

POLICY DETERMINATION

Agency for International Development

PD-16

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PROGRAM FINANCING ARRANGEMENTS WITH INDEPENDENT ORGANIZATIONS



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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523



OFFICE OF
THE ADMINISTRATOR

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A.I.D.

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I. Introduction.

As a general principle, in designing and negotiating assistance activities, A.I.D. policy seeks the largest possible financial participation from an assistance recipient, United States or foreign. 1/

Appropriate financial participation by assistance recipients is desirable because it can:

- help ensure their active involvement in and commitment to program/project activities at about planned levels or better;
- limit A.I.D. financing for programs/projects to amounts which the recipients cannot obtain on their own or which is otherwise unavailable for such activities;
- help mobilize additional financial resources for programs/projects;
- enhance the likelihood that recipients will continue project activities or otherwise work towards program goals after A.I.D. support ends, thereby contributing to an institutionalization and sustainment of program goals; and
- increase the coverage and effectiveness of A.I.D.'s limited overall budget resources.

1/ "Financial participation" as used in this policy includes in-kind contributions, in accordance with OMB Circular A-110 definition and requirements regarding valuation. See Handbook 13, Chapter 1, paragraph 1K.

II. Policy on Program Financing Arrangements With Independent Organizations

a) Basis for A.I.D. Assistance

A.I.D. provides assistance to independent organizations for two principal reasons:

-- to support or intensify the activities of independent organizations which contribute to the achievement of Foreign Assistance Act objectives; or

-- to develop the independent capacity, integrity, and quality of the recipient as an entity whose function is for the economic or social betterment of developing countries.

In general, these purposes are fully compatible with and are generally enhanced by the appropriate financial participation of a recipient independent organization in financing assistance activities.

b) A.I.D. Policy

A.I.D. policy is that assistance activities should be designed and agreements negotiated to incorporate the largest reasonable and possible financial participation of the recipient in financing a project, except where this is determined not to be appropriate in the judgment of the A.I.D. official authorizing the assistance activity. 2/

A fixed amount or percentage of financial participation for all assistance recipients is not appropriate given the diverse circumstances and conditions which may define a relationship between A.I.D. and an assistance recipient. Nonetheless, for Agency policy objectives, a useful approach is to use 25 percent financial participation as a reference point in approaching the design and negotiation of an assistance activity with an independent organization. 3/

2/ In these instances, the action memorandum signed by the Agency officer authorizing the assistance activity should describe the factors considered in reaching the judgment.

3/ The 25 percent rate in fact reflects existing policy regarding minimum grantee contributions for CRSPs, for some PVO programs, and generally is consistent with A.I.D.'s experience with grants and cooperative agreements.

Where reasonable and possible, larger participation rates should be sought; where necessary, lower rates may be justified. A financial participation less than 25 percent may be both significant, in terms of the entity's financial resources, and appropriate, in terms of A.I.D.'s objectives in joining with the entity in the assistance activity. 4/

III. Some Examples Where Financial Contributions are not Appropriate

A.I.D. programs encounter conditions and circumstances in which the financial participation of an independent organization of less than 25%, or no financial participation, may satisfy A.I.D. policy on other grounds. Among the most common of these are:

- entities/institutions acting as intermediaries for A.I.D. in implementing programs and activities where A.I.D. chooses to have such organizational relationships for administrative or political reasons (e.g., the UNHCR in Cyprus; PVOs in the West Bank/Gaza);
- entities/institutions established under A.I.D. programs as unique resources to provide long-term capacity to support programs and which have no substantial independent source of income (ex., JHPIEGO);
- entities/institutions which have developed or could develop specific programs in response to FAA objectives or A.I.D. requirements but without substantial independent income to support such programs (ex., HBCUs; The Pathfinder Fund);
- new or small nonprofit institutions without significant independent or external sources of funds (ex., NAFEO);
- institutions working on activities and towards objectives of special importance to A.I.D. (ex., Scripps Institute and malaria vaccine development);

4/ Per Handbook 3, Chapter 4B5e(5) (a), at pp 4-6, for Operational Program Grants, a 25% financial contribution from non-A.I.D. sources to an OPG project is not simply a reference point but a requirement which must be obtained or waived.

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-- institutions established in support of specific provisions of the FAA or other legislation which at their outset and for an undetermined period of time have no independent source of income (ex., ATI);

-- international institutions to which A.I.D. chooses to provide general program/organizational support;

-- contributions A.I.D. chooses to make to international organizations or multilateral funds;

The above examples are not presented as an exhaustive list. A final determination regarding whether there will be a financial contribution by an assistance recipient, and the amount, is subject to the sole discretion of the officer authorizing the activity. This consideration constitutes only one of many in determining whether to authorize assistance to an independent organization. The action memorandum signed by the Agency officer authorizing the assistance activity should describe the particular circumstances, conditions or considerations that caused the officer to conclude that a financial contribution would not be required from an independent organization under consideration as an assistance recipient.

IV. Application of Policy

This policy applies to all assistance provided by the Agency to nongovernmental organizations, in loan, grant or cooperative agreements. This guidance is consistent with but does not supersede existing guidance for OPGs (Operational Program Grants) contained in Handbook 3, Chapter 4B5e(5). This policy statement does not apply to assistance to foreign governments, which is subject to the requirements of Section 110 of the Foreign Assistance Act of 1961, as amended (cf., Handbook 3, Section A, Appendix 2G).



Jay F. Morris
Acting Administrator

10-9-87

Date

A.I.D. Policy Papers and Policy Determinations

The following reports have been issued in a series. These documents with an identification code (e.g. PN-AAM-323) may be ordered in microfiche or paper copy. Please direct inquiries regarding orders to:

A.I.D. Document and Information
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Title—Policy Paper	Date	Fiche #
Domestic Water and Sanitation	May 1982	PN-AAM-323
Food and Agricultural Development	May 1982	PN-AAM-322
Nutrition	May 1982	PN-AAM-321
Recurrent Costs	May 1982	PN-AAM-319
Population Assistance	September 1982	PN-AAM-320
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Urban Development Policy	October 1984	PN-AAQ-158
Shelter	February 1985	PN-AAQ-162
Private Enterprise Development (Revised)	March 1985	PN-AAQ-163
International Disaster Assistance	May 1985	PN-AAQ-164
Cooperative Development	April 1985	PN-AAQ-165
Trade Development	July 1986	PN-AAV-461
Health Assistance (Revised)	December 1986	PN-AAV-462

Title—Policy Determination	Date	Fiche #
PD #1—Narcotics	August 5, 1982	PN-AAM-443
PD #2—Mixed Credits	September 29, 1982	PN-AAM-444
PD #3—Voluntary Sterilization	September 1982	PN-AAM-445
PD #4—Title XII	October 5, 1982	PN-AAM-446
PD #5—Programming PL 480 Local Currency Generations	February 22, 1983	PN-AAM-591
PD #6—Environmental and Natural Resources Aspects of Development Assistance	April 26, 1983	PN-AAN-375
PD #7—Forestry Policy and Programs	May 16, 1983	PN-AAN-376
PD #8—Participant Training	July 13, 1983	PN-AAP-273
PD #9—Loan Terms Under PL 480 Title I	September 27, 1983	PN-AAN-753
PD #10—Development Communications	February 17, 1984	PN-AAP-616
PD #11—Using PL 480 Title II Food Aid for Emergency or Refugee Relief	July 26, 1984	PN-AAQ-159
PD #12—Human Rights	September 26, 1984	PN-AAQ-161
PD #13—Land Tenure	May 9, 1986	PN-AAQ-166
PD #14—Implementing A.I.D. Privatization Objectives	June 16, 1986	PN-AAQ-167
PD #15—Assistance to Support Agricultural Export Development	September 13, 1986	PN-AAV-460
PD #16—Program Financing Arrangements with Independent Organizations	October 9, 1987	PN-AAV-463