



Mother and child at health clinic in Tanzania.

Progress in Implementation of the Public Financial Management Risk Assessment Framework (PFMRAF)

- 16** Countries with completed Stage 1 Rapid Appraisals.
- 18** Countries planning to conduct Stage 1 Rapid Appraisals.
- 9** Countries currently conducting Stage 2 Risk Assessments.
- 1** Country conducting a Stage 3 Project Design.
- 1** Country preparing a Stage 4 Project Agreement.

Implementation and Procurement Reform (IPR) is about building more local capacity in both partner governments and civil society, as well as by streamlining Agency procedures so that USAID can work with a broader range of partners and increase competition. We must remember that IPR does not stand alone. USAID FORWARD is a set of interrelated initiatives that include creation of country development cooperation strategies, enhanced capability in project design, selection of the most effective implementation mechanisms, and increased monitoring and evaluation capacity. In each of these initiatives, the issues of capacity building and sustainability must be factored into the operations conducted by USAID. Reestablishing implementation mechanisms that permit USAID to engage directly with partner governments and civil society is imperative to achieving the permanent and transformational development results that the USG seeks. In the third issue of the IPR Newsletter, we are sharing stories from the field of how Missions are implementing IPR and how we are making progress as an Agency on achieving our objectives under this important initiative.

Objective 1: Strengthen partner country capacity to improve aid effectiveness and sustainability.

USAID/EI Salvador: Public Financial Management Risk Assessment Framework (PFMRAF) Stage 1 Rapid Appraisal Experience — A Smooth Transition

The Stage 1 Rapid Appraisal (RA) is about team work and resourcefulness. A team of approximately twenty staff members, representing USAID/EI Salvador’s functions across the board, and including colleagues from USAID/W, contributed their knowledge, insight and experience to make EI Salvador’s performance of the RA a big success. The RA methodology required extensive research and interviews to gather and analyze data, and to reach a conclusion regarding the use of partner country systems. Over a period of five months, the team researched data provided or published by national and international institutions related to EI Salvador’s democracy and governance, transparency and accountability, public financial management systems, auditing and internal controls, human resource management, public procurement, donor coordination, and political considerations. Institutions whose data were analyzed included the Ministry of Finance, the Supreme

El Salvador

“What impressed me the most was the level of collaboration and involvement from the different offices and the fact that the team truly implemented a whole-of-mission approach.” – Omar Robles, Financial Management Officer (DLI), USAID/El Salvador

“I thought the Rapid Appraisal experience was invaluable! It provided an overarching background on how the government of El Salvador is organized, how it works, as well as its strengths and vulnerabilities. It will provide me with the context necessary for the PFMRAF Stage 2 as the Mission considers using partner country systems to implement specific programs. In addition, this exercise provides an understanding of why use of partner country systems will have to be deferred in certain cases.” – Karen Hunter, RLA, USAID/El Salvador

Indonesia

“The PEFA provided practical experience and excellent exposure to specific aspects of the GoI PFM systems and in conducting host country system assessments.” – Ferdi Hasnovi, USAID Financial Analyst



A multi-donor PFM effort in Indonesia.
Photo Credit: USAID/Indonesia.

Audit Institution, the Central Reserve Bank, local NGOs, the IMF, the World Bank, and Transparency International. A total of 24 interviews covered 16 central government entities, 3 local NGOs, 1 municipality, 3 international donor institutions, and the Millennium Challenge Corporation. The highest-ranking public official interviewed was President Funes' Technical Secretary.

The end product of this highly collaborative and multi-disciplinary effort was a RA report which outlined specific fiduciary risks and appropriate actions to mitigate risk associated with the use of partner country systems. Successful completion of the RA has enabled the Mission to focus on the PFMRAF Stage 2 – Risk Assessment which will assess selected institutions - potential recipients of USAID funds.

USAID/Indonesia: Supporting the Government of Indonesia's (GOI) Public Financial Management (PFM) Roadmap

USAID/Indonesia is striving to work more through partner country systems over the coming years and is taking concrete steps to assist the GOI strengthen its public financial management systems. Indonesia's PFM 'plumbing' is getting an upgrade thanks to USAID's recent support. USAID finalized an up to \$7 million PIO grant with the World Bank at the end of FY 2011 as a contribution to the PFM Multi-donor Trust Fund. The \$26 million fund is administered by the World Bank on behalf of the GOI and managed by a policy board representing the donors (European Commission, Dutch, Swiss governments, and more recently, the USG). USAID plays an active role on two committees that set policy and determine the trajectory of GOI PFM reforms — the Policy Advisory Committee (PAC) and the Management Committee (MC). The PAC, chaired by the Minister of Finance, prioritizes the policy areas and activities to be funded by the Fund and provides strategic guidance to support the reforms and ensure coherence among donor-funded activities. The MC is responsible for reviewing and approving proposals.

“We welcome and appreciate not only USAID's financial contribution, but participation and experience in PFM.” – Indonesia Ministry of Finance officials

Since inception in 2006, results of the Trust Fund to date include:

- A unified budget and a Treasury Single Account;
- Implementation of new cash management, Treasury and budgeting systems;
- Accelerated tax reform and improved revenue collection;
- Improved fiscal policy analysis and capacity;
- New laws and regulations to improve budget planning and execution; and



IPR Team meeting at San Martin. Photo Credit: USAID/Peru

USAID/Peru PFMRAF Stage 2 Risk Assessment with Local Government

In accordance with ADS 220, USAID/Peru has recently completed a PFMRAF Stage 2 Risk Assessment of the Regional Government of San Martin. This evaluation was performed in-house, without the input of external consultants. A cross functional team from the Controller's Office, RLA and the ROA traveled to Moyobamba to meet with regional government representatives to conduct the assessment. This report and its findings and recommendations helped position USAID/Peru to move forward with implementing activities through the regional government with reduced financial risk.



The women's cooperative at Lolandi also serves as a demonstration site for showing visitors how rice processing works. (Alda Kauffeld, USAID Ghana)

- An external audit report which was the first to achieve a qualified audit opinion, as opposed to a disclaimer, with around 40% of ministries and agencies achieving unqualified opinions.

Looking ahead, the Mission, via the Trust Fund, is supporting GOI efforts to:

- Implement performance-based budgeting, accrual accounting, and Bureaucratic Reform;
- Improve the audit opinion of the GOI's financial statements and consolidated budget; and
- Promote transparency via business process improvements and IT systems.

USAID staff will participate in the repeat Public Expenditure and Financial Accountability (PEFA) assessment for Indonesia in 2011. The PEFA will also help inform the Mission's Rapid Appraisal, planned for March 2012. Both the World Bank and AusAID have agreed to participate in this rapid appraisal.

In addition to GOI and donor harmonization efforts, the Mission is also connecting PFM efforts to USAID programs more broadly. Two key events included: 1) hosting a four-day PFM workshop conducted exclusively for 25 Mission staff and facilitated by two PFM experts; and 2) hosting a brownbag session attended by 30 staff and World Bank officials to increase awareness within the Mission of the GOI's PFM reform efforts and road map.

USAID/Ghana: Integrated Resiliency in Northern Ghana (RING) Project

After completing the PFMRAF Stage 1 Rapid Appraisal, the Mission undertook work on the RING project design. RING is a proposed integrated project and partnership effort under Feed the Future (FTF) activities in Northern Ghana to contribute to the Government of Ghana's efforts to sustainably reduce poverty and improve the nutritional status of vulnerable populations. The goal of RING is improved livelihoods and nutritional status of households in the Northern Region of Ghana. The project has three main components: (i) increased consumption of diverse quality food, especially among women and young children; (ii) improved behaviors related to nutrition for women and children; and (iii) strengthened local support networks addressing the ongoing (nutrition and livelihoods) needs of vulnerable households. The Parties to the two Assistance Agreements (Economic Growth and Health) plan to fund RING at a total estimated ceiling of \$60 million over five years (FY 2011 – 2015). The project will eventually disburse funds directly to 12 district governments.

IPR Objective 1 - Training

The Implementation and Procurement Reform Initiative (IPR) hosted a pilot Public Financial Management Risk Assessment Framework (PFMRAF) course from December 5 – 9, 2011, in Leesburg, Virginia. The training is part of a suite of courses planned under IPR. Thirty one participants, representing 16 USAID Missions and Washington, DC, were in attendance. The goal of the course was to familiarize participants with the planning and execution of the PFMRAF and help participants understand its relationship to the use of reliable partner country systems and institutions to improve aid effectiveness and sustainability. By the end of the course, participants were prepared to participate in a PFMRAF stage one rapid appraisal; draft a scope of work for a PFMRAF stage two risk assessment and evaluate the results; identify and understand the range of risks and risk mitigation options for the delivery of programming by USAID through country systems and institutions; and define and build supporting capacity building activities into government to government projects.



Participants hard at work drafting PFMRAF Stage 2 Risk Assessment Scopes of Work. Photo Credit: USAID

RING will be implemented through two methods.

- Direct Assistance from USAID to eligible Districts: USAID will work directly with and through the 12 selected Districts to reach communities with program interventions.
- Indirect Assistance in districts not yet ready for direct funding from USAID: USAID will provide assistance to improve financial and management capabilities so that more of these districts become eligible for the direct assistance in subsequent years.

USAID has contracted for the assessment of the financial and management systems of several Districts in the Northern Region, and has determined that many Districts have satisfactory systems and are eligible to receive direct funding from USAID. Some Districts do not yet meet minimum standards for eligibility, and need to improve and correct deficiencies to become eligible. An External Technical Support Unit and USAID will provide technical assistance to both eligible and ineligible Districts to improve their systems. In the first year (2012), three to four Districts will qualify for direct funding. Over four years, USAID plans to directly fund up to 12 Districts in the Region and provide technical assistance to three more Districts. USAID will contract for and manage the External Technical Support Unit (ETSU) and be responsible to the GoG for ETSU performance

USAID/Ghana, with support from USAID's Bureaus of Food Security and Global Health, will be directly involved in all aspects of RING. USAID will coordinate with the Ministry of Finance and Economic Planning (MOFEP) to ensure funds are transferred to Districts in a timely and efficient way; with the Ministry of Health to ensure cohesion of nutrition programming and messaging; and with the Ministry of Food and Agriculture to ensure cohesion of food security and income-generating activities among target populations.



Employee of a nucleus farmer that acquired the tractor with co-sharing support from USAID/Ghana's Agriculture Development and Value Chain Enhancement project. Photo Credit: Alisa Walton, USAID

USAID/Philippines: Ayala Foundation

Strengthening the Capacities of Civil Society Organizations (CSOs) in the Philippines Project will provide a range of capacity building services (e.g. assessment of capacity needs, the design of organizational development plans, training, consultancy and mentoring, internships, etc.) to strengthen at least 120 local CSOs, including systems and policies, in core organizational management competencies. Activities will concentrate on building the knowledge and skills required to run an efficient, cost-effective, accountable, transparent, and technically proficient organization, targeting both the capabilities of the institution as well as the individuals within the institution.

The contractor for this endeavor is the Ayala Foundation, a local non-stock, non-profit organization. The Foundation is the corporate philanthropy arm of the Ayala Group of Companies, one of the largest corporations in the Philippines. In addition, the project will also be implemented by a consortium of CSO networks and academe consisting of the Association of Foundations (AF), the Philippine Business for Social Progress (PBSP), the Caucus of Development NGO Networks (CODE NGO), the Philippine Council for NGO Certification (PCNC), and the National College of Public Administration and Governance (NCPAG) of the University of the Philippines. Members of the Consortium are the leading CSO networks in the country, and have all benefited from the USAID Private Voluntary Organization (PVO) strengthening programs implemented from 1980 to 2000.

Objective 2: Strengthen local civil society and private sector capacity to improve aid effectiveness.

USAID/Peru Success Story: Leading the Way with “Transparencia”

USAID/Peru has been active in the implementation of IPR and has integrated into Mission culture by making it a constant objective of the Mission’s work. When designing a project, the Mission first asks whether it can be implemented by a local partner, a government institution, or a non-governmental organization (NGO). For those local partners that formerly received sub-awards, the Mission is seeking ways to provide them direct awards. This new Mission policy is exemplified by USAID/Peru’s evolving relationship with the local NGO Transparencia.

Established in 1994, Transparencia’s primary objective is to consolidate democracy by promoting citizen participation, civic education, and election observation. From 1999 to 2002 as Peru transitioned from an authoritarian regime to a democracy, Transparencia received direct USAID funding. After 2002, however, USAID/Peru worked primarily with US-based implementers and Transparencia received only sub-grants. In that time, the Mission also assisted Transparencia to develop a social enterprise to promote their financial sustainability beyond donor funding.



Transparencia announces the quick count results. Photo Credit: USAID

In April 2011, the Mission entered its second direct relationship with Transparencia through a Fixed Obligations Grant (FOG) to conduct a quick count for the first and second rounds of presidential elections. The Mission’s support, coupled with funding from other donors and private businesses, enabled Transparencia to execute one of the most accurate and reputable quick counts in Peru. In the run-off election between now President Ollanta Humala and Keiko Fujimori, Transparencia’s quick count predicted the outcome of the race within 0.2 percent of the official results.

USAID/Nicaragua: Improving Local Organizations' Role in the Long-term Reduction of Gender Based Violence (GBV)

Fourteen thousand cases of sexual abuse were reported in Nicaragua from 1998 to 2008, according to an Amnesty International report. For this small Central American nation with a population of only 5.7 million, these numbers are indicative of a serious problem. To address this growing concern, USAID is building local capacity to generate awareness and educate communities. One local advocacy and development partner, Fundacion San Lucas (FSL), engages both men and women to address the complex causes and consequences of GBV.

With USAID's support, FSL provides educational workshops and preventative and curative psychosocial services to men, women, adolescents, and parents to reduce health risk factors and cultural dynamics that lead to GBV. Thanks to its strengthened capacity, FSL now receives financial support from additional sources and is negotiating a three-year project with the Norwegian Embassy. Based on this successful model, USAID is now directly supporting 12 additional NGOs to build their capacity to address GBV and HIV/AIDS issues.



Psychosocial attention for pregnant women. Photo Credit: USAID/Nicaragua

Looking forward, the Mission plans to embark on a larger, two-year project with Transparencia related to legislative strengthening. Since this is a new area of work for Transparencia, the Mission looks to promote Transparencia's organizational capacity in the process.

USAID/Peru hopes to replicate Transparencia's evolution from sub-awardee to awardee for many local organizations. The Mission has created new award mechanisms, such as the small grant Development Assistance Fund and Local Partners Program Annual Program Statement, to facilitate that evolution, as well as bring new local partners to the table.

USAID /India Activity Benefits from USAID Implementation and Procurement Reform

During his visit to India in November 2010, President Obama joined Prime Minister Singh to announce that the USG and the Government of India would work together to promote women's empowerment in Afghanistan. Seized with the political imperative of identifying areas for mutual collaboration with the GOI in Afghanistan, U.S. Ambassador to India, Timothy Roemer, asked USAID/India to develop a program that would support training and empowering women in the Indian informal sector to meet a compelling social need in Afghanistan.

USAID/Afghanistan then transferred \$1 million to USAID/India to manage the new activity. In accordance with IPR, and the emphasis of engaging more with local organizations, USAID/India worked with the Self Employed Women's Association (SEWA) of India to develop a proposal to provide skills and vocational training to 150 Afghan women to promote their economic empowerment. Under this proposal, SEWA staff will conduct the training in India and later travel to Afghanistan to monitor the training's effectiveness in increasing women's incomes.

Originally, USAID/India planned to award a Cooperative Agreement (CA) to SEWA. However, the complexity of our compliance requirements in our standard grant agreements deterred SEWA from co-signing this award. In response, USAID decided to use a Fixed Obligation Grant (FOG). A FOG was deemed the most appropriate mechanism for this activity given that the SEWA training program is broken into distinct phases of implementation, thereby allowing for payment based on achievement of mutually agreed milestones. The FOG allows for a more effective use of government resources with a focus on results, and reduces the administrative burden for both parties.

IPR Objective 2 - Training

USAID/ EI Salvador hosted a Local Capacity Development (LCD) Training/Workshop from January 6-12, 2012 for the LAC region with participants from Colombia, Ecuador, Bolivia, Dominican Republic, Jamaica, El Salvador, Guatemala, Nicaragua, and Honduras. The El Salvador training followed a similar LCD Training/Workshop in Kiev, Ukraine, from October 31- November 4, 2011, with participants from Missions in Ukraine, Moldova, Belarus, Azerbaijan, Bosnia-Herzegovina, Russia and Serbia. In both cases the training/workshops focused on how to attain IPR Objective 2 targets and achieve capacity development results and increase aid effectiveness and sustainability. Agency subject matter experts shared best practices in capacity development and information on the efforts under IPR to create an enabling environment for Missions to increase direct implementation through local civil society and private sector organizations. By the end of each week, each, Mission team had met the training/workshop objective of developing a draft action plan to present to their respective Mission leadership.



IPR Objective 2 LCD Training Event in El Salvador: (Jan 6-12, 2012). Photo Credit: USAID/EI Salvador

USAID/Indonesia: Training a New Generation of Indonesian Leaders through Higher Education



"With my higher academic background, I am now able to teach as a lecturer during the upcoming semester," said Rizki Siregar, who received a Master's degree at Boston University through USAID/Indonesia's PRESTASI scholarship program. Photo Credit: USAID

Rizki Siregar graduated cum laude in Economics at the University of Indonesia, focusing on international trade economics, natural science and environmental economics. She was not only an academic star, but also ran her own business printing t-shirts and was a student leader in multiple organizations. Upon graduation, Ms. Siregar was hired as temporary assistant in a research facility at the University of Indonesia. Although she had always dreamed of continuing her education and becoming a researcher, her opportunities were limited without an advanced degree. At that point she applied to USAID's PRESTASI scholarship program.

USAID, through its local implementing partner, the Indonesian International Education Foundation (IIEF), recognized her leadership potential and offered her the chance to complete a Master's Degree in International Trade and Environmental Economics at Boston University. PRESTASI is USAID/ Indonesia's flagship participant training program. The program provides higher education opportunities for Indonesia's next generation of leaders while advancing the Agency's USAID *FORWARD* reform initiative. Through the PRESTASI program, USAID builds the quality of work and effectiveness of local education organizations to create conditions for sustainable development and a more prosperous Indonesia. Implemented by an Indonesian organization, it represents a successful model of local capacity development in line with USAID *FORWARD*. Before receiving the PRESTASI contract, IIEF relied significantly on its U.S. partners for financial reporting and for interpreting strict guidance by international donors. Through learning USAID processes, including proposal writing, contract negotiations, and transparent financial reporting, IIEF staff members are now fully trained and able to meet the strict reporting and management norms required by international donors such as USAID. IIEF has become a sound local implementing partner fully competent in an internationally competitive market.

"This is one of the most useful models of local capacity building I have seen in my career." – Glenn Anders, USAID/ Indonesia Mission Director.

USAID/Haiti: Creating Capacity Through Local Accounting

Building upon the IPR objectives, the USAID/Haiti Mission is creating new opportunities for doing business in Haiti by investing in local partners and working closely with the Government of Haiti. Reducing reliance on US and international intermediaries for capacity building services, USAID/Haiti established a Blanket Purchase Agreement (BPA) with local accounting firms.

The BPA was initially awarded to 2 local Certified Public Accounting (CPA) firms to provide financial management services including audits, payment verifications, pre-award surveys, and capacity building technical assistance to local entities. These firms are both small businesses whose accountants have received training in Haiti and the U.S. and have operated for approximately 20 years or longer.

Currently the BPA authorizes local CPA firms to provide financial management services to local firms and organizations who will optimally become USAID partners. Through this process, organizations are evaluated, audited, and trained to manage USAID funds in accordance with USAID regulations and USG financial standards. It is expected that additional CPA firms will be added to the BPA to provide a larger reach. The first local organizations to receive CPA assistance include two former USAID partner NGOs: the Haiti Apparel Center (former economic security program partner), and IDEJEN (former education program partner).

The success of IIEF has in turn enabled the success of many of Indonesia's future leaders, including Ms. Siregar. Upon completing her graduate studies in the U.S. through the PRESTASI scholarship, Ms. Siregar returned to work at the University of Indonesia's Economics Research and Community Development Institute and has since gone on to become a full researcher and lecturer at the university.

USAID/Tanzania – Not Business as Usual

During the activity design for a new cross-cutting program for girls'/youth empowerment and reproductive health and family planning, the Mission recognized the opportunity to provide direct awards to Tanzanian Civil Society Organizations (CSOs) to promote sustainable impact. The goal of the new program is to support local catalytic change agents that will

strengthen the structural environment for women and girls' empowerment, and ultimately, improve their health status under the Tanzania Global Health Initiative. The Mission is conducting pre-award surveys for up to 16 awards with support from the Local Capacity Development Team.



Local school girls. Photo Credit: USAID/Tanzania

Lessons Learned:

- Strategy for engaging local partners: Significant resources were required to engage new local partners across the country with a notice of intent to issue the APS, pre-solicitation conferences in three regions, and the review of 300 concept papers.
- Local logistics and administrative support required: Contracting a local business to provide necessary services for the pre-solicitation conferences and provide logistical support for the CSO representatives to participate on the TECs helped manage the workload.
- More support for new applicants required: Sufficient time between phase one (concept paper submission) and phase two (invitation for full application) is necessary, as well as assistance to support the preparation of technical and cost applications.
- Involvement of CSO representatives on the TECs: Peer review panels to provide an opportunity for local technical experts to assess the applications and become familiar with the evaluation process would reduce the workload.

USAID/Haiti: Creating Capacity Through Local Accounting

(continued)

Within 6 months after mentoring begins, USAID anticipates that these NGOs will have established adequate financial, administrative, and procurement systems to manage and account for USAID funds. Building local capacity contributes to the following two-fold results: a) building a larger and varied group of local partners receiving direct contracts/grants from USAID; and b) building true and lasting partnership relationships with more sustainable local Haitian organizations.

Bosnia: Implementation and Procurement Reform

During the past month, USAID/BiH supported local organizations through at least 5 different projects to carry out locally led initiatives on youth, women or civil society strengthening. One highlight was support to local NGOs to promote the first edition of the Anti-Corruption Source Book – Confronting Corruption. This was part of the USAID-funded initiative “Prevention of corruption in higher education in BiH.” This initiative improves literature in the field of anti-corruption, contributes to university libraries, and increases knowledge of anti-corruption mechanisms. Another highlight was our support to a local NGO to publicly count and display public sector spending in BiH. The NGO installed a counter in Sarajevo’s downtown pedestrian zone that shows government spending from minute to minute, every day throughout the year. This initiative will raise citizens’ awareness about the level of spending by the state, entity, cantonal, and municipal governments.

- Dealing with the deluge: A separate email account and systems to receive and track applications is necessary to manage the workload.

USAID/East Africa Local Capacity Assessments: Lessons Learned from Rwanda and Burundi

Over the past few months, USAID/East Africa (USAID/EA) has completed a number of assessments to help local organizations identify and assess capacity challenges and develop an action plan for strengthening these organizations. The Mission’s efforts to assess the capacity needs of potential local partners is part of USAID *FORWARD*’s IPR Objective 2 that focuses on strengthening the capacity of local partners. Each assessment has provided new insights into the strengths and challenges of potential local partners and below are two examples of the results and the lessons learned.

In July 2011, an Assessment Team traveled to a remote mountainous area of Rwanda called Nyamasheke District, located in Western Province to assess a local NGO that works in some of the poorest communities of the country. This Assessment Team included members from USAID/EA contracts, financial management, local capacity and program office along with technical and financial staff from USAID/Rwanda. The NGO they visited has served as a sub-contractor on a USAID-supported scholarship program for a number of years. The program with the prime partner was coming to a close and USAID/Rwanda wanted to assess the feasibility of directly funding the organization.



Students supported by local NGO with USAID funding Nyamasheke District, Western Province, Rwanda. Photo Credit: USAID

The NGO they visited has served as a sub-contractor on a USAID-supported scholarship program for a number of years. The program with the prime partner was coming to a close and USAID/Rwanda wanted to assess the feasibility of directly funding the organization.

Site visits to the NGO revealed a nascent organization with excellent community support and participation. Although the organization performed well as a sub-grantee, it had established few of its own formal financial, administrative and internal control systems, having relied on the prime awardee’s systems for these functions. Thus, it was decided that the best way to continue to support the students was to fund the NGO through another USAID/Rwanda award while continuing to build its capacity.

In November 2011, an Assessment Team traveled to northern Burundi to conduct an assessment of a university that was created to encourage education and community development in the aftermath of ethnic conflict. The university, currently is a sub-contractor to a USAID prime, had

USAID/EI Salvador: Sea Turtles Thriving – FUNZEL Local Organization

More than 50 percent of the world's endangered sea turtles nest on El Salvador's beaches. To protect the turtles and help expand ecotourism, USAID launched the Sea Turtle Conservation and Improved Livelihood of Coastal Communities program in 2008. The program was originally implemented by a U.S. partner, who managed and administered the program, and the technical aspects were sub-contracted to FUNZEL, a local non-profit that protects and conserves wildlife. In 2010, USAID initiated a transition process to shift the flow of funds directly to FUNZEL, and by February 2011, FUNZEL assumed full management, administration, and technical responsibilities under a FOG.

Under this new FOG, USAID provides \$1.50 to FUNZEL per sea turtle hatchling released, the milestone for disbursement. This \$1.50 per hatchling also includes resources for FUNZEL's work in management and administration of a country-wide hatchery program; for community development to foster public awareness and research; and to establish public-private alliances.



Sea Turtle Conservation and Improved Livelihood of Coastal Communities. Photo Credit: USAID/EI Salvador

submitted an unsolicited proposal to establish a laboratory for seed multiplication and food-quality control.

The Assessment Team for this university also included members of USAID/EA and USAID/Burundi staff with financial management, contractors, local capacity, program, as well as agricultural expertise. The Team combined a pre-award survey with a rapid Organizational Capacity Assessment and technical review specific to analyze the operational strength of the local NGO. Through these assessments, the Team found excellent financial management systems. However, they also found that the NGO had some technical, assets management, and other capacity challenges. The final findings and analysis of the university's strengths and challenges along with suggested capacity development milestones/activities will be built into the final award.

What has the USAID/East Africa learned from these two assessments and others?

- Although every organization is different, local organizations tend to have solid technical skills and project systems. Capacity issues appear most often in financial management and reporting, asset management, procurement, governance, succession planning, human resources, M&E, and sustained funding.
- Including contracts, finance, local capacity, program and technical staff on assessment teams resulted in a more comprehensive and useful picture of potential local partners.
- Combining a financial pre-award survey with a rapid capacity assessment enabled the teams to recommend capacity building milestones and/or activities to be built into the project.
- It is as important to say “not yet” as it is to say “yes” if an organization is not ready for direct USAID funding.
- It is critical to consider the overall objective of partnering with local organizations. For example, USAID must consider whether the partnership is short term for activities such as outreach for an upcoming election or longer-term to serve as a local prime awardee of USAID funding. This analysis can greatly impact the recommendations for capacity building and, potentially, the funding mechanism.
- Fixed Obligation Grants (FOGs) are important but they are just one of the tools in USAID's tool box and it is critical to involve the contract's office from the start to determine the best tool/mechanism.
- All proposed activities must contribute directly to a mission's strategy.

Sea Turtles Thriving – FUNZEL

(continued)

By working through a local NGO, USAID was able to save approximately \$2.60 per turtle hatchling released. These savings enabled USAID and FUNZEL to allocate a higher percentage of funds directly for activities that will ensure sustainability long after USAID funding ends. For example, FUNZEL is successfully convincing local fishery communities of the benefits of conservation by empowering them to manage turtle hatcheries as a sustainable eco-tourism business. FUNZEL has also recently obtained direct funding from HSBC bank, other US and local private funding sources, and the Government of Lichtenstein to support their efforts. Much of this success can be attributed to the significant increase in confidence and organizational capacity that FUNZEL has gained by working directly with USAID.

Objective 3—USAID/Sri Lanka: Last Mile Initiative



Ribbon cutting of a rural broadband iCafe for the USAID/Sri Lanka Last Mile initiative. Photo Credit: Stephen Schmida, SSG Advisors

Objective 3: Increase Competition and broaden USAID's partner base

USAID Small Business Subcontracting

As part of the IPR Objective 3, the Office of Small and Disadvantaged Business Utilization (OSDBU) is working to expand USAID's partner base of small businesses to serve as both prime contractors and subcontractors. OSDBU has put an enhanced process in place to monitor subcontracting compliance by large USAID prime contractors. Subcontracting opportunities, for small



IBI International, a woman-owned small business, managed a design and construction project in Liberia that employed more than 250 local craftsmen.. Photo Credit: David Colvin IBI-USA

business in USAID contracts, are a vital part of USAID's overall small business participation program. In negotiated acquisitions/sealed bid acquisitions expected to exceed \$650,000 (\$1,000,000 for construction) and that have subcontracting possibilities, the apparent successful non-small business offeror must submit an acceptable subcontracting plan (ref: Federal Acquisition Regulation 19.7).

As part of the enhanced review process, OSDBU has created a new email address for USAID Contracting Officers to submit Subcontracting Plans they have received from prime contractors for OSDBU for review and coordination. The address is: SubcontractingPlanReview@usaid.gov. Once the plan is submitted to this email address, it will be entered into a tracking log and assigned to the applicable Small Business Specialist in OSDBU for review. OSDBU will monitor subcontracting compliance from the date the subcontracting plan is received through contract close-out.

The information collected will help USAID determine when discrepancies exist between subcontracting plan goals and actual subcontracting accomplishments achieved. OSDBU will assist contracting officers by providing information that they can utilize to help determine when prime contractors have or have not made good faith efforts toward achieving the goals established in their approved subcontracting plans.

Objective 5—USAID/Ghana: PIO grant to the World Bank (IDA) for USAID’s contribution to the Ghana Commercial Agriculture Project (GCAP) are nearing completion

USAID/Ghana is proposing to draft a PIO agreement, per the latest GC format for PIO cost grants, with the IDA for USAID’s contributions to the Commercial Agriculture Project (GCAP). Project approval by both the Bank and USAID are expected to happen in the first quarter of CY2012. CGAP and the agricultural components of USAID’s Feed the Future program are closely aligned with the Government of Ghana’s (GOG) commercial agriculture agenda. USAID intends to co-finance GCAP, with the World Bank (WB), as a major contribution to the GOG agenda. USAID’s FtF strategy focuses on the SADA-North (above the 8th parallel), while the WB is also supporting investment in the Accra Plains through CGAP. In addition, USAID is focusing its other FtF investments in crop agriculture and nutrition in the North.



Ghanaian woman carrying cowpeas on her head. Photo Credit: Elisa Walton, USAID

Objective 4: Use of USG resources more efficiently and effectively.

Administrator and OAA Emphasize Importance of Acquisition and Assistance (A&A) Planning

On November 29, 2011, the Administrator called on the Agency to create an Acquisitions and Assistance (A&A) Plan. As he stated, we need to do this planning effectively to make sure that our procurement activities support vibrant local private sectors, effective local governments, and strong civil societies. Additionally, both Federal regulation and Agency policy require advanced A&A planning. In FY 2011, however, USAID obligated much of its budget within the last 30 days of the fiscal year. A comprehensive Agency A&A plan will enable the Administrator and other senior Agency managers to strategically focus on A&A activities and evaluate whether they are meeting the Agency’s IPR and other USAID Forward reform goals. It also will eliminate the need for various ad-hoc A&A-related data calls throughout the year. Operating units should include all planned actions above \$150,000 that are to be executed in FY 2012 (including incremental funding, contracts, grants, cooperative agreements, non-FSN personal service contracts, award extensions, increases in award total estimated cost, Inter-Agency Agreements, Government-to-Government transfers, etc.) in their plans. All Missions and B/IOs are required to update their plans quarterly. Together, all operating unit A&A plans will comprise the Agency A&A Plan for FY 2012.

Objective 5: Strengthen collaboration and partnership with bilateral donors, multilateral and international organizations.

USAID/Liberia: Public International Organization (PIO) grant to the World Bank (IBRD) to Finance Multi Donor Trust Fund (MDTF) for the Public Financial Management (PFM) program of the Government of Liberia (GOL)

ADS 308 on PIO grants was substantially revised on April and July of 2011. The revisions streamline eligibility and responsibility determinations for the major PIOs, and simplify the grant process by eliminating many of the provisions that would normally prolong the grant negotiations process for two new types of PIO grants. The ADS revisions also ensure the USG standard of performance and fiduciary accountability.

Building upon these efforts, the USAID/Liberia plans to issue a PIO grant using a new format for program contribution grants. The Mission approved an activity to strengthen and reform the GOL PFM systems which will be implemented through a \$4,331 million PIO grant to the IBRD as trustee of the PFM MDTF. The primary purpose of the USAID PIO grant is to



Tamalgu in Ghana's northern region: Children whose father is a beneficiary of USAID/Ghana's Agricultural Development and Value Chain Enhancement project. Photo Credit: Alda Kauffeld, USAID

USAID/Ghana D2D Grant to DFID

USAID has decided to provide support to Ghana's Poverty Reduction Strategy, and successor policy, by contributing to the planning and implementation of the Strengthening Transparency Accountability and Responsiveness (STAR) program.

Therefore, in early 2012, Ghana plans to sign a D2D Grant to DFID for USAID to join and contribute to the existing multi-donor STAR program (DG NGO strengthening and advocacy). DFID is Lead Donor. USAID will contribute up to \$5.924M for this purpose. The signatories to the Joint Financing Arrangement are DFID, DANIDA, the EU and USAID.



Weeding maize fields on Agnes Forkuo's farm near Techiman, Ghana. Photo Credit: USAID/Elisa Walton

support PFM program in order to improve budget coverage, fiscal frameworks, financial control and oversight of government finances in Liberia. The MDTF will be funded by the following four donors: IBRD (\$5m); SIDA (\$15.55m); USAID (\$4,331 m) and AFDB (\$2.89m) for a total of \$27,771m. Other donors, including the IMF, IFC, and EU will provide complementary assistance.

Beneficiaries to the program will include: the Ministry of Finance, the General Auditing Commission; the Ways and Means Committee and the Public Accountants Committee of the Legislature; and the Public Procurement and Concessions Commission.

USAID/UGANDA: Donor to Donor Agreement with DFID

In September 2011 the UK's DFID and USAID signed a donor-to-donor agreement under which DFID will contribute \$33 million over four years to two USAID mechanisms aimed at scaling-up private sector family planning services. In order to satisfy the donor's wishes, the funds needed to be programmed by December, a short turnaround for USAID business practices. As another lesson learned from delegated co-operation, this case paved the way for GC/OAA to clarify, in ADS 303, that unappropriated funds from a bilateral donor are not subject to USAID internal regulations.

USAID/Uganda Operationalizes IPR in Every Sector

USAID/Uganda's Country Development Coordination Strategy (CDCS) completed in April of 2011, energetically incorporates USAID Forward reforms. Three technical teams: Health, HIV/AIDS, and Education; Economic Growth; and Democracy, Governance, and Conflict integrated IPR into their portfolios. IPR reforms increase will aid efficiency by combining USAID funds with other donor assistance. USAID/Uganda will continue to lead as a development entrepreneur by operationalizing many of the IPR objectives.

The Mission's Economic Growth team partnered with DANIDA on a mid-term review of its U-Growth program in Uganda, that provided important lessons learned for the Mission. One component of the U-Growth program supports the Agribusiness Trust (aBi Trust) which USAID/Uganda co-funds through a \$22.5 million Donor-to-Donor agreement with the Royal Danish Embassy to improve productivity through financial and technical support to farmers



USAID/Uganda and DANIDA sign an MoU for extensive governance training of newly inducted councilors in all 112 districts. Photo Credit: USAID/Uganda



Some staff of the USAID/Mozambique Mission participating in the IPR retreat. Photo Credit: USAID/Mozambique.

The Open Space meeting methodology enables individuals and groups to maximize their collaboration, encourages full and open participation, and provides the opportunity for all participants to set the meeting agenda, empowering each individual to be thought leaders on the given topic. Open Space was a useful methodology to employ for this retreat because IPR is very complex and will require the participation and contribution of almost all members of the Mission.



The retreat moderator and OVC Program Manager. Photo Credit: USAID/Mozambique.

and agribusinesses working with maize, coffee and beans. In this process USAID/Uganda gleaned valuable lessons about delegated cooperation with other donors including a continuing need for USAID/W support to adjust and adapt expectations for data, reporting and involvement.

In addition, on October 3, 2011, USAID and the Royal Danish Embassy signed an MoU to provide funding to the Uganda Ministry of Local Government (MoLG) for governance training of newly-inducted councilors in all 112 districts. The collective contribution is more than \$1.7 million. Danish funds are transferred to the SAID local governance implementing partner. Using MoLG staff as trainers, the program will ensure that local councilors are accountable and responsible for delivering services to their constituents. This training includes practical knowledge of running civil affairs, decision-making, budgeting, and legislative/planning functions. The MoU demonstrates the strong commitment of the MoLG, USAID, and the Danish Embassy to improve and expand local government effectiveness and accountability. This agreement operationalizes two of the IPR objectives for strengthening bilateral donor collaboration and partnership and strengthening partner country capacity to deliver aid effectively and sustainably.

Cross-Cutting Activities/Events:

USAID/Mozambique Engages Whole of Mission on IPR Engagement

USAID/Mozambique is in the midst of executing a “hard pivot” on IPR to substantially increase its local partnerships over the next several years. On October 13 -14, 2011, the Mission held a 2-day offsite retreat on to discuss the full array of questions, concerns, and issues related to IPR. What made this retreat unique is that the Mission utilized an “Open Space Methodology.”

The retreat coincided with a visit from the Mozambique Desk Officer, and the Director of the Southern African Affairs Office. Their participation was useful as they were able to clarify several components of the IPR initiative and hear the range of questions and concerns expressed by the Mission staff.

Mission staff developed many new plans during the retreat and are busy prioritizing next steps and developing strategies to operationalize these ideas.



Administrator Shah attended and delivered opening words at the CFO/OAA Joint Conference focusing on IPR. Photo Credit: USAID

CFO/OAA Joint Conference Focusing on IPR

More than 400 staff participated in the CFO/OAA Joint Professionals Conference in Leesburg, VA December 12-16, 2011.

Administrator Shah opened the conference, by providing keynote remarks highlighting his IPR visions for USAID. He addressed the Agency's move toward refining OAA and CFO roles and responsibilities to support development objectives, strengthening sustainable development by working with local partners, and unlocking internal cost savings. A series of plenaries, training overviews, and breakout sessions provided an opportunity for participants to learn more about the IPR objectives, as well as the impact to both Controller and Contracting Officer roles and responsibilities. During each of the sessions, Subject Matter Experts participated in panel and breakout discussions and solicited issues, concerns, and questions from participants. Collaborative working sessions engaged OAA participants in sharing best practices and collectively brainstorming to identify solutions to operational issues in support of the achievement of the IPR objectives.

New IPR Legislation, Regulations and Policies

◆ Legislation regarding limiting competition for contracts to local entities

In a strong show of support for IPR, Congress enacted Section 7077 in the 2012 Consolidated Appropriations Act (P.L. 112-74), which authorizes USAID to limit competition to local entities for contracts up to \$5 million if doing so would result in cost savings, develop local capacity, or enable USAID to initiate a program or activity in appreciably less time than if competition were not so limited. The statute limits the Agency's cumulative reliance on the authority world-wide and requires USAID to track and report to Congress on its use of the authority. It also defines "local entity" for purposes of competitions held relying on this authority, and makes it applicable to all currently available appropriations. Once implementing guidance is developed, this authority will greatly enhance USAID's ability to advance foreign assistance objectives through direct engagement with local organizations. The new statutory authority is in addition to the Local Competition Class D&F Administrator Shah approved in September, which allows operating units to limit acquisition competition to local entities as long as performance of the resulting contract will develop local capacity and market research indicates that at least three local entities are capable of performing the work.

◆ Source and Nationality Requirements for Procurement in the Federal Register

In arguably the most important and long-term accomplishment of IPR to date, and with the overwhelming support and approval of the Agency's implementing community, USAID has revised its source and nationality procurement rules in 22 C.F.R. 228. Resulting from almost a year's worth of consultation with the public, implementers and other federal stakeholders through a notice-and-comment rule making process- and coming almost two decades after the regulation's underlying law was enacted- USAID has finally aligned its rules to reflect the statutory authority to procure under implementing agreements from the United States, the recipient country, or developing countries. The revisions establish a default geographic source code which tracks USAID's statutory authority for all Agency-financed procurements, reducing the need for and administrative burdens associated with waivers while at the same time improving the effectiveness of U.S. foreign assistance. The new regulation will have further streamlining effects by deleting the concept of "origin" (thereby eliminating the need for "systems determinations") and clarifying and simplifying the source and nationality requirements. Other Agency policy and guidance affected by the regulatory changes will also be revised by February 6, 2012, the new source and nationality rule's effective date.

CFO/OAA Joint Conference focusing on IPR

(continued)

The conference successfully captured ideas, concerns, and questions from participants across the OAA and CFO community.



LCD Training in Kenya: Photo Credit: Ginny Barahona, USAID



Uganda celebrates their culture after a 23-year civil war. Photo Credit: John Gattorn, USAID/OTI

◆ Revisions to Exceptions to Competition for Assistance—ADS 303

The Agency issued a revision to the Assistance Exceptions to Competition Policy that allows exceptions to the competition requirement for first time prime awards to local partners that have demonstrated success as sub-recipients. The exception for local partners addresses the need to facilitate continuing relationships with local entities and implementers with good track records. It also promotes smoother transitions and continuity between Agency sub-awards and direct awards with local partners. Recognizing both the important role of science and technology (S&T) and innovation in development, we also established exceptions to competition for compelling and promising S&T and innovation activities. This reform will allow the Agency to fund such projects to continue finding solutions to improve people's lives in instances where competition is impractical.

New Staffing to Support IPR

◆ DCHA Bureau DRG Center—IPR Democracy Specialists

The DCHA Center of Excellence on Democracy, Human Rights and Governance (DRG) has hired eight new Democracy Specialists for its Cross Sectoral Programs (CSP) Team to support USAID's IPR. The new DRG Specialists are working as part of the IPR intra-agency team to develop new tools and provide technical support to Missions and DC-based offices on strengthening of partner country systems (Objective 1) and capacity development of local organizations (Objective 2) through the lens of DRG. The new staff are also plugged into the other objectives that focus on broadening USAID's partner base, more effective use of USG resources and strengthening collaboration with international organizations. The DRG staff will be a resource for Mission-based DRG officers working on IPR in the field. In addition, the CSP Team works on the integration of DRG principles into the wider development agenda. For more information, please contact Ann Marie Yastishock, the Deputy Director of the DRG Center, serves as Acting Team Leader of the CSP Team.

◆ EGAT Bureau - Support for IPR Objectives 1 & 2

EGAT's capacity development team is focused on building capacity in the public, civil society, and business sectors of partner countries. On the public sector side, this covers working to improve the various levels of partner governments' public financial management systems, including revenue mobilization. With for-profit and not-for-profit partners, a strong emphasis will be placed on assessing and building organizational capacity to serve as efficient and effective partners of USAID, other donors, and partner governments and to contribute to their country's sustainable development.

Points of Contact

Objective 1

David Ostermeyer, DOstermeyer@usaid.gov

Objective 2

Littleton Tazewell, ltazewell@usaid.gov

Objective 3

Mauricio Vera, mvera@usaid.gov

Objective 4

David Meyer, dmeyer@usaid.gov

Objective 5

Jun Jin, jjin@usaid.gov

The EGAT team supports both Objective 1 and 2 of the IPR. Its role in supporting IPR efforts overlaps with its role as the Agency's primary source for expertise and good practices in the fields of PFM and local capacity development. Thus, its services are not limited to IPR or Missions pursuing programs related to IPR objectives. For instance, it will provide advice on PFM to Missions pursuing capacity development programs even if the near-term objective of those programs is not explicitly to establish a G2G agreement. For more information, contact Thomas Solomon at tsolomon@usaid.gov or Frances Provencher-Kambour at fprovencherkambour@usaid.gov.



Women shelling maize, one of the three major staple crops that USAID is focusing on in northern Ghana. Photo Credit: USAID/Elisa Walton