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# USAID'S LEADERSHIP IN PUBLIC FINANCIAL MANAGEMENT

## FY 2012 Annual Report

**30 SEPTEMBER 2012**

Contract Number EEM-I-00-07-00005-00, Task Order 11

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# Executive Summary

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This document constitutes the FY2012 Annual Report for the Leadership in Public Financial Management Project (LPFM), the eleventh Task Order under the SEGIR-GBTI II Indefinite Quantity Contract (IQC). LPFM is implemented by Deloitte Consulting LLP, with contributions from Cambridge Resources International and Duke University's Center for International Development. Operating since September 30, 2010, the Project has received primary direction from the Bureau for Economic Growth, Education, and the Environment (E3), formerly EGAT.

The purpose of the LPFM task order is to support rapid, sustainable, and equitable economic growth in USAID-assisted countries by enabling USAID to better address public financial management (tax, budget, and expenditure), macroeconomic planning and policies, and other selected economic governance issues. LPFM supports USAID Headquarters, Bureaus, and Offices and Missions abroad to: I) support host-country institutional capacity to identify, design, advocate, and implement better economic, revenue, and financial management policies; II) support USAID Bureaus and Missions implementing USAID Forward's Implementation and Procurement Reform goal to strengthen partner-country capacity for improved aid effectiveness and sustainability by increasing use of reliable partner-country systems and institutions in providing support to partner countries; III) improve the evaluation and assessment of the economic, financial and distributional costs and benefits of USAID supported projects and programs; and IV) strengthen host-country management of pharmaceutical and other health sector supply chains.

The LPFM Project receives funding primarily from USAID/E3 as well as dedicated funds from USAID operating units and missions for specific requests under the Public Financial Management agenda. In Year Two, the USAID Mission buy-in component (Activity 5) of the project constituted approximately 55 percent of the budget with work in seven different countries. Part of this work supported Missions as they considered options for using reliable partner country systems and undertook Public Financial Management Risk Assessments in accordance with ***ADS 220: Use of Reliable Partner Country Systems for Direct Management and Implementation of Assistance***. In Tanzania, Rwanda, Benin, Liberia, and Mozambique, LPFM's field work encompassed the Stage 2 Public Financial Management Risk Assessment Framework (PFMRAF) to analyze in greater detail the country and sector-level risks identified in the Stage I Rapid Appraisals. In Benin, Liberia, Mozambique, and Zambia, LPFM focused on Supply Logistics and Internal Control Evaluation (SLICE) Assessments to study public sector pharmaceutical supply chain controls of government systems and helped develop assessment tools for future use in countries across Africa.

The LPFM Project has strengthened USAID Headquarters' collective understanding and staff capacity in the realm of public financial management. The LPFM Team developed and launched the 2010-2011 USAID Collecting Taxes Database (available at <http://egateg.usaid.gov/collecting-taxes>), which provided extensive tax collection and policy indicators and metrics across nearly 200 countries. LPFM also completed a number of desk studies focused on tax systems of countries in Latin America and the Caribbean (LAC) region. In Honduras, LPFM assessed the financial management capacity of 15 municipalities to increase own source revenue. In addition, LPFM developed leading practice papers on tax administration reform and information technology for tax administration, and outlined a Blueprint for Effective Tax Administration

in LAC that will provide detailed guidance on core components of effective tax administration to senior officials and USAID staff in the LAC region. LPFM designed, led, and delivered various training for USAID staff, highlights of which included a four-week Cost Benefit Analysis Course, hosted by CRI at Queens University in Kingston, Ontario, and a one-week Fiscal Policy and Management Course hosted at Duke University's Center for International Development (DCID). Other training topics included: post-conflict country programming, strengthening public financial management and accountability systems, and Public Financial Management Risk Assessment Frameworks (PFMRAF).

This report reviews project activity, accomplishments, key trends, and challenges as well as lessons learned during the second year of LPFM. This report has four primary sections and includes annexes with financial and staffing figures. Section I describes the project context as defined by the original task order and provides detail on LPFM's core and implementing teams. Section II summarizes the project activities and sub-tasks that were completed or were under development in Year Two. Section III presents key trends and challenges faced as this project continued to evolve to meet the changing priorities of E3. Section IV elaborates on the ways in which the LPFM Team has adapted to global and USAID trends and provides lessons learned for the implementing team and USAID as well as implications for the last year of LPFM programming.

# Project Identification

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**Project Name:** Leadership in Public Financial Management Analysis: Technical Expertise, Training, and Field Support

**Project Acronym** USAID Leadership in Public Financial Management (LPFM)

**Contract Number:** EEM-I-00-07-00005-00      Task Order: 11

**Performance Dates** September 30, 2010 – August 13, 2013

**Project Management:** Ron Mcmorran, Chief of Party  
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**USAID COTR:** Theresa Stoll

**USAID CO:** Michael Douglas

**Funding Ceiling:** \$13,961,117

**Funding Obligated:** \$10,934,639

**Project Description:** Leadership in Public Financial Management provides rapid, sustainable and equitable economic growth support in USAID-assisted countries by enabling USAID to better address public financial management (tax, budget and expenditure), macroeconomic planning and policies, and other selected economic governance issues, and by supporting missions abroad.

# I. Introduction

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## A. Project Context

The capacity of USAID staff to assess, design, and monitor public financial management projects and perform in-depth economic analysis has declined during the past 15 years, but the need for such assessment and project design work by USAID staff has increased. The number of USAID economists and other economic growth officers decreased by about half from 1992 through 2007. Substantial new hiring of junior EG officers occurred during 2008-11, but they will be on a learning curve for several years before becoming experienced in the assessment, design, and evaluation of varied financial management and economic policy programs. Meanwhile, the demand for USAID field missions to undertake assessments and to develop and implement tax, budget-management, and other economic governance projects has increased dramatically in the past decade.

One important source of demand for such USAID projects has been the need to rebuild financial integrity in conflict and post-conflict countries where USAID has been increasingly engaged. A second, ongoing impetus for those types of fiscal assistance from USAID field missions has been the ‘revenue squeeze’ on host countries, owing to their liberalization of international trade in recent decades and to the corresponding decline of trade taxes. A third consideration is the commitment of the U.S. Government (USG) to support the multilateral approach to “Aid Effectiveness” – including the greater use, when possible, of host-country budgeting and contracting mechanisms; as a result, USAID field missions need to draw on tested agency resources to assist with their assessments and efforts toward reform of the relevant host-country financial management systems.

The LPFM task order was designed to support rapid, sustainable, and equitable economic growth in the USAID-assisted countries by enabling USAID to better address public financial management, macroeconomic planning and policies, and other selected economic governance issues, as well as by supporting missions to improve capacity and assess public financial management systems. The LPFM Team charged with meeting these needs and the project’s progress thus far to this end are detailed below.

## B. Administration and Management

The Core Management Team on the LPFM project consists of Deloitte’s Ron McMorran (Chief of Party), Hilary Mclellan (Deputy Program Manager), Anton Kamenov (Principal Economist), Michael Youssef (Project Coordinator), Alicia Miller (Project Coordinator), and Imelda Humady (Travel & Logistics Coordinator).

Over the course of Year Two, the Core Management team was responsible for: staffing and mobilizing short-term field teams in nine countries, organizing and hosting USAID courses, producing the Collecting Taxes database and various research reports, responding to ad hoc requests, and managing high quality project delivery.

## II. Project Activities and Accomplishments

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### A. Activity 1: Growth Diagnostics

LPFM completed the Growth Diagnostics activities in Year One.

### B. Activity 2: Collecting Taxes

Through the Collecting Taxes Activity, the LPFM Team supports USAID with a variety of technical tasks related to tax policy, administration, and government revenue performance. In Year Two, this activity was divided into four (4) distinct tasks as follows:

#### *Latin American and the Caribbean Desk Studies*

The goal of this task is to produce desk studies of revenue development, outcomes, and performance of the tax policy and administration of countries in the LAC region. These studies compare the performance of each country with regional and income group performance during 2001-2010.

In Year Two, the LPFM Team produced three (3) desk studies for Colombia, Paraguay, and Peru. In addition, a summary document was developed that presented the main findings across the entire set of desk studies to date (10 countries in total). The document included comparisons across all 10 countries as well as the regional and income group averages covered in the desk studies.

#### *Honduras Municipal Finance Assessment*

As a follow-on activity to the LAC Desk Studies (detailed above), LPFM developed an in-depth field study of municipal finance, economic development, and security in selected municipalities in the Northern Corridor of Honduras. The objective of the study was to assess the financial management capacity of 15 municipalities to increase own source revenue. While in-country, the LPFM team interviewed mayors and other municipal leaders from each selected municipality and developed an overall assessment report detailing the current state of municipal finances, economic development, and security. The report identified strengths, weaknesses, and areas of opportunity, and provided short, medium, and long-term recommendations for continued development in these areas.

The team concluded the field study with a presentation of the findings to the U.S. Ambassador to Honduras on August 10, 2012. The final report (in Spanish) was accepted by the Mission on September 20, 2012. In Year Three, the team will produce an English translation and will brief the USAID/LAC Bureau in Washington, D.C. on findings.

#### *A Blueprint for Effective Tax Administration in Latin American and the Caribbean*

The goal of this task is to provide detailed guidance on the core components of effective tax administration to USAID staff and senior officials in the LAC region, including rules of thumb that allow them to conduct a self-assessment of their organizations' strengths and weaknesses. The blueprint is intended to provide sufficient detail to guide a new Minister of Finance or Tax Administration Directors in making reforms even if he or she is not a technical expert. The blueprint will serve as a tool for USAID Missions to engage their host governments in tax-related discussions.

In Year Two, the LPFM team drafted an annotated outline of the blueprint and presented the outline to USAID/LAC Headquarters. The blueprint will be drafted and disseminated in Year Three.

### ***Collecting Taxes Database***

This task focuses on preparing the Collecting Taxes Database. These data are useful to donors, and particularly to USAID officers, in carrying out project interventions to improve tax policy and administration systems in cooperating countries around the world.

The LPFM team submitted the final version of the 2010-2011 database to USAID in Year One. In Year Two, the LPFM team worked with USAID to address any information gaps, data inconsistencies, and publishing issues and to host the 2010-2011 Database on the EGAT website. The team also organized an in-person launch event with attendees from USAID, U.S. Treasury, the IMF, and the World Bank, which took place on December 14th, 2011. The event introduced the database, demonstrated its functionality, and created a forum for feedback and discussion.

Along with the release of the 2010-2011 database in Year Two, the LPFM team began updating and preparing for the release of the 2011-2012 database.

## **C. Activity 3: Research Studies and Best Practice Notes**

The LPFM Team supports USAID in the development of Research Papers and Best Practice Notes to assist USAID Officers in identifying and carrying out interventions to improve public financial management systems and macroeconomic governance in cooperating countries around the world. The LPFM Team draws on the extensive experience in Deloitte's Global Offices to provide technically relevant content from a global perspective.

In Year Two, the LPFM team continued developing installments of a best-practice literature series including:

### ***Tax Administration Reform: A Primer***

This primer provides the foundational understanding needed to engage in tax administration reform. It includes an overview of the key tasks of a tax administration, the tax collection process, benefits of tax administration reform, and the preconditions for successful implementation.

This paper was drafted and submitted for USAID approval in Year Two.

### ***Information Technology for Tax Administration***

This paper draws on relevant literature and various project examples distilling best practices in information technology (IT) for tax administrations. The paper is a guide for donors who are responsible for designing and developing future projects to improve tax administrations with an IT component or focus.

This paper was drafted and submitted to USAID in Year Two.

### ***Status of Recent Tax Reform in Jamaica and Benchmarking Tax System Performance***

In Year Two, the LPFM Team produced a comprehensive study aimed to help the Government of Jamaica and the USAID Mission assess the overall efficiency and effectiveness of the tax system, accounting for aspects of tax policy, administration, and compliance.

Developed through in-depth research and an in-country field assessment by the team, the report provides a summary of tax-reform studies and activities in Jamaica during the past few years and benchmarks Jamaica's tax system against international experience and accepted leading practice to determine the latest levels of key indicators of Jamaica's tax administration organizational performance and practices. It also identifies a number of revenue risks and makes corresponding recommendations to strengthen the tax system in Jamaica. Completed in Year Two, the paper can be used by USAID/Jamaica to constructively contribute to the development of the next Tax Administration Jamaica (TAJ) strategic plan and to the development of revenue mobilization programming by USAID.

### ***Georgia Tax and Customs Reform Program, 2005-2011***

This paper discusses the strategy and steps of Georgia's tax administration following the Rose Revolution to develop lessons of general application for the support of revenue reform programs in other jurisdictions. The paper examines the major changes in 2005-2011 to Georgia's revenue agency processes and procedures, enforcement activities, taxpayer service activities, tax administration integrity activities, and managerial functions such as operational planning, performance measurement, human resources, and IT.

Field assessments for this paper were completed in Year Two. Data analysis and the final report will be delivered in Year Three.

## **D. Activity 4: Domestic Resource Cost and Cost Benefit Analysis**

The LPFM Team supports USAID by providing guidance and training on domestic resource cost (DRC) analysis and cost benefit analysis (CBA) aimed at improving USAID design and programming across all units. These activities are executed through seminars and trainings for Headquarters and Mission staff. DRC analysis helps USAID Officers by improving their ability to evaluate financial and economic profitability of value chains, while the CBA Analysis presents Officers with the basic principles and practical applications of Applied Cost-Benefit Analysis and Cost-Effectiveness Analysis.

### ***Cost Benefit Analysis and Financial Management Course***

In Year Two, the LPFM Team executed two Cost-Benefit Analysis and Financial Management training courses for USAID Officers. The first course, held from November 21-23, 2011 at USAID Headquarters, was a pilot course designed to teach non-economists the principles of financial analysis of projects. The course was developed by Dr. Deo Dhakal.

Additionally, in Year Two, the LPFM team planned and executed its second annual Program for Cost-Benefit and Cost Effectiveness Analysis (CBA/CEA) Training for USAID Officers. The Team engaged Cambridge Resources International (CRI) under the leadership of Dr. Glenn Jenkins to conduct the training course at Queens University in Kingston, Ontario during July 2-27, 2012. Throughout the first half of Year Two, the

LPFM Team, CRI, and USAID EG Officers worked together on the agenda for the course, case studies, and planning and logistics.

The four-week training program covered various aspects involved in financial, economic, stakeholder, and risk analysis of development projects. The theoretical and practical parts of the course were selected based on the USAID areas of focus and the current challenges in project evaluation.

A total of 17 participants attended the training program, including officers from USAID Headquarters in Washington, D.C. and Foreign Service Officers and Foreign Service Nationals from USAID Field offices. According to the results of course evaluations, the participants found the program in line with the nature of the work at USAID and of great value to their work.

## **E. Activity 5: Supporting USAID Missions**

LPFM supports USAID missions through this activity by providing specialized expertise to USAID field missions and other USAID operating units to strengthen host-country institutional capacity in public financial management and undertaking fiduciary risk assessments of host-country public financial management systems. In Year Two, LPFM supported a variety of USAID missions as detailed below.

### ***Tanzania Stage 2 Risk Assessment***

LPFM completed a Stage 2 risk assessment in Tanzania, centered on four local government authorities and Sokoine University. The assessment examined financial management, accounting, budgeting, procurement, and internal control systems of these institutions, as well as oversight by national level institutions. The team assessed the institutions' management capacity to implement USAID activities and manage USAID funds. The risk assessment areas were selected to help USAID/Tanzania answer four basic questions for potential recipients of direct funding: 1) whether money could be accounted for transparently; 2) whether the use of grant resources could be reported on a timely basis and in a useful manner; 3) whether contributors could be chosen and materials could be purchased honestly and efficiently, and; 4) whether projects could be designed and completed on a timely basis, while meeting expected quality standards.

### ***Tanzania Financial Crisis Initiative Performance Evaluation***

The Financial Crisis Initiative (FCI) is a stimulus package from the USG to complement actions by the Government of Tanzania to stimulate the Tanzanian economy, increase food production, and provide social protection and safety nets for vulnerable groups. At the request of USAID/Tanzania and E3, LPFM evaluated the Cash for Asset, Food for Education, and Cash for Work programs of the package, implemented by World Food Programme (WFP), World Wildlife Fund (WWF), and Department of Interior (DOI) respectively. The LPFM team designed a mixed method performance evaluation approach and deployed four teams to gather information from implementing partners and beneficiaries in Tanzania. The evaluation examined the extent to which the FCI program activities directly addressed the overall goal of providing a safety net and reaching intended vulnerable populations affected by the financial crisis, as well as the key factors contributing to or limiting the sustainability of all three safety net components. The final report and presentation were sent to USAID/Tanzania in Year Two.

### ***Liberia Risk Assessment and SLICE***

LPFM completed Stage 2 Risk Assessments in Liberia in order to evaluate the internal control, financial management, procurement, and administrative systems of the Ministry of Health and Social Welfare, the Ministry of Education, and the Ministry of Agriculture using the PFMRAF methodology, and recommended, where necessary, corrective actions to mitigate identified risks and vulnerabilities. Draft reports have been issued and have been under review by the Mission.

A team is currently in-country conducting a PFMRAF Stage 2 Risk Assessment of the National Drug Service and a Supply and Logistics Internal Control Evaluation (SLICE) of the distribution network for health commodities. The team is scheduled to complete the assessment in early October of Year Three. A third phase of Stage 2 Risk Assessments in Liberia will be completed in November-December of Year Three.

### ***Mozambique Risk Assessment***

In Year Two, LPFM began a Stage 2 Risk Assessment in Mozambique to analyze financial and administrative control environments and other public financial management systems and processes in order to identify weaknesses and risks associated with the proposed direct use of Government of Mozambique institutions for USAID funds. A team is currently in-country conducting field work consisting of interviews, documented observations, transaction-level testing, and reviews of relevant documents. The team is scheduled to complete the assessment in December of Year Three.

### ***Rwanda Risk Assessments***

In Year Two, LPFM conducted and completed Stage 2 Risk Assessments on the following Rwandan public institutions.

- Centrale d'Achats des Médicaments Essentiels du Rwanda (CAMERWA)
- Kigali Health Institute
- National University of Rwanda
- Ministry of Health and the Single Project Implementation Unit
- National Council of Nurses and Midwives
- Five Nursing and Midwifery Schools
- 6 District Health Centers and 2 District Hospitals
- 13 Administrative Districts

The assessments examined financial management, accounting, budgeting, procurement, and internal control systems in these institutions and identified risks and proposed risk mitigation strategies associated with utilizing these systems in government-to-government programming. For purposes of the district health centers, district hospitals, and nine of the administrative districts, LPFM relied upon fieldwork conducted by USAID Assessment Teams to develop the reports.

### ***Rwanda Performance Based Financing (PBF) Risk Assessment***

LPFM conducted an assessment of the PBF system in Rwanda to identify risks associated with USAID funds channeled through the system. As part of the assessment, LPFM evaluated the unit within the Ministry of Health responsible for overseeing the PBF system (the Cellule d'Appui à l'Approche Contractuelle [CAAC]) and one health center and one district hospital in each of three districts (Rubavu, Musanze, and Muhanga).

The objective of the Assessment was to assist the Mission in reviewing the implementation of the PBF system in six sampled district health facilities to determine: 1) how PBF payments were calculated and distributed; 2) the risks inherent in the process; 3) what gaps, if any, existed in the data collection and incentive payment structure; 4) how well the standard operating procedures (SOPs) for the peer review process were followed and implemented at the health facilities; 5) areas of strength and weakness in compliance to the SOPs, as well as any risks inherent in the process; and 6) whether there were additional gaps or risks in compliance or areas that allow for unintentional error. Final approval on the PBF Report and Questionnaire is pending.

### ***Supply Logistics and Internal Control Evaluation (SLICE) Benin, Mozambique, and Zambia***

The LPFM team worked with USAID/Global Health to conduct assessments of supply chain controls in sub-Saharan Africa. LPFM recruited a team of supply chain experts and controls advisors, who developed the SLICE methodology and work plan. The assessment tools were piloted on anti-malarial commodities in Benin during Year One and this work was well received by the Mission and Headquarters. The Assessment tool was also used in Zambia, where it identified strengths and vulnerabilities in the supply chain, helped propose steps to mitigate risk, and provided future direction of services provided by donors, along with proposed opportunities to strengthen host government supply chains. Based on the results in Benin and Zambia, the assessment in Mozambique was expanded to HIV/AIDS and other essential commodities. The Mozambique SLICE Assessment was a coordinated effort between LPFM, USAID, Global Fund, and UNICEF. Planning for additional assessments in Year Three is underway.

### ***Iraq Electricity Sector Reform Assessment***

LPFM fielded a team of international experts and local technical consultants to assist the Ministry of Electricity with an assessment of possible industry reform options. The Team led workshops in Baghdad, engaging both the Ministry of Electricity and the Ministry of Finance to collaboratively develop a roadmap for Iraq's future electricity reform. The Iraqi Ministry of Electricity and the Mission concurred that a potential workshop similar to those held in Baghdad would take place in Amman, Jordan in early Year Three.

### ***Technical Support to Jordan Enterprise Development Corporation (JEDCO)***

As part of a government-to-government grant valued at approximately USD \$31 million, USAID/Jordan requested that LPFM provide technical assistance to JEDCO in implementing the Small and Medium Enterprise Financing Program, facilitating the production of key documents including a Grants and Technical Assistance Manual, a staffing plan, an Operations Manual, a Performance Monitoring and Evaluation Plan, and a Communications and Outreach Strategy. In Year Two, LPFM began to build the skill level of JEDCO staff to comply with U.S. Government financial management guidelines, anti-terrorism rules, environmental regulations, and monitoring and evaluation requirements.

An LPFM team is currently in Jordan, assisting JEDCO in drafting the aforementioned key documents and helping JEDCO hire the requisite staff to implement the USAID grant. LPFM will continue to support JEDCO through one grants cycle which will occur in Year Three.

## **F. Activity 6: Web Content**

LPFM supports USAID's new website by reviewing and updating content related to the subject area of this task order. One of the major goals under this task is to ensure that the website enhances the leadership capacities of USAID E3 Officers and field staff.

In Year Two, LPFM worked together with USAID Officers to migrate and update the Collecting Taxes Database for the 2010/2011 version and to identify, organize, and upload additional content, such as leading practice papers. In addition, LPFM provided recommendations on defining the content display categories for USAID/E3's public facing portal, and organized and delivered training content from other LPFM activities for USAID/E3's internal facing portal.

## **G. Activity 7: Training, Workshops and Communications**

The objective of this activity is to provide technical support to USAID headquarters for training EG, DG, and CFO Officers on topics of interest to USAID stakeholders. In Year Two, LPFM facilitated and executed the following trainings and workshops.

### ***Fiscal Policy and Management Training Workshop***

In Year Two, the LPFM Team and its implementing partner, Duke University, presented USAID staff with a training program on Fiscal Policy and Management. Customized by LPFM, the training focused on recent trends in fiscal policy reform, public financial management, tax policy design, revenue administration, and fiscal decentralization.

The training was held from June 25-29, 2012 at Duke University's Center for International Development in Durham, North Carolina and was attended by 25 USAID Officers, including a number of EG and DG USAID officials. Feedback from participants reflected that the training was well received and useful.

### ***Public Financial Management Risk Assessment Framework (PFMRAF) Training***

In Year Two, LPFM developed a five-day training course titled "Introduction to the Public Financial Management Risk Assessment Framework: Implementing Stage 1 Rapid Appraisals and Stage 2 Risk Assessments". The course was delivered five times in Leesburg, Virginia (pilot; December 2011), Kenya (May 2012), Thailand (June 2012), Ghana (July 2012), and Washington, D.C. (August 2012). The purpose of the course was to familiarize participants with the rationale and benefits of using partner country systems for delivering government to government programming, introduce them to USAID's new Public Financial Management Risk Assessment Framework, and provide them with the skills necessary for conducting Stage 1 Rapid Appraisals and Stage 2 Risk Assessments. LPFM trained 159 participants in total.

### ***Development of E-Learning Modules for the Public Financial Management Risk Assessment Framework***

In Year Two, LPFM began the development of 16 e-Learning modules utilizing the PFMRAF training materials described above. Transforming the materials into e-Learning modules allows USAID to reach staff worldwide and gain greater flexibility with significant cost savings. The modules incorporate knowledge

checks and exercises oriented towards adult learning to ensure participants gain maximum usefulness from the courses. The e-Learning modules will be completed at the beginning of Year Three and will be hosted on USAID Learning Management System (LMS) and available to all staff in Fall 2012.

### *Strengthening Public Financial Management and Accountability Systems Training*

The LPFM Team developed four modules in support of the DRG/E3 sponsored Strengthening Public Financial Management and Public Accountability course. The course was conducted in Thailand in August of Year Two and included lectures on Procurement, Financial Accounting and Reporting, Medium Term Expenditure Framework, and Capacity Development developed by LPFM. The training was designed to provide USAID Mission staff with the necessary knowledge to design capacity building programs on PFM and Public Accountability.

### III. Trends and Key Challenges

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This section provides an overview of the major trends and key challenges based on the work completed in Year Two of the LPFM project.

#### *Major Trends*

The LPFM team observed two major trends in the work completed during the project's second year. First, USAID field missions continue to express interest in LPFM as a contract vehicle for short-term assessments. The public financial management risk assessments, pharmaceutical supply chain assessments, and other sector specific studies all signal a strong interest in the work of LPFM. Second, Missions are beginning to embrace government to government programming and desire additional assistance from LPFM both in terms of Stage 2 Risk Assessments and in providing support to the partner country government institutions. Demand for these services is likely to grow.

#### *Key Challenges*

Despite the success of the second year, three challenges need to be continually managed to ensure future success on LPFM activities.

First, a number of the activities under LPFM are new to USAID missions and headquarters and were piloted in the first two years of the project, particularly PFMRAF Stage 2 and SLICE assessments and an evaluation under USAID's new evaluation policy. Mission teams, HQ staff, and the LPFM team continue to learn from undertaking these new activities for USAID. We continually share feedback with USAID on the lessons learned in implementing the Stage 2 Risk Assessments and SLICE Assessments to help Headquarters, Bureaus, and Missions better understand the approach, analysis, and reporting of these assessments. Included in these lessons is that overly ambitious timelines can impact the efficiency of the assessments and could result in delays and other challenges that otherwise might have been avoided.

Second, a number of the LPFM activities required rapid deployment of qualified staff to support field missions following agreement on statements of work and budgets. This has been particularly important for PFMRAF Stage 2 risk assessments. Early in the project, a limited cadre of staff trained in new USAID fiduciary risk assessment policies and procedures was available. In one instance, a weakness was identified in the process for vetting project personnel which has since been rectified. In addition, health problems contributed to the need to quickly replace staff on these assignments and caused further delays in the completion of work. As a result, the LPFM team has developed a core group of qualified staff for use on any Stage 2 or SLICE assessments to expedite the resource mobilization process and to provide flexibility for rapidly replacing staff that are unable to complete their assignments for health or other reasons.

Third, given the very technical nature of work in some activities, the LPFM project team and USAID Missions had difficulties in agreeing on or achieving a common understanding of the corresponding scopes of work. Example activities include the evaluation of programs under the Tanzania Fiscal Crisis Initiative and the Construction Risk Assessment. Significant effort is required when developing and agreeing on tasks and deliverables under each activity.

## IV. Lessons Learned

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This section outlines the key lessons learned from work completed during Year Two of the LPFM project.

### Activity 2: Collecting Taxes

- Producing the annual update for the Collecting Taxes database is a time consuming exercise and should be planned carefully. Information on national revenue figures and annual IMF/World Bank data is generally released by the second quarter of the following year. Pending release of these figures, the LPFM team should focus on other data that is non-reliant on revenue figures, such as tax administration and rate figures;
- The LPFM team should engage USAID throughout the database development process to ensure consistent communication about the data being collected and concerns that arise; and
- It should be recognized that various countries' Ministry of Finance staff may disagree about the conclusions and data used in the revenue mobilization studies and the Team should be amenable to making changes in the final stages of producing the documents.

### Activity 3: Research Studies and Best Practice Notes

- Heavy demands on the core LPFM team related to management tasks necessitate planning to ensure there is sufficient and dedicated time for this activity; and
- Developing USAID specific case studies on various topics has proven to be the most time consuming part of this activity and requires additional levels of effort.

### Activity 4: CBA and DRC

- The LPFM team should leverage feedback and evaluation score results from previously implemented training courses to assist in the planning and development of new courses. In 2012, the LPFM Team used both negative and positive feedback received from the 2011 CBA course to help in the planning and execution of the 2012 CBA course. The resulting effect was a much better delivery all around and higher course evaluation scores.

### Activity 5: Supporting USAID Missions

- A big challenge was rapidly mobilizing teams upon requests from USAID missions for work beyond the initial LPFM core competencies. Moving forward, the LPFM Team will continue to ensure that sufficient time for finalizing the scope of work and mobilizing the teams are built into the start-up phase for engagements;
- For several of the field requests the LOE budgeted did not allow sufficient time for completing the deliverables at the end of the assessment. The Team will build in time for completing the deliverables at the end to ensure quality of delivery for USAID;
- Organizational conflict of interest concerns should be addressed early in the process of scoping the work;
- As many of the field requests are pilot studies or the development phase of a new methodology, the LPFM Team should be amenable to SOW revisions and changing client expectations; and

- Communication with the Missions can be improved. Moving forward the LPFM Team will constantly engage the USAID mission throughout the field assessments to ensure client buy-in for key decisions being made and to relay progress.

#### Activity 6: Improved Web Content

- A somewhat ad hoc approach to this task was used, given that LPFM does not have a single dedicated partner for this task and that USAID has a number of persons responsible for various aspects.

#### Activity 7: Workshops and Training

- LPFM staff need to be more involved in working with USAID and training partners in implementing the workshops. This will ensure better oversight and improve the quality of delivery to meet the needs of USAID;
- Sufficient time needs to be allocated for preparing materials and arranging logistics for major trainings and workshops;
- The G2G trainings have greatly benefitted from involving a training expert on the team and this practice should be adopted for all future trainings; and
- The presentation skills of presenters, and not just their technical expertise, should be emphasized.

# Annex A: Financial Summary

SUMMARY BUDGET BY ACTIVITY			
	Approved Budget (Y 1 & 2)	Invoiced (Y 1 & 2)	Remaining (Y 1 & 2)
Core Management Team and Ad Hoc Requests	\$ 854,183	\$ 618,616	\$ 235,567
Activity 1: Growth Diagnostics	\$ 44,060	\$ 30,443	\$ 13,617
Activity 2: Collecting Taxes	\$ 278,118	\$ 75,673	\$ 202,445
LAC Tax Assessment	\$ 200,000	\$ 67,864	\$ 132,136
Activity 3: Research Papers and Best Practice Notes	\$ 1,085,036	\$ 310,188	\$ 774,848
Georgia Revenue Study	\$ 139,690	\$ 65,764	\$ 73,926
Jamaica Benchmarking	\$ 129,311	\$ 130,067	\$ (756)
LAC Tax Blueprint	\$ 650,000		\$ 650,000
QRM for PFMRAF	\$ 6,450	\$ 5,321	\$ 1,129
Activity 4: Domestic Resource Cost Analysis/Cost Benefit Analysis	\$ 537,372	\$ 278,473	\$ 258,899
Activity 5: Supporting USAID Missions	\$ 5,427,729	\$ 2,808,605	\$ 2,619,124
PMI/SLICE Assessments	\$ 752,892	\$ 748,247	\$ 4,645
Methodology Development, Finalization, Benin Assessment	\$ 257,589	\$ 359,235	\$ (101,646)
Mozambique PMI	\$ 240,245	\$ 126,640	\$ 113,605
Zambia SLICE	\$ 200,593	\$ 207,907	\$ (7,314)
Zambia SLICE II	\$ 44,960	\$ 44,960	\$ -
Data Analytics	\$ 9,505	\$ 9,505	\$ -
Iraq Electricity	\$ 450,000	\$ 102,926	\$ 347,074
Rwanda MINAGRI	\$ 140,107	\$ 154,807	\$ (14,700)
Rwanda CAMERWA	\$ 149,979	\$ 135,577	\$ 14,402
Rwanda HRH	\$ 370,456	\$ 355,074	\$ 15,382
Rwanda District Health	\$ 87,099	\$ 98,535	\$ (11,436)
Bangladesh FtF	\$ 159,331	\$ 154,386	\$ 4,945
Tanzania Risk	\$ 199,590	\$ 192,445	\$ 7,145
Tanzania FCI	\$ 450,000	\$ 300,702	\$ 149,298
Ethiopia IFMIS	\$ 73,005	\$ 41,163	\$ 31,842
Liberia PFMRAF	\$ 1,071,188	\$ 517,693	\$ 553,495
Mozambique PFMRAF	\$ 956,350	\$ -	\$ 956,350
Jordan JEDCO	\$ 288,282	\$ 7,048	\$ 281,234
Activity 6: Web Content	\$ 4,437	\$ 3,335	\$ 1,102
Activity 7: Training, Workshops and Communications	\$ 782,418	\$ 521,258	\$ 261,160
G2G Training	\$ 507,665	\$ 366,710	\$ 140,955
Strengthening PFM and PA	\$ 47,225	\$ 7,665	\$ 39,560
Duke Fiscal Course	\$ 187,746	\$ 108,739	\$ 79,007
Implementation and Procurement Training	\$ 39,782	\$ 38,144	\$ 1,638
<b>Total</b>	<b>9,013,353</b>	<b>4,646,591</b>	<b>4,366,762</b>
OBLIGATED FUNDING			\$ 10,934,639
Ceiling			\$ 13,961,117
Amount remaining from ceiling			\$ 3,026,478

\*as of September 20, 2012

## Annex B: LOE Y2 Summary

Name	Role	Activity	LOE Expended (days)
Abdul Majeed, Nadeem	TCN	PMI Assessment	42.75
Akim, Ikupa	CCN	Tanzania FCI	37.88
Alimohanmadi, Niema	Contract Support Level III	G2G	54.69
Amoretty, Roberto	TCN	Honduras Municipal Finance Assessment	35.00
Avasarala, Revathi	Sector Advisor Level III	Zambia SLICE, Liberia SLICE	187.63
Baldrige, Anne	Sector Advisor Level III	Rwanda Stage 2, Liberia Stage 2, Mozambique Stage 2	148.75
Ballanoff, Paul	Sector Advisor Level I	Iraq Electricity	7.50
Bamalwa, Brijesh	TCN	Rwanda Stage 2	43.88
Barbosa, Farlannes	Sector Advisor Level I	Mozambique Stage 2	10.00
Carey, Mark	Sector Advisor Level I	Liberia Stage II, Mozambique Stage 2	17.44
Carias, David	TCN	Honduras Municipal Finance Assessment	40.00
Cederbaum, Eric	Sector Advisor Level II	Rwanda District Health	15.13
Chandler, Gwynn	Contract Support Level II	G2G	1.63
Corcoran, Kevin	Sector Advisor Level I	Ethiopia Oracle Assessment	2.06
Covert, Randy	Sector Advisor Level I	Tax IT	1.13
De Groote, Luc	TCN	Bangladesh Stage 2	38.00
Dhokal, Deo	TCN	CBA and Financial Management Course	10.00
Duron, Lourdes	TCN	Honduras Municipal Finance Assessment	35.00
Dye, Kenneth	TCN	PFM Training	3.00
Epstein, Elias	Sector Advisor Level II	Mozambique Stage 2	4.75
Fowler, Alan	Sector Advisor Level II	PMI Assessment, Liberia Stage 2, Mozambique Stage 2	132.37
Frangis, Charles	Sector Advisor level I	Liberia Stage 2	83.00
Gibbons, Julia	Sector Advisor Level I	G2G	5.19
Gouws, Liezl	TCN	Rwanda CAMERWA	6.25
Harrison, Jeff	Sector Advisor level II	Rwanda Stage 2	15.88
Herr, Douglas "Ben"	Sector Advisor level II	Mozambique Stage 2	17.25
Hoffman, Rebecca	Sector Advisor Level I	Tanzania FCI	45.44
Humady, Imelda	Contract Support Level III	Core Management	102.87
Jacobs, Arturo	Sector Advisor Level I	Jamaica Tax Benchmarking	38.00
Jenkins, Glen	Business Advisor Level I	DRC/CBA Workshops	5.56
Jessen, Amanda	Sector Advisor level III	Strengthening PFM and PA	68.63
Kamenov, Anton	Sector Advisor Level II	LAC Tax Administration, Tax Administration Reform: A Primer, Tax IT, Core Management, Honduras	43.88

Name	Role	Activity	LOE Expended (days)
		Municipal Finance Assessment, Jamaica Tax Benchmarking Study, Tanzania FCI, Improved Web Content	
Kim, Jennifer	Sector Advisor Level III	G2G	138.88
Kruzel, Alex	Sector Advisor Level III	PMI Assessment, Liberia Stage 2, Mozambique Stage 2	214.38
Kuria, Esther	Sector Advisor Level II	Rwanda Stage 2	131.16
Ladiwala, Mohammed	TCN	Liberia Stage 2	29.25
Lee, Jim	Sector Advisor Level II	PMI Assessment	1.50
Lewarne, Stephen	Business Advisor Level I	Core Management	79.44
Lin, Ann	Sector Advisor Level II	Rwanda District Health	13.00
Long, Bruce	Sector Advisor Level I	Rwanda Stage 2	36.00
Mac an tSionnaigh, Niall	Sector Advisor Level III	Tax IT	52.50
Malone, Nate	Sector Advisor Level III	Liberia Stage 2	21.06
Martinez, Claudio	TCN	Tanzania FCI	63.75
McCord, Mark	Sector Advisor level I	Jordan JEDCO	24.47
McLellan, Hilary	Business Advisor Level II	Core Management	176.58
McMorran, Ron	Business Advisor Level II	Core Management	162.03
Medrano, Jose (JE Austin)	Sector Advisor Level I	Mozambique Stage 2	6.00
Megill, David	Sector Advisor Level I	Tanzania FCI	20.00
Miller, Alicia	Contract Support Level III	Core Management	47.41
Morroy, Judith	Sector Advisor Level II	PFM Training	8.00
Murali, Pavan	TCN	PMI Assessment	2.88
Murdoch, Terence	TCN	Fiscal Policy and Management Training	0.62
Nash, Nate	Sector Advisor Level II	Jamaica Tax Benchmarking	3.19
Ollison, Jason	Sector Advisor Level II	Rwanda District Health	6.81
Osinski, Diana	Sector Advisor Level I	LAC Tax Assessment	1.63
Paniagua, Luis	Sector Advisor Level III	Core Management, Honduras Municipal Finance Assessment, Jamaica Tax Benchmarking Study; CBA/CEA Training	211.12
Panwar, Meghna	TCN	PMI Assessment	6.50
Purdy, Bruce	Sector Advisor Level I	Tanzania FCI	15.87
Race, Barbara	Sector Advisor Level I	Tax IT Best Practice Paper	12.00
Radia, Piya	Sector Advisor Level III	Liberia Stage 2	13.81
Ray, Pranab	TCN	Bangladesh Stage 2	34.00
Reid, Bruce	Sector Advisor Level I	PFM Training	5.00
Roche, George	Contracts Support Level III	Liberia Stage 2	12.38

Name	Role	Activity	LOE Expended (days)
Rollins, James	Sector Advisor Level III	Liberia Stage 2, Mozambique Stage 2	52.88
Santos, Clinton	Sector Advisor Level III	Zambia SLICE	57.50
Schutte, Melissa	Contracts Support Level II	G2G	26.50
Silva-Morales, Ricardo	TCN	Mozambique Stage 2	18.00
Simon, Peter	TCN	G2G	20.00
Smith, Adrianna	Sector Advisor Level III	PMI Assessment	0.31
Smith, Jonathan	Sector Advisor Level I	Liberia Stage 2, Mozambique Stage 2	34.00
Spillenkothen, Katherine	Sector Advisor Level III	Mozambique Stage 2	9.19
Stryker, Dirck	Sector Advisor Level I	DRC Seminar	6.00
Symansky, Steven	Sector Advisor Level I	PMI Assessment	7.00
Tummalapalli, Rama	TCN	Liberia Stage 2	19.56
Van Der Walt, Johan	TCN	Core Management	60.75
Vang, Ka	Sector Advisor Level II	Tanzania FCI	89.81
Vlaisavljevich, Michael	Sector Advisor Level I	PMI Assessment	2.00
Vogtman, Marc	Sector Advisor Level III	Tax IT	8.13
Von Wogau, Stephanie	TCN	PMI Assessment Mozambique	68.00
Waldrop, Melvin	Sector Advisor Level III	Bangladesh Stage 2, Liberia Stage 2, Liberia SLICE	85.16
Wheeler, Lincoln	Contract Support Level III	Core Management, Liberia SLICE	189.88
Winn, Ray	Sector Advisor Level I	PMI Assessment	0.94
Wisnieski, Adam	Sector Advisor Level III	PMI Assessment	65.25
Wong, Nathaniel	Sector Advisor Level III	Rwanda Stage 2	2.88
Wooster, James	Sector Advisor Level I	Jamaica Tax Benchmarking	63.94
Youssef, Michael	Contract Support Level III	Core Management	47.91
		<b>Total LOE</b>	<b>3,787.35</b>

\*As of 9/30/2012