ENDING EXTREME POVERTY



School under the trees in the Northern Region Ghana.

PHOTO CREDIT: A. KAUFFELD / USAID

The most critical development challenge of our time is eradicating extreme poverty. Extreme poverty is defined very simply as the inability to meet basic consumption needs on a sustainable basis.¹ However, it is a multidimensional phenomenon encompassing a host of ills: undernutrition and food insecurity; lack of access to clean water, sanitation, and health care; limited education; unemployment and underemployment; marginalization in society; vulnerability to economic setbacks, natural disasters, or illness; and more.

In 2000, the international community agreed on a set of Millennium Development Goals (MDGs)—eight statements of firm intent to address some of the most intractable aspects of extreme poverty by 2015. Countries, development agencies, foundations, nongovernmental organizations—all made the MDGs their focus.

1. U.S. Agency for International Development (2015). Vision for Ending Extreme Poverty. Washington, DC: USAID.



As a result, countries around the world made remarkable gains in such areas as providing access to food and clean water, halting the spread of communicable diseases, improving working and living conditions for poor people, and increasing girls' access to education.

But in spite of this significant progress, the task is far from complete. Around the world over 1.2 billion people still live on less than \$1.25 a day, do not have access to clean drinking water, and go to bed hungry each night. Conflict, climate change, and pandemic diseases threaten the lives and livelihoods of millions, and poor governance denies citizens both services and security.

In 2015, as the MDGs expired, the international community developed a new set of goals—the Sustainable Development Goals (SDGs). Even more far-reaching and ambitious than the MDGs, the SDGs are intended to guide development efforts for the next 15 years. Again, countries and all the agencies and groups that assist them are focusing their projects and programs on achieving the SDGs.

A young boy receives an oral polio vaccination at a medical clinic in Port-au-Prince, Haiti. USAID/OFDA funds 12 mobile and static International Medical Corps clinics that target rural and displaced populations in and around Port-au-Prince, Petit Goave, and Leogane.

PHOTO BY KENDRA HELMER / USAID

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

We partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity.

USAID Mission Statement

The United States Government endorses the SDGs, which reflect the aspirations of all countries and are grounded in a commitment of shared responsibility to all people and the planet. Success in achieving the SDGs will depend in large part on the actions of governments and citizens in the countries that are home to the world's extremely poor people. USAID, as the U.S. Government's lead development agency, will act as partner and catalyst to achieve these goals, which lie at the core of its mission statement.

USAID is an independent agency of the United States Government that receives overall foreign policy guidance from the Secretary of State. With an annual budget of over \$20 billion, a talented and professional staff of some 4,000, and a presence in more than 100 countries around the world, USAID works to accelerate human progress in developing countries in a broad range of ways:

- Investing in agricultural productivity
- Combating maternal and child mortality and deadly diseases
- Providing life-saving assistance in the wake of disaster
- Promoting democracy, human rights, and good governance
- Helping communities adapt to a changing environment and global climate change
- Fostering private sector development and sustainable economic growth
- Elevating the importance of gender considerations
- Expanding access to education in regions affected by crisis and conflict

USAID's work is guided by its vision for ending extreme poverty: Ending extreme poverty is only possible through a focus on inclusive economic growth supported by effective governance and accountable institutions. Economic growth spreads through dynamic, vibrant, and open markets; it thrives on investments in people's capacity and human capital; it relies on modern infrastructure; it flourishes in peaceful and just societies; and it both benefits from and contributes to strong, reliable safety nets.



“I am so happy that my family has now finally recognized me as a Woman Farmer,” says Nuhat Bibi as she proudly surveys her bumper crop of wheat. USAID’s Small Grant Program is becoming a model for agricultural education through its detailed training sessions in water conservation, tunnel farming, and soil testing methods in combination with providing women with basic literacy, financial literacy, and citizenship rights.

PHOTO CREDIT: SMALL GRANTS PROGRAM WITH POTOHAR ORGANIZATION FOR DEVELOPMENT ADVOCACY / USAID

USAID'S OFFICE OF THE CHIEF FINANCIAL OFFICER

USAID is a major player and partner in the international development enterprise. For every activity in USAID's vast portfolio, the financial management (FM) function, headed by the Bureau for Management, Office of the Chief Financial Officer (M/CFO), is an essential actor.² The FM function is integral to USAID as it carries out its mandate and supports the achievement of the SDGs.



CFO Reginald W. Mitchell, serving as Master of Ceremonies during the USAID-GAO Center MOU signing (see page 42).

PHOTO CREDIT: USAID

MICFO: Who We Are

Around 100 staff in Washington, DC, headquarters provide leadership, direct FM operations worldwide, establish policy guidance and standards, administer Agency foreign assistance funds, and coordinate communications.

In the field, some 100 American FM staff work side by side with more than 800 skilled and well-trained FM professionals from partner countries, providing FM support related to the fiduciary assurance of USAID's program portfolio, as well as business advice, analysis, and capacity development services.

One Team, One Mission



Some members of USAID/Washington staff at the signing of a historic Memorandum of Understanding between USAID and the International Monetary Fund (see page 43). At center (holding the MOU): Deputy CFO for Overseas Operations Mark Hunter and SDAA/M Clinton White.

PHOTO CREDIT: ROBB HOHMANN/M / USAID

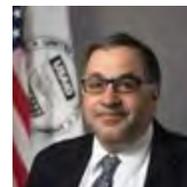
2. It is important to note that the FM function is also supported by other USAID Bureaus—particularly the Bureau for Economic Growth, Education, and Environment (E3), and the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA)—with which M/CFO works in close partnership.

FINANCING DEVELOPMENT

Work on the ambitious agenda that is reflected in the SDGs will require resources that far surpass current development financial flows.³ It will be necessary to mobilize and use multiple financing sources—public and private, national, and global. This means that not only official development assistance, but also domestic resources and private investment will have a role to play. There are many possible sources of finance for this important work.

- **Optimizing natural resources.** Many countries have untapped resources—for example, oil and minerals—that could, if developed, yield significant income. African countries, in particular, stand to benefit: the IMF estimates that Africa contains fully a third of the world’s known mineral reserves. However, it will be essential to ensure that these finite resources are managed properly for the benefit of the people, and not wasted or exploited. Strong governance, transparency, and accountability will be critical.
- **Stemming illicit financial flows.** Illicit financial flows are funds generated from criminal activities, corruption, tax evasion, bribes, and cross-border smuggling. In a recent report, the African Union and the United Nations Economic Commission for Africa estimated that Africa loses more than \$50 billion each year in unpaid taxes and money laundering alone.⁴ Addressing governance problems—weak institutions and inadequate regulatory environments—will be essential to helping countries stem illicit financial flows and harness those funds for the benefit of their people.
- **Mobilizing domestic resources.** Many countries are not able to collect enough money domestically to run the programs and provide the services governments are expected to provide. Of course, optimizing natural resources and curbing illicit financial flows will both boost domestic revenues. In addition, to assist countries in supporting their own development, it will be important to help them build effective and trusted tax administrations and simpler revenue systems. Since the Third International Conference on Financing for Development (July 2015, in Ethiopia), over 30 countries (including the United States) and international organizations have signed the Addis Tax Initiative and declared their commitment to enhance the mobilization and effective use of domestic resources and to improve the fairness, transparency, efficiency, and effectiveness of their tax systems.⁵
- **Increasing the development impact of public expenditure.** Once governments have funds, do they make the best use of them? Public financial management assessments in most developing countries have found many weaknesses in the areas of budget formulation, execution, and reporting. But with strong performance metrics and monitoring, public expenditures can have greater impact and create higher-quality, sustainable results.

“This past year, USAID made important strides to build a strong, sustainable internal control posture. We achieved these improvements through working as a team and focusing our efforts.”



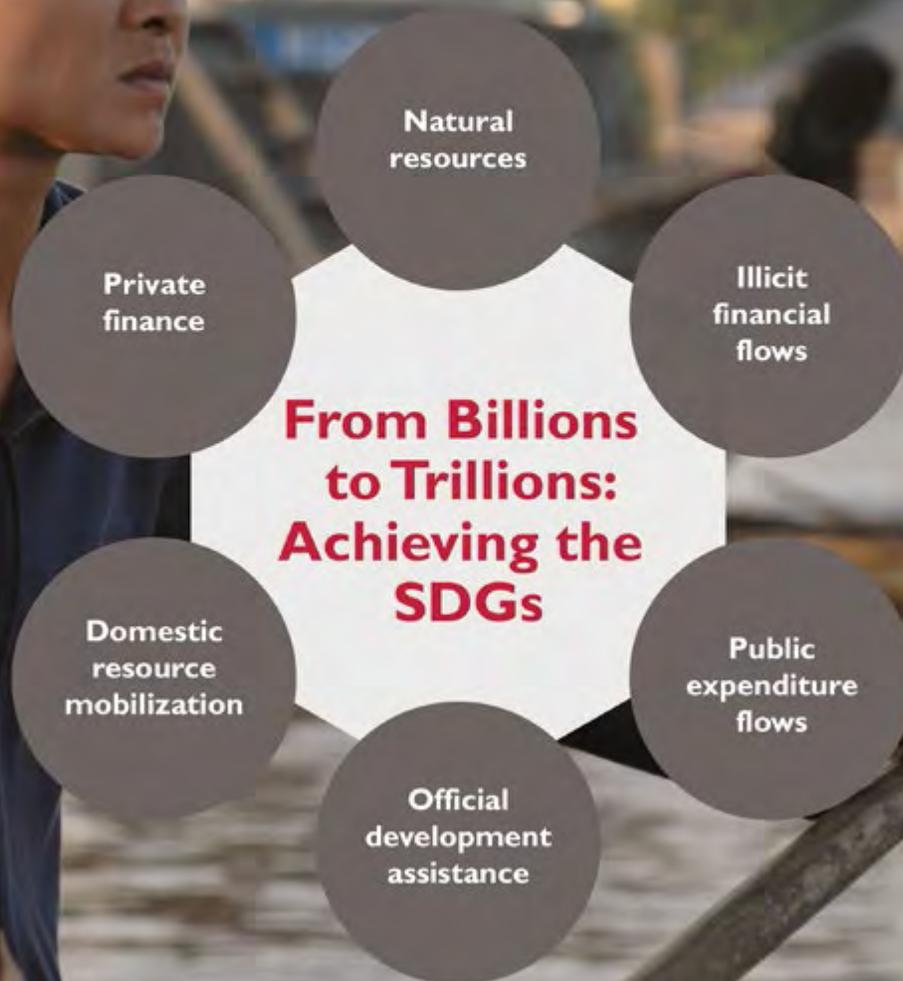
Kent Kuyumjian
Deputy CFO for Washington
Operations

3 *From Billions to Trillions—Transforming Development Finance*, International Monetary Fund Press Release No. 15/170, April 16, 2015.

4 *Illicit Financial Flows*, report of the High-Level Panel on Illicit Financial Flows from Africa, February 2015.

5 See <http://www.un.org/esa/ffd/ffd3/commitments/commitment/addis-tax-initiative>

2015–2030: Mobilizing Resources



Views from Can Tho's Floating Market

PHOTO CREDIT: RICHARD NYBERG / USAID VIETNAM

“Achieving the SDGs will require moving from billions to trillions in resource flows and will require a transformational vision that builds on lessons learned from the MDGs and combines all potential sources of finance.”

From Billions to Trillions: Transforming Development Finance, prepared jointly by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, International Monetary Fund, and World Bank Group, April 2015.



- **Attracting private finance.** The private sector will play a pivotal role in financing the post-2015 development agenda. Private investment underpins economic growth, knowledge and technology transfer, job creation, and productivity gains. Thus it will be essential to mobilize increasing amounts of private resources—for example, from capital markets, pension funds, institutional investors, and businesses. In particular, countries and their partners will need to focus on establishing an enabling environment that can attract the private sector: a transparent and open environment, in which agreed business standards—including those for accounting and auditing—are known and observed.
- **Increasing official development assistance.** There is no substitute for official development assistance (that is, the funds provided by multilateral and bilateral development institutions), especially for work in the poorest, most fragile, or conflict-torn countries, where private investment remains limited. But it will be increasingly important to look for better and “smarter” ways of providing assistance that can help catalyze and leverage financing from all these

Radhika B.K. sells ginger to a company called Annapurna Organic through her women’s cooperative. She is one of 9,000 ginger farmers who benefitted from a USAID project, part of Feed the Future, in Nepal.

Annapurna Organic established Nepal’s first large-scale ginger processing plant with USAID’s help. The company then linked up with farmers like Radhika, who had received productivity training from USAID. Annapurna Organic now has a contract agreement, the first of its kind, with the women’s cooperative.

PHOTO CREDIT: NEAT / USAID

various sources to achieve the SDGs.

THE ROLE OF FINANCIAL MANAGEMENT

IN SUSTAINABLE DEVELOPMENT

More resources are clearly needed for the work to achieve the SDGs, but mobilizing funds is only part of the equation. How well those funds are used is the other part. It has been estimated, for example, that improving public sector efficiency by only 10 percent could release as much as \$250 billion to use on development.⁶ And this is where FM has an important role to play—where it adds value and sustainability to the development enterprise.

Strong FM systems underpin good governance; they are critical for the effective, transparent, and accountable use of funds. In the private and nonprofit sectors, FM has three primary objectives: responsible planning for the use of resources, responsible use of resources according to the plan (budget), and transparent reporting on how the resources were used. In the public arena, public financial management (PFM) has much the same objectives: fiscal discipline, efficiency in the allocation of resources, and efficiency in the delivery of public services.⁷ In USAID, PFM—which is predominantly covered by E3, DCHA, and M/CFO—includes not only budgeting, accounting, and auditing, but also economic analysis and governance structures.

“For the approximately \$8 billion in Global Health programs funding, financial management staff are responsible for oversight, work with local and government partners, disbursement, and expenditure review. It would be impossible for Global Health to fulfill its mission in the areas of ending preventable and maternal deaths, creating an AIDS-free generation, and protecting communities from infectious diseases without the teamwork of financial management staff, both in the field and in Washington.”

Wade Warren
Assistant to the Administrator
for the Bureau for PPL,
Former USAID Deputy
Assistant Administrator,
Global Health

What is PFM?

PFM encompasses the mobilization of government revenue, allocation and spending of resources by public entities, and their accounting and reporting on those revenues and expenditures. In other words, a PFM system includes all the components of a country’s fiscal situation and budget process—upstream (strategic planning, medium-term expenditure frameworks, annual budgeting) and downstream (revenue management, control accounting, reporting, monitoring and evaluation, audit and oversight).

USAID Guide to Public Financial Management

6. Statistic highlighted at Bolstering PFM Systems for Efficiency and Delivery, side event organized by the World Bank at the Third International Conference on Financing for Development, Addis Ababa, July 2015. See <http://www.un.org/esa/ffd/ffd3/events/event/bolstering-country-public-financial-management-systems-for-efficiency-and-delivery-2>
7. US Agency for International Development (April 2015). Guide to Public Financial Management. Washington, DC: USAID.

FM Adds Value in the Public, Private, and Nonprofit Sectors

Enhancing
transparency and
accountability in
the use of public
funds

Furthering
the growth
and development
of small and
medium-sized
enterprises

Improving the
development and
delivery of vital
public services

**Robust accounting
and auditing practices
provide reliable
financial information,
reporting, auditing**

Attracting
foreign direct
investment

Enhancing the
effectiveness of
foreign aid

Economic
growth &
social
development

Ending
extreme
poverty

USAID's Agricultural Recovery Program, in Khyber Pakhtunkhwa, Punjab, and Balochistan has helped more than 500,000 farmers salvage the winter planting season and livestock after floods. As a result, wheat farmers have nearly doubled their harvests.

PHOTO CREDIT: MEHDI ALI KHAN / USAID PAKISTAN

“We recognize that though foreign assistance is a valuable tool, we cannot achieve sufficient impact through assistance alone. That is why we are making smarter investments with our assistance; leveraging private capital and funding from other donors to scale our impact; and supporting governments, small businesses, and entrepreneurs to mobilize domestic resources for development.”

Remarks: U.S. Leadership in International Development, March 9, 2016

Gayle E. Smith
Administrator, USAID

Of course, members of the development community have an interest in seeing that, when they provide funds, the recipients are able to use those funds responsibly and appropriately. However, development funds may represent only a portion of the budgets of governments or private and nonprofit entities. When recipients have in place robust FM systems—that is, robust accounting and auditing practices that provide for reliable financial information, reporting, and auditing—those systems ensure that the recipient is held accountable for using *all* resources, from whatever source, economically, efficiently, and effectively for the intended purposes.

FM is integral to developing such systems. FM systems add value and sustainability in the public, private, and nonprofit sectors in a number of ways.

- **Enhancing transparency and accountability in the use of funds.** Recipients must make a wide range of internal management decisions in such areas as planning and budgeting, monitoring, and accountability. These decisions can be sound and sustainable only if they are based on good-quality financial information. Such information is also the basis for assessing the impact of development projects, and for reporting on results.
- **Improving the development, sustainability, and delivery of public services.** Using the information provided through good-quality financial reporting, policymakers and other authorities can improve the efficiency, sustainability, and effectiveness of government programs and better achieve the objectives of those programs—to successfully deliver vital public services.
- **Enhancing the effectiveness of foreign aid.** When countries that receive aid funds have sound accounting, auditing, and financial reporting systems, their donor partners can rely on and use those systems in delivering aid.
- **Attracting foreign direct investment.** The development of capital markets requires credible and reliable financial information, based on international standards, to build the confidence of potential investors and help create an investment climate that is favorable for business.
- **Furthering the growth and development of small and medium-sized enterprises.** It is estimated that in low-income countries, small and medium-sized enterprises (SMEs) account for over 60 percent of the gross domestic product and 70 percent of total employment. It follows, then, that supporting the SME sector boosts a country’s economy. These businesses require good-quality financial information to carry out their business planning, facilitate their access to credit, and expand their operations—in general, to enhance their ability to thrive and grow.

In addition, FM is closely linked to three of the SDGs and will thus be crucial to achieving them:



In 2010 and 2011, Pakistan’s provinces of Balochistan and Sindh were hit by devastating flash floods, severely damaging the little infrastructure for health and education. USAID undertook the reconstruction of 36 of the damaged schools. As Pakistan grapples with energy shortage and frequent power breakdowns, all these schools have been provided their own solar energy units for uninterrupted power supply.

CREDIT: USAID / PAKISTAN

- Goal 12, “Ensure sustainable consumption and production patterns,” has a target that encourages companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycle.
- Goal 16, “Promote just, peaceful and inclusive societies,” has targets related to tackling illicit financial flows, corruption, and bribery and developing effective, accountable, and transparent institutions.
- Goal 17, “Strengthen the global partnership for sustainable development,” has targets stressing the need to develop sustainable partnerships between governments and the private sector and civil society, improve domestic resource mobilization, and mobilize additional financial resources from multiple sources.

The accountancy profession—which covers accounting, auditing, financial reporting, taxation, risk management, ethics, and education—is a vital aspect of



Hapsatou Ka was a housewife and mother until she began working with USAID Yaajeende. She was nominated by her community and trained by the project as a “Community Based Solution Provider” who facilitates the community’s access to products and services that improve the quality of local agricultural production and enhance the health of the local populations. Through Feed the Future, USAID works with the Government of Senegal to reduce poverty and undernutrition by promoting agriculture as a driver for economic growth.

PHOTO CREDIT: MORGANA WINGARD / USAID

FM in any country. Professional accountancy organizations (PAOs) are an integral part of the national financial infrastructure and make a significant contribution to the financial, economic, and social development of their countries and regions, and the world. When PAOs function appropriately, they act in the public interest; develop and produce capable and competent accountancy professionals; promote and enforce strong professional and ethical standards; further the quality of financial reporting and management by reviewing professionals; and act as a resource to governments, regulators, and other stakeholders.

In adding value to today’s development efforts, FM faces a twofold challenge, and opportunity: to address capacity constraints at the professional and technician levels, and to enhance accounting practices in the public, private, and not-for-profit sectors.

FINANCIAL MANAGEMENT FOR SUSTAINABLE DEVELOPMENT

Reconstruction of Banda Aceh
School after the tsunami.

PHOTO CREDIT: USAID INDONESIA

RIK
BANDA ACEH



As part of its health and nutrition component, USAID-ACCESO provides hands-on technical assistance and training to parents of young children. Through household visits, technicians help parents monitor their children's weight and growth, provide nutritional charts and feeding guides, and lead food preparation demonstrations to improve the overall health and well-being of the entire household.

PHOTO CREDIT: FINTRAC INC. / ZIMBABWE AGRICULTURAL INCOME & EMPLOYMENT DEVELOPMENT PROGRAM (ZIM-AIED)

It is clear that FM, and its practitioners, have a significant role to play in supporting countries' economic growth and social development, and ultimately in reducing extreme poverty. The International Federation of Accountants recently reported on a study finding that the accountancy profession—one part of financial management—is strongly linked to national economic growth and improved living standards. Indeed, the study estimates that the profession contributes \$575 billion annually to the global economy.⁸

The question to ask, then, is how well FM is developed as a profession and is carrying out its role in developing countries. In recent years, the international development community has worked with partner countries in conducting diagnostic studies to develop a better understanding of countries' FM systems and accountability environments. The answer they have found is that there is room for substantial improvement.

- **PFM diagnostics.** Over 500 diagnostics of developing countries' PFM environments have found a range of problems: incomplete budget information, inadequate accounting systems, obsolete legal frameworks, ineffective internal and external audit, poor dissemination of PFM information, a shortage of qualified PFM professionals, and barriers to the use of integrated FM information systems.

8. *Nexus 2: The Accountancy Profession—A Global Value Add* (2015), International Federation of Accountants.



- Reports on the Observance of Standards and Codes (ROSC).⁹**
 Over 130 ROSC Accounting and Auditing diagnostics—which look at countries’ private sector environments—have also found a range of shortcomings: outdated legal frameworks, weak accountancy professions, lack of access to international standards and widespread noncompliance with them, weak monitoring and enforcement mechanisms, inadequate training and curricula, and lack of implementation guidance and practice manuals.
- Professional Accountancy Organizations Global Development Report.** Although PAOs hold the potential to significantly affect national economic and social development, many struggle to fulfill their functions and fall short of realizing their full potential. This report, issued by IFAC and the multilateral development banks (see p. 42), found a need for strong legal and regulatory frameworks for PAO establishment and growth.

Thus it is evident that, although progress is being made, a key challenge confronting FM in developing countries is weak capacity that profoundly affects the areas of governance, accountability, and transparency. Unless the international development community finds ways to work with partner countries and with entities in the private and nonprofit sectors in addressing this challenge, it will not be possible to achieve the SDGs.

The USAID-funded Assistance in Building Afghanistan by Developing Enterprises Program spurs economic growth in Afghanistan by assisting small and medium companies to innovate, expand, and modernize their businesses through equipment procurement and technical support. These leveraged partnerships encourage more direct investments by Afghan companies in Afghanistan.

PHOTO CREDIT: STEVE DORST / ASSISTANCE IN BUILDING AFGHANISTAN BY DEVELOPING ENTERPRISES (ABADE) PROGRAM

9. These reports are used to help sharpen policy discussions with national authorities, and in the private sector (including by rating agencies) for risk assessment. For information on ROSC, see <http://www.bing.com/search?q=rosc+accounting+and+auditing&src=IE-TopResult&FORM=IETRO2&conversat ionid=>. ROSCs are reports, prepared and published at a country’s request, summarizing the extent to which the country observes internationally recognized standards and codes in any of 12 areas, including accounting, auditing, banking supervision, corporate governance, and fiscal transparency.

FINANCIAL MANAGEMENT AT USAID

USAID's FM function is headed by the Bureau for Management, Office of the Chief Financial Officer (M/CFO).

Vision. M/CFO's vision is of partner countries and local organizations with FM systems and human resources that are robust and capable of managing funds, including those provided by USAID and other donors, and of accounting for the use of those funds to their citizens/stakeholders and to donors. Internally, its vision is for FM to be a partner for sustainable development results, fully integrated into the preparation and implementation of all USAID-financed projects/programs and sustainable capacity-development initiatives.

Strategic objectives. FM at USAID has two closely related strategic objectives or pillars—the first fiduciary, and the second developmental.

- **Fiduciary pillar.** FM staff are responsible for providing reasonable assurance that the financing provided by USAID is used for the intended purposes. They carry out their fiduciary mandate by ensuring sound FM practices at the project/program level, providing thorough and comprehensive financial data, and delivering advisory, technical, and analytical services to USAID operating units and partners.

“Effective oversight means taking responsibility at all levels of USAID to mitigate risk and, when necessary, ensure quick, corrective action to protect agency resources. At the Office of the Inspector General, we appreciate the integral role that the Office of the Chief Financial Officer plays in these processes.”

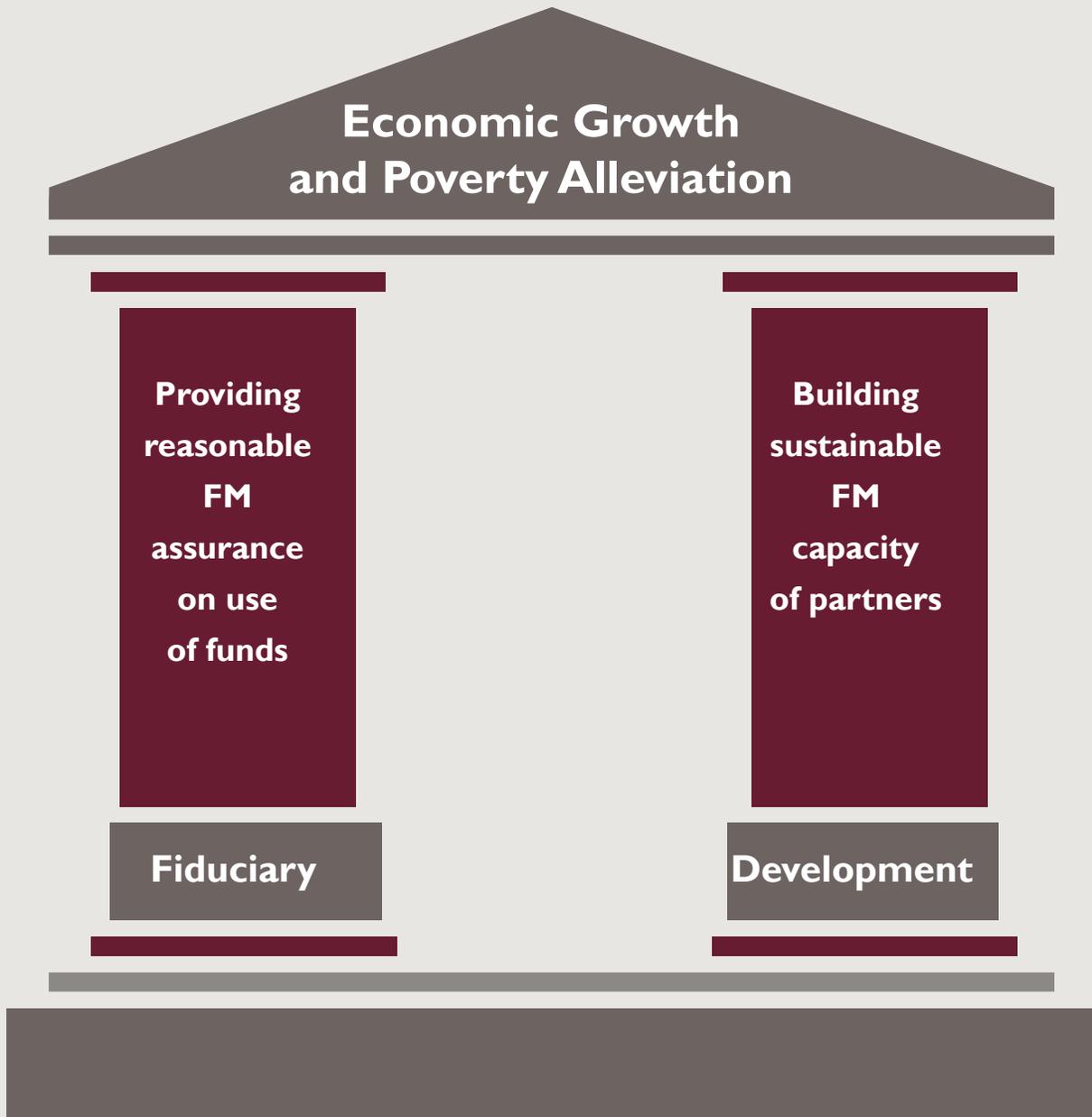
Catherine M. Trujillo
Deputy Inspector General

A member from ANI's Tbilisi Youth Center holding a reading session organized for children deprived of parental care living in SOS Childrens' Villages Georgia

PHOTO CREDIT: USAID GEORGIA



Strategic Objectives: Two Pillars





Buyers and artisans conduct business at a trade showcase supported by USAID to spur economic growth.

PHOTO CREDIT: USAID WEST AFRICA TRADE HUB

- **Development pillar.** USAID understands that the best way to ensure that recipients use USAID financing appropriately is to help ensure that they are able to use all financing appropriately. Accordingly, M/CFO and FM staff use outreach, inclusion, capacity development, and effective teamwork to support partner countries and private/nonprofit entities in building sustainable FM capacity and improving financial performance.

“FM staff have always been invaluable members of design, implementation, and evaluation where I have been involved. They parlay their knowledge into a community of practice with local implementing partners framed around ethics, organizational capacity development, monitoring and evaluation, and effective use of information technology.”

Elizabeth Warfield
USAID Local Solutions Coordinator
Counselor, Office of the
Administrator



Fishing port of Tema in Ghana

PHOTO CREDIT: A. KAUFFELD / USAID

The fiduciary pillar has always been—and will remain—central to M/CFO’s mandate: providing fiduciary assurance to ensure financial stewardship over the use of funds, as provided under U.S. laws and regulations.¹⁰ Going forward, the expectation is that there will also be an increasing emphasis on the development pillar. USAID’s FM function will strive to work collaboratively with other development partners and collegially and inclusively with partner countries and with the private and nonprofit sectors to enhance countries’ FM environments. The key operational challenge is to accelerate and deepen the shift from agency accounting and auditing professional to policy adviser expanding the profession—from carrying out diagnostics to building sustainable FM capacity.

“A developing country is only as strong and transparent as its public financial services. In Macedonia we created a partnership of governments, financial experts, and regional consultants to train auditors and elevate the level of accounting expertise in a developing country. The partnership helped to develop Macedonia’s public sector in line with countries that enter the European Union. Moreover, there was sufficient emphasis on “train-the-trainers” that the Government of Macedonia could take over and continue the training after the program ended.”

Robert Wuertz
Director, E3/EP

¹⁰. See in particular the Chief Financial Officers Act, <http://govinfo.library.unt.edu/npr/library/misc/cfo.html>.



Using a timer, a Female Community Health Volunteer in Nepalgunj counts a child's respiratory rate to confirm a diagnosis of a possible respiratory infection.

PHOTO CREDIT: USAID NEPAL

ENSURING FINANCIAL STEWARDSHIP IN KENYA

In September 2015, USAID awarded a \$650 million contract—its largest local direct contract to date—to the Kenya Medical supply Authority (KEMSA). M/OAA and FM staff in Kenya were instrumental to this award, providing advice on appropriate implementation and payment mechanisms; reviewing and interpreting USAID guidance and policies; reviewing KEMSA's capacity and its efforts to strengthen its systems and processes; performing joint site visits to better understand the organization's capabilities, operations, and business processes; advising on required documentation and approvals; and providing guidance on incentives to motivate contractor performance.

“One of the most important and crucial changes for staff in both the A&A and FM shops is that they have transcended being sometimes seen as “support staff” to become key players who serve as Business Advisors and are key to building the capacity of local organizations.”

Sunil Xavier
Deputy Director, M/OAA

Internal Partnering for Results

Derrick Brown
Deputy Mission Director,
USAID/Indonesia



Catherine Trujillo
Deputy Inspector General



Elizabeth Warfield
Local Solutions Coordinator,
Counselor's Office



Wade Warren
Assistant
Administrator,
PPL



Jun Jin
Assistant General
Counsel for A&A,
Office of the
General Counsel



**SOME
INTERNAL
PARTNERS**

Robert Wuertz
Director,
E3/EP



Sunil Xavier
Deputy Director,
M/OAA



Neil Levine
Director, DCHA/DRG



Roy Plucknett
Director, M/OAA



PHOTO CREDIT: USAID GUATEMALA

M/CFO: SUPPORTING FM STAFF



A broad set of USAID and Government of Peru programs are helping small farmers transition from growing illicit crops, like coca, to alternatives such as coffee beans or cacao for chocolate.

USAID used Development Credit Authority loan guarantees to get local capital into the hands of creditworthy but underserved farmers.

PHOTO CREDIT: BOBBY NEPTUNE / USAID

Work in USAID is nearly always carried out in partnership. Depending on the task, the country, and the specific target group, M/CFO works closely with the Bureau for Management, Office of Acquisition and Assistance (M/OAA) and with USAID's other bureaus—Economic Growth, Education, and Environment (E3); Democracy, Conflict, and Humanitarian Assistance (DCHA); General Counsel (GC); Global Health (GH); and Policy, Planning, and Learning (PPL).

“As Controller in USAID/Peru, I worked closely with some seasoned PFM experts on a host government evaluation. I realized that the breadth and depth of the questions in this area would be transformative for us. Knowledge in areas such as budget formulation, fiscal transparency, anticorruption, Treasury Single Account, IFMIS, and tax policy had not been part of our training. Expanding our understanding of these functions and working more closely with our USAID colleagues will continue to be part of our professional growth in building our PFM expertise over time.”

Mark Hunter
Deputy CFO for Overseas Operations



M/CFO has the primary responsibility for supporting the FM function, as this section explains; but even in this area it often works in close cooperation with its USAID partners.

Communications. M/CFO is acutely aware of the needs of the much larger group of geographically dispersed FM staff working in countries around the world. It sees outreach and two-way communication as paramount in forging the kind of network that can fully support all staff in carrying out their responsibilities. To address this need, in 2015 M/CFO created a new role of M/CFO Communications Director. As part of an overall strategic vision, the Communications Director has planned and led several initiatives designed to inform and connect staff, and to learn from them. This publication is one example of these efforts.

- **Financial Management Advisory Group (FMAG).** In September 2015, M/CFO launched the FMAG to serve as a key connecting point between the field and Washington by providing a two-way channel of communication through which overseas financial management staff can provide strategic input for M/CFO leadership. FMAG members are the CFO and Deputy CFOs, plus nine members from overseas staff, serving rotating three-year terms. The group meets at least quarterly by teleconference. Information about the FMAG's activities is published in *Finance Forum* and made available on the M/CFO webpage.

USAID supports economic growth in Egypt by promoting small business, supporting entrepreneurship, and training students to successfully compete for jobs.

PHOTO CREDIT: C. GUTIERREZ /USAID EGYPT

Seminomadic cattle herders farm rice and escape the harsher effects of climate change in Mali. This shift to rice production contributes to their economic stability and regional food security.

PHOTO CREDIT: LEIGH HARTLESS /ACDI VOCA



- **Newsletter.** In May 2015 M/CFO staff received the premier issue of a new newsletter, *M/CFO Finance Forum*. Each month the *Forum* features columns by the CFO and Deputy CFOs, as well as a wide range of information of interest to FM staff throughout the Agency: summaries of pertinent meetings, upcoming training opportunities, links to useful publications, results of recent studies, staff changes, and more.
- **Speaker Series.** In early 2015, M/CFO joined with Local Solutions, E3, and DCHA to organize a Speaker Series, bringing in well-known speakers who function at the intersection of management operations and international development. The first two rounds of the series, extending from April 2015 to February 2016, featured speakers from the Public Expenditure and Financial Accountability (PEFA) Initiative, the Government Accountability Office (GAO) Center for Audit Excellence, the International Monetary Fund (IMF), the World Bank, the International Consortium on Governmental Financial Management, the International Federation of Accountants (IFAC), and the Institute of Internal Auditors. All sessions included a question-and-answer period to allow staff to probe points of special interest to them. Each of the sessions was video-recorded and made available on the M/CFO website.
- **Worldwide mission calls.** Once each quarter, the CFO and Deputy CFOs hold a series of worldwide conference calls for all FM staff. The calls allow the M/CFO team to listen directly to concerns from the field, take questions, and share thoughts.



USAID connects a Kenyan dairy farmer to biogas that enables him to light his new home with clean energy.

PHOTO CREDIT: SHRAVAN VIDYARTHI / LAND O'LAKES INTERNATIONAL DEVELOPMENT

Internal capacity building. USAID’s FM staff are known as dedicated professionals who use sound judgment, creativity, and innovation in carrying out their work. But as their work shifts from focusing exclusively on the fiduciary aspect to including the development aspect, they—like staff in many other development agencies—need to cultivate the specific knowledge and skills to assist partners in improving their FM performance. In recent months M/CFO has launched several initiatives to help FM staff build their own capacities.

- **Training sessions.** M/CFO has updated the Internal Controls Assessment Process training sessions it offers at various USAID locations worldwide. This session develops USAID staff’s knowledge of professional standards on internal control and risk for USAID operations—knowledge that may be applied to other entities for FM capacity development and sustainability.

Under a historic Memorandum of Understanding USAID signed with the IMF in August 2015, the IMF will develop and deliver to USAID staff training sessions on PFM reforms, issues, and capacity development to support macroeconomic stability and economic growth in developing and emerging market economies. This training will supplement existing USAID courses by drawing on the unique perspective of the IMF as a lead provider of PFM technical assistance to developing countries. The IMF will also develop and deliver this course in an online format for broader accessibility and reach to USAID and partner staff.

“FM produces talented, well-rounded officers who are analytical and knowledgeable about the different parts of a mission’s operations.”

Derrick Brown
USAID/Angola Mission Director



Cooperative members in Kabare, South Kivu province, sort dried coffee beans to take out those that are damaged. International coffee buyers raved about the quality of this coffee—a consequence of very meticulous quality control promoted by the USAID-supported Kivu Specialty Coffee Project: Kahawa Bora Ya Kivu.

The business acumen of the cooperatives was enhanced so they could enter into a pre-harvest financing agreement with Westrock Coffee, allowing the cooperatives to pay farmers up-front for their cherries at the time of harvest.

PHOTO CREDIT: PATRICK SMITH/USAID.

The Tax Administration Diagnostic Assessment Tool (TADAT), launched in November 2015, is a new internationally supported diagnostic tool that provides an objective and standardized performance assessment of a country's tax administration system. In coordination with E3, M/CFO organized a three-day TADAT training workshop that was presented and hosted by the IMF. The workshop introduced participants to the TADAT methodology and explained how to apply it to (i) identify and understand the relative strengths and weaknesses of a tax administration system, (ii) set reform objectives, and (iii) establish and sequence reform priorities. A number of the participants in this workshop who had the appropriate background became certified as trained TADAT assessors. The TADAT course is also available online.

- **M/CFO Mentoring Program.** M/CFO has recently launched a comprehensive Mentoring Program with FM Foreign Service Officers to facilitate staff development in such areas as leadership, supervision, technical backstop, and Agency values. The goal of the Mentoring Program is to facilitate lively and frank discussions between senior staff and junior staff or among a group of employees. The Program is designed so that the relationship transcends the traditional “mentor-mentee” roles, and is instead one of mutual learning and strengthening, in which both sides are challenged to achieve greater professional growth. The program stresses confidentiality to allow employees to explore weaknesses and strengths in a truthful and honest manner.
- **Temporary Duty Opportunities (TDY) initiative.** M/CFO also encourages cross-learning and knowledge-sharing by establishing a TDY program to engage overseas mission input into M/CFO activities. Under this program, FM staff from the field will spend a few weeks in USAID's Washington headquarters—as well as time before and after the Washington stay—working on a topic of particular interest or priority to the FM community. Planned TDY assignments include work on FM knowledge management and data collection; FM in strategy, project design, and implementation; FM in fragile and conflict-affected states, humanitarian aid, and disaster assistance; and fiduciary management and reform.

PARTNERSHIPS



An Indonesian citizen in Ampuan village receives USAID-funded hygiene kits that are being handed out from a number of distribution centers in remote villages in Pesisir Selatan district in West Sumatra.

DANUMURTHI MAHENDRA / USAID INDONESIA





After training, community animal health workers like Ahmet Mahmoud Habib are able to treat most sick animals. USAID and its partners are currently helping 30 private veterinary pharmacists and more than 1,500 community animal health workers to expand their operations and provide pastoral households with access to high-quality veterinary products and services in the Afar, Somali, and Oromia regions of Ethiopia.

PHOTO: KELLEY LYNCH

“Sometimes it’s said that our efforts to combat poverty and disease do not and cannot work, that there are some places beyond hope, that certain people and regions are condemned to an endless cycle of suffering. Here, today, we put those myths to rest. Today, we set aside the skepticism, and we lift up the hope that is available to us through collective action.”

President Barack Obama
Address to the United Nations,
September 28, 2015

“When we work together, we’re a powerful force for change.”

Testimony on President Obama’s Fiscal Year 2017 Budget Request for the United States Agency for International Development, March 15, 2016

Gayle E. Smith
Administrator, USAID

No single development organization, however well-intentioned or well-endowed, can make more than a dent in the vast, multifaceted issue of extreme poverty. If all players work together, however, the chances of ending extreme poverty in a generation are much stronger. For this reason, M/CFO seeks out and embraces opportunities to work with partners in addressing the FM aspects of sustainable development. Its partners include developing countries themselves, other agencies of the U.S. Government, and external organizations.

LOCAL SOLUTIONS



For some years, the international development community has recognized that external aid is most efficient and effective when it reinforces a country's internally determined development priorities and arrangements. This was the central theme of the international High-Level Fora on Aid Effectiveness in Rome, 2003; Paris, 2005; Accra, 2009; and Busan, 2011. The meeting in Busan also added an important nuance: effective and sustainable development is inclusive. Mission leadership and staff from across the Agency have recognized the importance of these principles, stressing more direct engagement with partner governments, local organizations, and the local private and nonprofit sectors.

In support of these principles, USAID formulated its Local Solutions initiative. Local Solutions supports development that is locally owned, locally led, and locally sustained, achieving sustainable development results by using, strengthening, and partnering with local actors in ways that are purposeful, strategic, and cost-effective. The basic idea is that development investments in poor countries should catalyze the economic, political, and social processes within those countries that can improve their citizens' lives. *Inclusive country ownership* means that development priorities are established in ways that are broadly responsive to citizens' needs and aspirations. *Inclusive country systems* means that all parts of society—certainly governments, but also civil society, the private and nonprofit sectors, universities, and individual citizens—have important resources, ideas, and energy that are essential to sustaining development.

Participants in USAID/Georgia's Disability Advocacy Project, implemented by the Coalition for Independent Living.

PHOTO CREDIT: LASHA KUPRASHVILI, COALITION FOR INDEPENDENT LIVING / USAID GEORGIA



Introducing high-value horticulture crops such as leafy greens to Honduras has the double benefit of increasing incomes and making nutritious vegetables readily available for home consumption.

PHOTO CREDIT: USAID-ACCESO/FINTRAC INC.

M/CFO supports the Local Solutions approach, particularly through its development pillar—support for building sustainable capacity and improving FM in the public, private, and nonprofit sectors through outreach, inclusion, capacity development, and effective teamwork. FM work under this pillar is guided by four general principles for capacity development:¹¹

- Donor approaches should be based on supporting country leadership and ownership.
- The design and sequencing of capacity development activities should be customized, adapted, and tailored to fit the specific circumstances of each country or entity, rather than simply reflecting standard or imported solutions.
- Program design and implementation arrangements should be integrated in a holistic approach that takes into account the existing institutional, organizational, and individual levels of capacity, including the managerial and technical aspects.
- Donor support should be provided in a coherent, coordinated, and programmatic manner over a realistic period of time.

¹¹ USAID CFO Reginald Mitchell set out these principles in an address to the Winter Conference of the International Consortium on Governmental Financial Management, Washington, DC, December 8, 2015.



FM staff in the field: Working in partnership, achieving results. One of the best ways of illustrating the success of the Local Solutions approach is to describe how it has worked in real-life situations.

- **Strengthening program budgeting in Cambodia.** Years of conflict had eroded Cambodia's public services and PFM systems, but the Government's attempts to implement new systems, procedures, and ways of working had achieved only limited success. When in 2004 the Royal Government of Cambodia (RGC) decided to undertake an ambitious PFM reform program, the USAID/Cambodia Office of Financial Management (OFM) worked with the U.S. Treasury to develop a joint activity to improve Cambodia's budget credibility, fiscal transparency, and accountability. By 2015 the RGC had made major progress on its reform: adoption of a revenue mobilization strategy; finalization of a new chart of accounts, budget classification, and account code structure; and installation of a PFM information system. Ten pilot ministries submitted their 2015 budget in the program budget format, and program budgeting will now be rolled out to all ministries and subnational levels.

West Bank farmer Osamah Abu Al-Rub with his family in their strawberry farm in Jenin Governorate in the West Bank. USAID is helping him to grow higher-quality strawberries using modern methods.

PHOTO CREDIT: BOBBY NEPTUNE / USAID



Chocolate Colombia, a grower’s association, with USAID support, helps ensure that the cacao farmers at the beginning of the value chain are paid a fair market price. The association also helps ensure quality, which boosts the value of the cacao. This cacao will eventually end up at one of the country’s major chocolate producers – Casa Luker – in chocolate products that may be sold internationally.

THOMAS CRISTOFOLETTI / USAID

- **LINK: Online capacity assessment tool.** Before nongovernmental organizations (NGOs) can receive USAID grants, FM staff must assess their capacity to manage the funds and use them for the intended purposes. This assessment (“NUPAS”) is an intensive process that may take 2 or 3 staff up to 6 to 10 workdays to accomplish, depending upon complexity and location. To streamline the process, in June 2015 USAID/Southern Africa initiated a pilot program to use a web-based tool, LINK, that allows NGOs to first assess themselves through a series of objective and closed-ended questions. USAID staff, led by OFM, then validate the self-assessment results through substantive on-site testing.

Initial results of the pilot have been very positive: LINK turns the assessment, which was previously a compliance tool, into a development tool. An NGO can complete the survey in only three hours, and it receives a score with actionable recommendations to improve its performance. LINK also requires 25 percent less field work on the part of USAID staff, and shortens the time it takes to finalize the assessment report. In the first few months of the pilot more than 130 NGOs registered to use LINK, and more than 60 surveys were initiated or completed. The tool is being piloted in Angola, Democratic Republic of the Congo, Ghana, Lesotho, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe, and Southern Africa.

- **USAID Senegal health sector collaboration.** In 2012 the Government of Senegal sought USAID and World Bank support to scale up a successful performance-based financing pilot in the health sector. Before providing direct support, both agencies needed to assess the FM and procurement systems of the Ministry of Health, and they decided to conduct the assessment jointly. However, it took in-depth negotiations to reconcile their different approaches. Their solution was to merge their requirements into one overall questionnaire and then to prepare a joint final report. One of the key outcomes was the development of clear recommendations for the Ministry’s risk mitigation plan, a critical next step in strengthening the Government’s PFM systems. At the Ministry’s suggestion, USAID and the World Bank then worked with other donors—the Belgium and Luxembourg development agencies—to develop one overall risk mitigation plan for the Ministry. The plan was readily approved, and it also leveraged \$15 million in World Bank funds for PFM capacity development.
- **Afghanistan audit program.** In Afghanistan in 2010, the Office of Acquisition and Assistance and OFM worked closely with the USAID Inspector General’s Office in Afghanistan to develop a strong audit program to help ensure that USAID funds were being used for their intended purpose. One of the biggest challenges was a lack of local audit firms that had the capacity to do what was needed. To address this problem, staff identified regional firms that could conduct the audits in the early phase of the program while also helping to build the capacity of Afghan audit firms.

“Close partnership with our OFM colleagues has been critical in ensuring effective stewardship over U.S. Government funds while building the capacity of local actors to improve the lives of their people.”

Roy Plucknett
Director, M/OAA

“Procurement typically commands 30–40% of a developing country’s annual budget. Obtaining best value in procurement is not just a technical exercise; doing procurement right directly translates to improving the lives of everyday citizens, from safe roads to access to life-saving medicine to healthy learning environments for children. USAID supports countries in improving their performance in public procurement, from strengthening the pharmaceutical supply chain system in Nigeria, to supporting citizen engagement in procurement in Tanzania, to supporting reform initiatives at the federal and provincial levels in Pakistan, to advising on public-private partnerships in Vietnam.”

Jun Jin
Assistant General Counsel for
Acquisition & Assistance
Office of the General Counsel

**PERSONAL STORY:
STRONG FM HELPS FIGHT EBOLA IN LIBERIA**

“Liberia was a ghost town. All those who could, fled. Multinational corporations evacuated their staff. Construction projects were suspended. Restaurants closed down. The hotels were empty. Even high-ranking Liberian government officials left. The people were filled with fear, sadness, and hopelessness. There were stories of people vomiting blood and dying painful deaths. Teachers and government workers were not paid. In August 2014, health care workers at Liberia’s main hospital went on strike over unpaid wages, complicating the fight against the Ebola epidemic.

“The Government of Liberia requested USAID to expedite support to the Ebola response. Timely salary payments were crucial to addressing the Ebola crisis. Therefore, USAID/ Liberia rapidly directed staff to engage with Government officials to perform the needed assessments and actions to design and implement a \$10 million project to immediately pay some 4,000 health workers for 10 months.

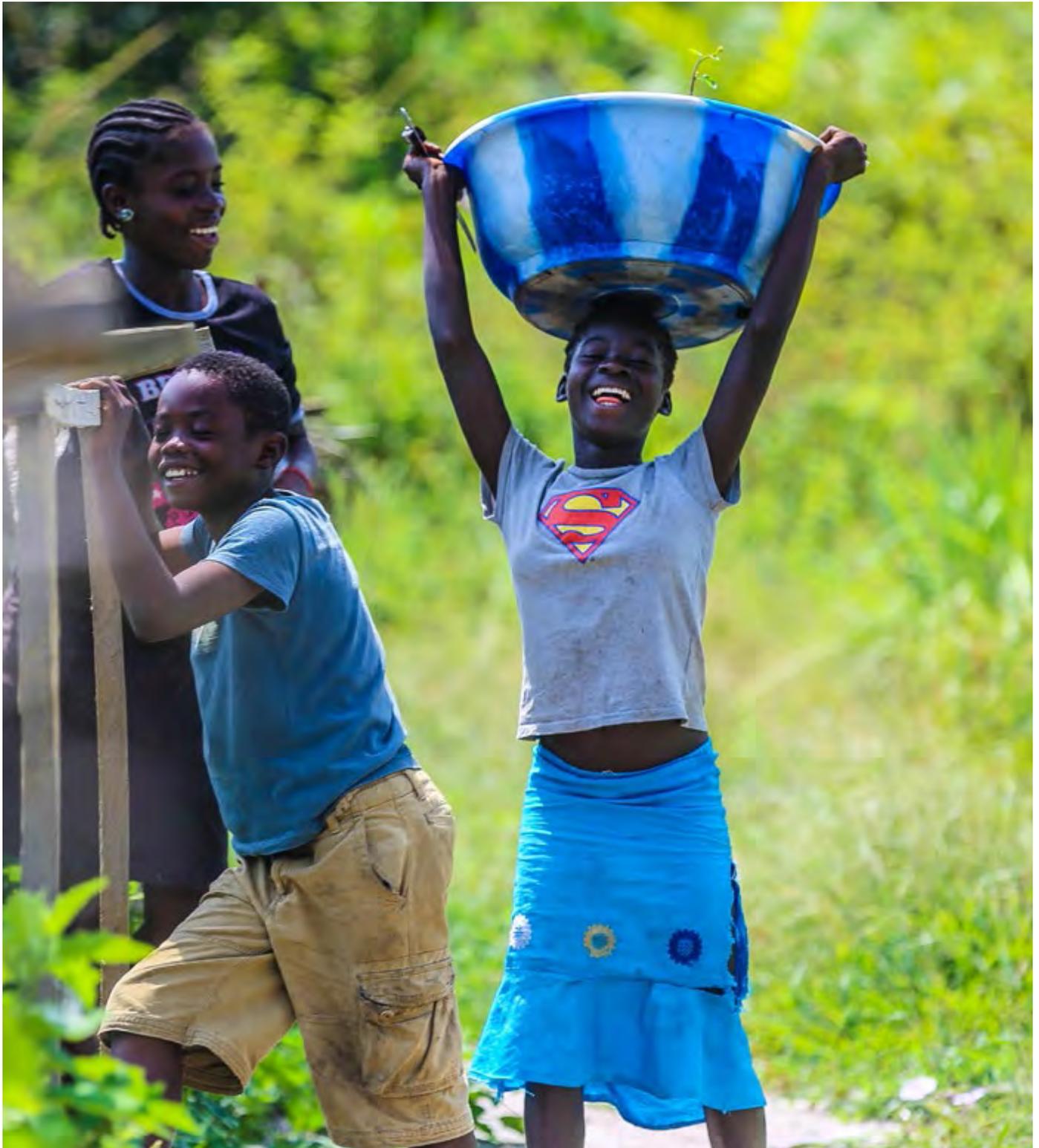
“OFM had only a few days to perform a limited-scope assessment of the Ministry of Finance’s (MOF’s) payroll systems to determine the feasibility of using them for the proposed emergency payments. The suggestion seemed crazy at the time, given that the MOF itself was a source of the infection and was quarantined. Furthermore, the Government payroll systems were extremely risky from an internal control standpoint, and past reviews had shown significant operational vulnerabilities. Going there was one of the hardest things I’ve done in my entire 22-year career. However, we met with the Civil Service Agency, the Accountant General’s office, and the Ministry of Health to conduct the assessment. They were very enthusiastic. People were dying with each passing day, and they were ready to do anything to keep their health care providers on the job.

“This focused assessment was a success and pinpointed the most relevant risk areas for payroll processing. We then worked collaboratively with the MOF to develop and implement risk mitigation measures to quickly address vulnerabilities. A critical component to this plan was engaging Liberia’s newly established Internal Audit Agency (IAA) to validate the Government’s requests for funds. Their work far exceeded our expectations. The IAA also went around the country and verified the workers on the payroll, even though it was highly dangerous. That was a critical contribution to our operational plan, and a huge relief!! This allowed us to effectively address USAID’s strict accountability requirements under these dreadful circumstances.

“As a result of these efforts, the Mission was able to quickly reimburse the Government’s September payroll, maintaining the services of the health care workers and the liquidity of the MOF, and boosting the Government’s capacity to mount a comprehensive response to the Ebola outbreak. Not only did this project provide a crucial start in addressing the Ebola crisis, but USAID also contributed to the increased use and strengthening of government systems while delivering financial relief during a humanitarian crisis.

“While helping to achieve aid effectiveness, USAID also helped to defeat Ebola in Liberia. Victory is ours, and OFM contributed to this success. I am proud to have been part of this success story.”

**Anthony Kumi
USAID/Liberia OFM**



A young girl carries freshly harvested crops from the field to the home of Harriet B. Quenisseir. Harriet and her husband have welcomed 35 youth—most orphans who lost their parents to the Ebola crisis—into their home. USAID’s mission is to support the many families and individuals who have taken risks and opened their hearts to respond to the tragedy of Ebola; the response work extends past disease control and into the support of aid workers, affected families, and Liberian infrastructure.

PHOTO CREDIT: ADAM PARR/USAID



A student practices her trade at an apparel-making class offered by a vocational college in Kutaisi, Georgia. The college is a recipient of grant assistance from the USAID New Economic Opportunities Initiative, which is participating in the project's activities to improve livelihoods for vulnerable populations in Georgia.

PHOTO CREDIT: USAID

- **Mali—accountability through collaboration.** In Mali, when a question arose about the handling of water funds, USAID FM personnel suggested using mobile money. The idea was that, if farmers had the option of paying their royalties through mobile money, physical cash transfers would decrease and the traceability of payments and overall transparency would improve. The donor groups working in Mali then submitted a formal request to the Office du Niger—the semi-autonomous governmental agency that manages water for nearly half of the country's rice production—asking it to adopt mobile money as a payment method for its small farmers. The transition to a mobile money system is now under way.

These initiatives—and thousands like them—are good examples of putting the principles of capacity development into operation: responsive, tailored, adaptive, flexible, and specific to the needs on the ground, they were developed with local ownership and achieved sustainable development results.

EXTERNAL PARTNERSHIPS

M/CFO—usually working in collaboration with such internal partners as the E3, and the DCHA—has, and is developing, partnerships with a variety of external organizations: other U.S. agencies, international development agencies, and international professional associations. Through these partnerships it learns, shares experience, and makes more effective contributions to sustainable development.

U.S. Government agencies. In carrying out the mission to end extreme poverty, USAID engages with other U.S. agencies—the Departments of State, Defense, Treasury, Agriculture, and many others. M/CFO’s fiduciary mandate also requires engaging in operations with such agencies as the Departments of State and Treasury, the Office of Management and the Budget, and the Government Accountability Office (GAO). For M/CFO’s strategic development pillar, one new partnership, in particular, deserves mention here as a first-of-a-kind formal agreement.

- **USAID-GAO Center for Audit Excellence MOU.** The mission of the GAO Center for Audit Excellence is to build institutional auditing capacity and promote good governance by providing training and assistance to accountability organizations. In a first-ever Memorandum of Understanding (MOU) between USAID and the GAO Center, signed in April 2015, the two agencies affirmed that they have compatible mission statements and desire to promote mutually beneficial cooperation. Under the MOU, they will coordinate development activities projects and programs; share information and knowledge to enhance mutual effectiveness and efficiency; identify and facilitate development opportunities between the GAO Center and international supreme audit institutions; train USAID staff in such areas as performance and financial audits, internal controls, and leadership and supervision; and co-organize events with the aim of supporting accountability organizations’ capacity development. This historic agreement is expected to enhance the capacity of USAID staff to support capacity development in partner countries.



A woman walks home with her monthly ration of Corn Soy Blend Plus, provided through a USAID-funded World Food Program project in Bambasi refugee camp, Ethiopia.

PHOTO CREDIT: KIYORI UENO / UN WORLD FOOD PROGRAM

International development institutions. USAID has long worked collegially with the multilateral development banks—the African Development Bank, Asian Development Bank, Inter-American Development Bank, International Monetary Fund, and World Bank Group. Also, as a member of the Organization for Economic Co-operation and Development, USAID works closely with bilateral aid organizations from around the world. Through these partnerships, the donor community helps to coordinate policy and operational issues affecting FM and advance global harmonization efforts in FM. A few of these partnerships have special significance for M/CFO.

- **International Monetary Fund.** In August 2015, USAID and the IMF signed a historic MOU, affirming that they have compatible mission statements and desire to promote mutually beneficial cooperation. The agreement establishes multiple areas of collaboration: IMF training for USAID staff (described in Section II), co-organized events, representation at meetings, and exchanges of information. This initiative will enhance USAID staff’s ability to support capacity development in partner countries.
- **World Bank.** At the policy level, USAID has a very close relationship with the World Bank: a USAID Senior Development Adviser serves as one of the eight advisers to the U.S. Executive Director to the World Bank and works directly with USAID’s Donor Engagement Office as a liaison between the two organizations. At the working level, the relationship between M/CFO and the World Bank has deepened in recent months. World Bank Directors have made presentations at the Speaker Series, and meetings have been held with World Bank counterparts to discuss topics of mutual interest. The intention is to foster a closer working relationship going forward.
- **Public Expenditure and Financial Accountability (PEFA) Program.** M/CFO works with PEFA, a partnership of seven donor agencies and international financial institutions that was launched in 2005. The PEFA Program assesses the condition of country public expenditure, procurement, and financial accountability systems, and helps to develop a practical sequence for reform and capacity-development actions. It provides a standard methodology and reference tool for PFM diagnostic assessments and incorporates updates—most recently in February 2016—that reflect the changing landscape of PFM reforms. PEFA assessments can inform Missions’ strategy and approaches to achieving development objectives, and can provide USAID the opportunity to learn about and inform its own efforts to refine such processes as its PFM Risk Assessment Framework (PFMRAF). PEFA assessments also inform many of the PFMRAF questions. From time to time, the PEFA Secretariat provides dedicated training sessions for USAID staff.
- **Effective Institutions Platform.** The Effective Institutions Platform, which USAID co-chairs, is an alliance of over 60 countries and organizations that support country-led and evidence-based policy dialogue, knowledge sharing, and peer learning on public sector management and institutional reform. As part of this effort, USAID is engaged in at least two key areas related to financial management and Local Solutions: the use of country systems and support for supreme audit institutions.

“Our institutions have long been working together in key areas to advance the development agenda in partner countries. As a sign of the strengthening relationship between USAID and the IMF, this represents the first globally applicable MOU between our two institutions. Its overall purpose is to affirm that USAID and the IMF have compatible mission statements and desire to promote mutually beneficial cooperation. Coming together hand-in-hand: this is indeed an historic occasion.”

Clinton White
Senior Deputy Assistant
Administrator, Bureau for
Management

International professional associations. Through partnerships with

ENHANCING PFM IN THE PHILIPPINES

In 2012 USAID sponsored the participation of Aida Talavera, Director of the Philippines Commission on Audit, in a four-month fellowship at the GAO. In developing a strategy paper during the fellowship, Ms. Talavera applied the GAO's performance audit tools and best practices to enhance a Citizen Participatory Audit program, which the Philippines then launched. An innovation for engaging Filipino civil society in overseeing public spending, the Citizen Participatory Audit is now being applied in two national and two local government projects, and it has won awards as an innovative model for open government engagement.

international professional associations, USAID contributes to developing international standards and supports the strengthening of accountancy and auditing bodies in developing countries.

- As a signatory to an international MOU to Strengthen Accountancy and Improve Collaboration (MOSAIC) between the International Federation of Accountants (IFAC) and the donor community, USAID supports the establishment and development of the accountancy profession in developing countries as part of efforts to build sustainable FM capacity in the public and private sectors. One of the first MOSAIC products was the PAO Global Development Report,¹² issued in 2015 by IFAC and the multilateral development banks.
- As a signatory to an international MOU with the International Organization of Supreme Audit Institutions (INTOSAI), USAID supports programs to build the capacities of supreme audit institutions in developing countries. In October 2015, Deputy CFO for Overseas Operations Mark Hunter represented USAID at the 8th INTOSAI-Donor Cooperation Steering Committee meeting in Brasilia, Brazil. The meeting, which was attended by 50 representatives from INTOSAI and the international donor committee, discussed the status of and plans for work under the MOU.

¹². PAO Global Development Report at:
<https://www.iaasb.org/system/files/publications/files/GDR%20Report.pdf>.

FUTURE DIRECTIONS



A young girl benefitting from USAID entrepreneurial activities in Dalanzadgad, Mongolia.

PHOTO CREDIT: JAMES ORLANDO

Improving governance and reducing corruption are crucial to helping countries achieve sustainable economic development, provide better services to their citizens, ensure an appropriate enabling environment for business development, and, ultimately, reduce poverty and inequality.

“No matter how much hard work is done by development agencies, no matter how large the donations and commitments that are made by donor countries, if we don’t take care of some other elements of development, we will not meet the goals we’ve set. Number one, development is threatened by bad governance. Today, we affirm what we know to be true from decades of experience: development and economic growth that are truly sustainable and inclusive depend on governments and institutions that care about their people, that are accountable, that respect human rights and deliver justice for everybody, and not just for some.”

**President Barack Obama
Address to the United Nations,
September 28, 2015**

In the context of USAID’s contribution—strongly grounded in the SDGs and USAID’s Vision for Ending Extreme Poverty—strengthening FM systems and supporting the accountancy profession are critical to promoting transparency, strengthening governance, enhancing oversight, reducing corruption, and building the sustainable capacity of key accountability and integrity institutions in the public, private, and nonprofit sectors. M/CFO’s role is to strengthen the ability of the Agency and its staff to carry out their FM functions.

The goal is for all members of the USAID FM staff, wherever they may be working, to see themselves as members of a close-knit FM network, sharing experience with and learning from each other. M/CFO will be at the center of this network, providing technical, intellectual, and professional leadership. It will function as the bridge between the operations of Washington headquarters and activities in the field that promote, support, and implement FM for sustainable development—a “go-to place” for supporting FM field operations and staff.



Technical, intellectual, and professional leadership. The Agency and its overseas staff will increasingly be able to look to M/CFO for a range of services.

- **Staff management.** Recruiting and retention, coaching/mentoring, leadership, and succession planning will be integral parts of an overall M/CFO staff/talent management strategy. This will include managing the development of professional, technical, and intellectual leadership for M/CFO staff and helping to clarify roles, responsibilities, and accountability in overseas missions to better align staff under the two Fiduciary and Development pillars.
- **Portfolio support.** M/CFO will be the “go-to place” for FM support related to the fiduciary assurance of USAID’s program portfolio as well as business advice, analysis, and capacity development services.
- **Communications.** Under this core function, M/CFO will continue to build bridges internally and externally, enhance web and media presence, strengthen team-building, and develop channels for two-way input and dialogue.
- **Research and knowledge management.** M/CFO will collect and disseminate good practices and lessons learned, conduct research in areas of topical interest, and contribute to the development of international accounting, auditing, ethics, and educational standards.

The USAID Changes for Justice project helps to produce a more accountable and higher-performing justice system. It provides technical assistance and support to the Indonesian Supreme Court and Attorney General’s Office and helps District Courts implement its Case Tracking System.

PHOTO CREDIT: USAID INDONESIA

M/CFO: Center for Excellence

Portfolio support

Staff management

Communications

**Technical,
Intellectual,
& Professional
Leadership**
...Go-to Place!

Timely quality assurance & advice

Partnerships

FM capacity development

Fiduciary modernization & policy reform

PHOTO CREDIT: BOBBY NEPTUNE / USAID



- **Timely quality assurance and advice.** As a research and knowledge management hub, M/CFO will provide timely problem analysis, quality assurance, and consistent guidance on a variety of technical areas related to FM personnel in overseas missions. It will help improve performance by increasing coordination, collaboration, and information-sharing between Washington and the field.
- **Fiduciary modernization and policy reform.** M/CFO will develop an integrated fiduciary approach that will enhance the Mission Controller role as business advisors in the Agency. As necessary, it will review and retool existing systems and processes to ensure alignment with the quality assurance process, and will provide harmonized, results-oriented toolkits to enable staff to focus on key processes and controls while reducing complex, redundant, and nonessential requirements.
- **FM capacity development.** Working with Agency counterparts and stakeholders, M/CFO will enhance the roles, skills, and responsibilities of overseas staff, so that they can better support local systems and help achieve sustainable results. It will continue to promote and support the value-added dimensions of FM in alignment with the SDGs.
- **Partnerships.** M/CFO will continue to establish and maintain strategic partnerships with both internal and external stakeholders to help achieve its strategic vision and to ensure that coordinated activities have global and Agency outreach.

USAID launches Timor-Leste's first publication on the professional responsibility of magistrates, prosecutors, public defenders, private lawyers, and civil servants. This first-ever legal ethics textbook, based on Timor-Leste's own laws, has been produced by a USAID project collaboration with The Asia Foundation and Stanford Law School. This ethics textbook complements USAID's long-term support for Timor-Leste's nascent justice sector, which currently includes anti-corruption and access to justice projects.

PHOTO: MAURICIO BORGES, USAID

Conclusion. The FM function has always been essential to the effective operation of the development enterprise. Today, in light of the SDGs and the development community’s recognition of the importance of good governance and country capacity development, the role of FM and its practitioners is growing even more vital. USAID FM staff at all levels will increasingly be called on to help governments and entities in the private and nonprofit sectors to improve their FM systems, increase their transparency and accountability, and make more efficient use of their resources. As staff expand their roles, M/CFO will be there to assist with advice, streamlined procedures, best practices, training, and communication—a connection between Washington and the field, among staff in the field, and with partners engaged in the same work.



***Partnering for Results:
Together We Go Far***

A child in North Okkalapa Township drinks water that has just been made potable by dissolving a Procter and Gamble water purification packet. In Burma USAID and P&G partner to provide clean drinking water and promote sanitation practices for some of the country’s most vulnerable people.

PHOTO BY KELLY RAMUNDO, USAID

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