USAID
FROM THE AMERICAN PEOPLE

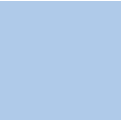**USAID**
Forward
PROGRESS
REPORT
2 0 1 3

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ADMINISTRATOR'S FOREWORD ....

Several years ago, we set ourselves the ambitious task of transforming USAID into the world's premier development agency—a modern development enterprise that could represent the best of American ideals abroad, while advancing the security and prosperity of Americans at home.

Under the strong leadership of President Obama and Secretary Clinton, we designed a set of fundamental reforms, called USAID Forward, to make our Agency more efficient, effective and business-like than ever before. The principles behind these reforms reflect the global discourse on development that has evolved over the last decade. Internally, the momentum for these reforms first grew out of a Mission Directors' conference that I attended a few weeks before I was sworn in as Administrator, and they have been shaped by ideas and feedback from our staff around the world.

At that conference, we heard from USAID's senior officials that it was important to engage in long-term, strategic development planning and project design informed by cutting-edge evidence and analysis. That is why we made strengthening USAID's policy and budget management key elements of our reform agenda and developed a world-class new evaluation policy to ensure our efforts deliver results.

We heard about the desire to recapture our Agency's strong tradition of discovery and innovation that helped eradicate smallpox and launch the Green Revolution. As a result, we're fostering a renewed spirit of innovation and investing in science and technology to bend the curve of development.

We heard that our staff wanted to work more closely with our partners in country to ensure our work leads to sustainable results. That is why we have begun a critical shift in the way we administer our assistance, placing a greater emphasis on public-private partnerships and working with local governments and civil society organizations.

Perhaps most importantly, we heard that we had to proactively support the enormous talent within our own Agency and our nation's development community in order to achieve serious reform and real results. To help deliver against this vital task, we continued the effort started in the previous administration to rebuild our Foreign Service cadre by recruiting new officers whose technical expertise reflects the Agency's priorities. We are also designing new opportunities for all our staff to learn and grow so that their creativity and expertise can be used to advance our mission.

After more than two years, USAID Forward has touched upon every part of our Agency, bringing new partnerships, a greater emphasis on innovation and a relentless focus on results. Taken together, these reforms have formed the foundation of a new model for development that will continue to define the way we work. It is a model that recognizes that the problems we face—from extreme poverty to climate change—are solvable. But solving them requires a meaningful commitment from all parts of our community.

USAID Forward hasn't just changed the way we work. It's helped change the kind of results we can deliver. In the last year, we helped launch new global partnerships to dramatically accelerate and scale up efforts in food security and child survival. Announced by President Obama at the G8 Summit in 2012, the New Alliance for Food Security and Nutrition has encouraged six African governments to commit to market-oriented reforms and more than 70 companies—half of them local African firms—to commit $3.75 billion towards African agriculture. Led by developing
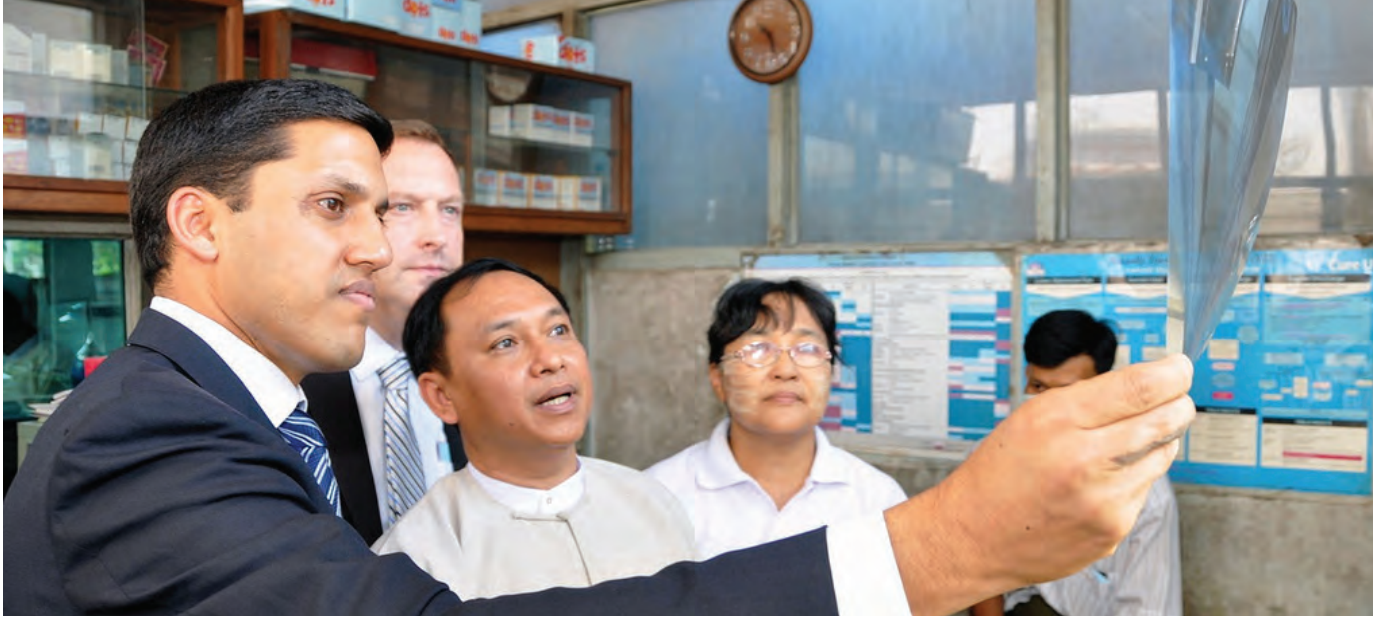
countries themselves, the Call to Action in Child Survival rallied the world behind a new approach to end preventable child death. More than 170 countries signed a pledge to reduce child mortality, and more than 200 civil society organizations and 220 faith-based organizations echoed this call with commitments of their own.

We still have far to go and we will continue to pursue these innovative reforms in partnership with Secretary Kerry. The challenge before us now is not only to sustain our progress, but also to deepen and accelerate our efforts. Because even in this era of fiscal constraint, we must work together to answer President Obama's call to end extreme poverty and its most devastating corollaries, including widespread hunger and preventable child death.

In order to get there, we must continue to work harder to ensure these reforms become an integral part of the way we do business every day. That means backing cutting-edge innovations to develop the next generation of breakthrough technologies. It means taking advantage of fast-moving technology, like mobile banking, to reduce corruption and expand economic opportunity. It also means harnessing the vast potential of the development community—from faith-based organizations to local community cooperatives to private sector firms—to achieve results at a greater scale than ever before.

Most of all, it means maintaining focus on our ultimate goal: working ourselves out of business and replacing our efforts with those of responsible institutions, vibrant private sectors and thriving civil societies. This is precisely the vision that Secretary Kerry recently shared in his first major address as Secretary of State: "Our goal is to use assistance and development to help nations realize their own potential, develop their own ability to govern, and become our economic partners."

Finally, I want to extend my sincere appreciation to all who worked so hard to design, implement and measure our progress under USAID Forward. Behind every data point of progress is a team of talented and committed professionals that are pushing the boundaries of what is possible in development. We are also grateful to those in our broader community who contributed their time and expertise to help us shape a reform agenda that is enabling us to deliver even greater results for the American people and the communities we serve around the world.

Rajiv Shah
Rajiv Shah
USAID Administrator

INTRODUCTION: MEETING OUR MISSION WITH RENEWED CAPACITY

Three years ago, President Obama and Secretary Clinton called for the elevation of development as a key part of America's national security and foreign policy. Through both the first-ever Presidential Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review, they set forth a vision of an empowered and robust Agency that could lead the world in solving the greatest development challenges of our time.

To meet these high expectations and approach our mission with renewed capacity, we have undertaken an ambitious reform agenda called USAID Forward. We focused on seven key areas: budget management, policy capacity, implementation and procurement reform, monitoring and evaluation, innovation, science and technology, and talent management. In each area, we set aspirational targets that established a common language for success, challenged our partners, and encouraged us to step out of our comfort zone. Although we're measuring progress according to these specific indicators, they serve as proxies for our underlying development goals. Ultimately, each reform falls into one of the following three separate but mutually reinforcing principles that we believe defines good development work today.

impact with every development dollar, we have to pursue a more strategic, focused and results-oriented approach. That means:

» Designing country and sector development strategies and projects to better align U.S. Government resources with the priorities of our partner countries;

» Evaluating projects and publicly reporting on the results so that we can learn what works and what does not;

» Investing in our own staff by continuing to look for new ways to support our talent; and

» Being more focused and selective about the countries and areas in which we work to strengthen the impact of our investments.

Promote sustainable development through high-impact partnerships

In order to achieve long-term, sustainable development, we have to support the institutions, private sector partners and civil society organizations that serve as engines of growth and progress for their own nations. We must develop the capabilities of our partners to direct their own development by:

» Investing directly in partner governments and local organizations where the capacity exists, and strengthening it where there are gaps, so they can provide for their own citizens; and

» Forging high-impact public-private partnerships with new and existing partners that leverage new resources and expertise to expand the reach and impact of our work.

Deliver results on a meaningful scale through a strengthened USAID

As the Presidential Policy Directive on Global Development explained, the United States "cannot do all things, do them well, and do them everywhere." In order to maximize our

Identify and scale up innovative, breakthrough solutions to intractable development challenges

For centuries, some of the greatest successes in development have come from extending the reach of science and technological breakthroughs to those who lacked access. At USAID, we have a strong history of partnership with the scientific community that helped pioneer these innovations, from helping usher in the Green Revolution with higher-yielding wheat and rice seeds to helping scale up the use of oral rehydration therapy to save tens of millions of lives from diarrheal diseases. Today, we're working to capture this legacy by:

» Investing in new technologies and research to source and scale game-changing development solutions; and

» Supporting the adoption of electronic payment and mobile money systems to dramatically expand opportunity with an eye towards greater gender equality and financial inclusion.

" President Obama, Secretary Clinton, and Administrator Shah have committed to rebuilding USAID as the world's pre-eminent development agency, capable of delivering on America's commitment to promote **high-impact development** around the world."

— Quadrennial Diplomacy and Development Review, 2010

As you will see in this report, we have made great strides over the last several years at laying a foundation for success and institutionalizing these reforms as a core part of our Agency. We have re-established our policy bureau and budget office from scratch, giving us greater control over how, when and where to spend our resources. In 2012, we moved money to our bureaus a full three months earlier than the year before—allowing our missions to better manage and plan their programs.

In order to ensure our own guidance and policies are not standing in the way of our success, we undertook a systematic review of our existing policies to help break institutional barriers and remove onerous reporting requirements. We provided our missions with greater flexibility to work with local civil society and private sector organizations; created a sophisticated risk-based assessment tool to determine the financial management capacity of partner country governments; and standardized project design guidelines. We have made real progress as a community in advancing USAID Forward and expect even greater success in the years to come.

DELIVERING RESULTS ON A MEANINGFUL SCALE THROUGH A STRENGTHENED USAID

Development is a discipline, not simply a good deed. It requires strategic planning, project design, critical analysis, evidence-based approaches, expert implementation and robust monitoring and evaluation to create a foundation for success. Most of all, it requires a talented and diverse staff that is fully supported and empowered. In order to ensure these elements are an essential part of every partnership and program, we have taken foundational steps to improve our core capacities across the Agency.

First and foremost, achieving more effective development requires a strategy. Designed by our missions in close collaboration with partner governments and citizens, our Country Development Cooperation Strategies now guide our development investments. These five-year plans analyze and identify the specific needs and priorities of our partner country and detail how we can best work with the host country, civil society, other donors and our traditional partners to ensure we are all contributing to the best solutions. So far, we have completed a total of 20 strategies—from Peru to Uganda. By the end of 2014, the number will increase to 70 and include almost every USAID mission.

These country strategies also serve as the basis for more rigorous project design. The Agency's new project design process incorporates greater analysis and use of innovative planning tools to plan and prioritize our interventions. The new process also means partners will collaborate more closely throughout the life of a project and that project monitoring and evaluation will capture these integrated efforts.

This strategic planning process has allowed us to better focus our efforts where the needs and potential impact are greatest. Between 2010 and 2013, we reprioritized our program focus and reduced the total number of country program areas by 22 percent. Within food security and global health, agricultural programs were phased out in 21 countries and global health programs were phased out in 17 countries where local institutions and systems can take charge.

To ensure country programs and strategies are actually achieving the results we designed them to deliver, we introduced a new evaluation policy that has been called "a model for other federal agencies" by the American Evaluation Association. Under this policy, high-quality evaluations are completed for every major project and conducted by independent third parties. Findings must be action-oriented and should identify ways to apply the lessons learned. Based on these and other criteria, we have completed 186 high-quality evaluations worldwide that are helping us make smarter decisions. More than 50 percent of completed evaluations led our staff to make mid-course corrections and more than a third led to budgetary changes.

Our commitment to evaluation isn't just to improve our work. It is also to ensure that we are delivering results and are being more accountable to our stakeholders. To ensure this data is publicly available, we've built an accessible website where our evaluations can be read and easily shared.

We also do not have to wait for program evaluations to be written in order to understand how we are doing. We are collecting baseline data and employing study designs to better understand the impact of our interventions over the course of our work. For example, in Feed the Future, President Obama's global food security

program, a robust new measurement system that uses 57 indicators—from stunting to new roads to farm sales—has been established to assess progress annually. Through the Development Innovations Ventures fund, we're helping problem-solvers test cutting-edge development solutions that could be scaled up to reach millions of people. Today, 56 percent of these grantees conduct randomized control trials to assess the impact of their innovative efforts.

Ultimately, the success of each of these reforms relies on our ability to proactively attract, develop and retain the next generation of development leaders. Over the last several years, we have nearly doubled our Foreign Service cadre and placed almost half of those new officers in Africa for their first assignment—filling almost all of our vacant positions in Africa for the first time in decades. But hiring and placing staff is just the first step.

Last year, we launched an ambitious effort to develop a formal mentoring program geared to the specific needs of all our staff. In one year alone, 70 percent of our missions established mentoring programs, and we saw a six-fold increase in the number of staff being mentored. For example, in Senegal, every new officer is assigned both a local Foreign Service National mentor and a more senior U.S. Foreign Service mentor. This customized program is not only supporting young officers, but is also empowering our veteran Foreign Service National staff to take a greater leadership role. We have also developed additional promotional and leadership opportunities for our Foreign Service Nationals—the backbone of our in-county expertise—leading to a more talented workforce across the broad.

Country Development Cooperation Strategies: Strategic Planning in Peru

20

9

2011 2012
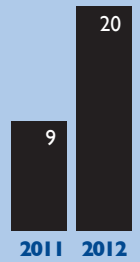
During the five decades that USAID has provided development assistance to Peru, the country has made tremendous progress—from reduced maternal and infant mortality rates to more effective and accountable institutions. The key challenges facing Latin America today remain in security, economic growth and the environment. In response, USAID/Peru worked closely with the Government of Peru to develop a Country Development Cooperation Strategies with one clear, common goal for the next five years: strengthen Peru's stability and democracy through increased social and economic inclusion and reductions in illicit cocoa cultivation and the illegal exploitation of natural resources. To achieve this goal, USAID/Peru is focusing its efforts geographically to maximize impact in the five regions of the country with the greatest concentration of illegal activities. These include the San Martin region where the regional government has taken the lead by their own initiative to manage USAID programs in health, education and alternative development with technical assistance from USAID staff. Focusing geographically allows us to achieve a more concentrated, holistic development impact and the team approach has been so successful in building local capacity and reducing overall costs that the Mission plans to replicate the model in other regions.

Mentoring the Next Generation of USAID Leaders

USAID's Bureau for Europe & Eurasia is bridging the gap between our past and future leaders through a formal mentoring program between Agency alumni and mission staff. Alumni were matched for dedicated coaching and mentoring with mid-level managers assuming new and higher-level responsibilities. Today, Alumni work with field staff, expanding skills to increase local ownership of development results, enhancing local capacities to make durable development decisions, and accelerating the transition from aid recipient to development partner. It's a key step in cultivating USAID's own "next generation" of leaders and to ensuring programs move forward on the path to a sustainable development future.

In Senegal, each new U.S. staff member is assigned both a Foreign Service National and an American mentor upon arrival at the mission. This customized program has harnessed the longstanding wealth of experience of many of our veteran Foreign Service Nationals—many with over 25 years of service at USAID—and empowered them to assume a leadership role within the Mission. Today, senior Foreign Service Nationals are taking the lead in mentoring new staff in effective government-to-government and monitoring and evaluation efforts. As a result, new staff learn country-specific development challenges more quickly and can make more informed programming decisions.

Challenges and The Way Forward

Like any robust reform process, we face significant challenges across a spectrum of efforts. Designing country strategies was more time and labor intensive than originally anticipated, particularly because a large number of partners were engaged in the process to determine tough trade-offs. In the year ahead, we will continue to prioritize the development of country strategies and enable better coordination with our partners to reconcile competing priorities and focus on areas where we each have a comparative advantage.

Our effort to focus our assistance programs has been successful for the past two years either because we successfully exited from sustainable projects or because our programming was too minimal to have a true impact. As we look ahead, we must continue to make tough choices and use each country's strategy as the backbone for decision-making to ensure the greatest development impact.

Our learning and evaluation team reviewed every incoming evaluation to ensure that it met the quality standards in our policy. When evaluations failed to meet the standard, the three most common concerns were: (1) evaluation teams received too many questions—especially questions that are too general and ill-defined—relative to the resources available for the evaluation, (2) the data collection and analysis methods were not appropriate to answer the evaluation questions, or (3) evaluation reports did not clearly demonstrate how evidence led to new findings and conclusions. Given these findings, we need to increasingly focus on taking early action to improve the quality of our evaluations. Ultimately, the goal isn't to prove we're always successful. It's to help us learn and get better as an organization.

Most important, we have to continue prioritizing our people—the greatest resource we have— by systematically identifying opportunities for professional growth and development. While many
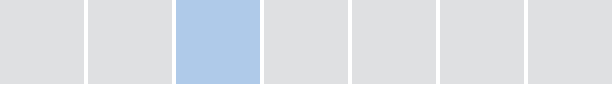
staff were included in new mentoring programs this year, our challenge in the year ahead is to better target our programs to meet the specific needs of staff at all levels. New programs, from mentoring to training to individual consulting support, can help support our next generation of development leaders, no matter where they are from.

High Quality Evaluations at USAID since 2011

TOTAL
186

14 · 11 · 10 · 37 · 5 · 56 · 17 · 36

20 Global

16 · 2 · 2

34

3 · 1 · 1 · 10 · 2 · 7
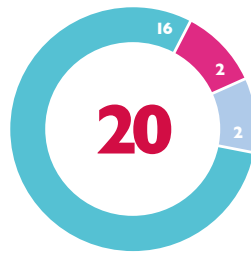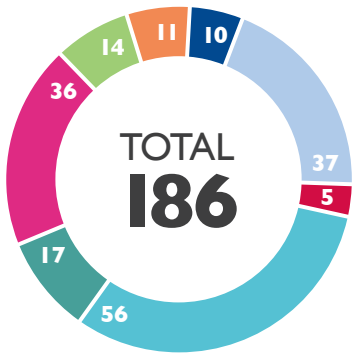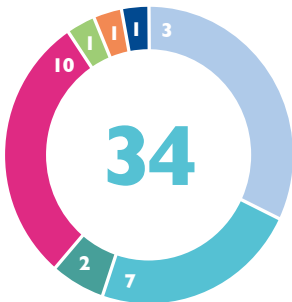
Latin America & the Caribbean

USAID/Dominican Republic's Maternal and Child Health program evaluation helped the Dominican government identify priority focus areas post-USAID assistance. The Dominican Government is actively responding to evaluation recommendations by ensuring that field heath coordinators fulfill their training requirements and regional directors have more management training.

51

5 · 5 · 4 · 4 · 3 · 2 · 20 · 8

Africa

Evaluation recommendations from a health care financing project in Ethiopia were used to improve the follow on program by including the use of both public health and finance professionals and establishing a clearer performance-based system.

Europe & Eurasia

25

10 · 2 · 1 · 4 · 3 · 2 · 3

As an evaluation recommended, USAID/Serbia developed an electoral reform strategy to intensify the focus on parliamentary accountability and representation. The mission took action to identify opportunities and mitigated risks to make the political process more democratic.

Asia

31

3 · 2 · 4 · 3 · 1 · 9 · 9

The Mayer Hashi Project in Bangladesh works to prevent postpartum hemorrhage, the number one cause of maternal mortality in the country. The project's performance evaluation found that the program was successful, but could have an even greater impact if new approaches were used to broaden its reach. As a result, the follow on project will incorporate the use of modern technology—cell phones, social media, and videos—to reach even more women.

Afghanistan & Pakistan

12

3 · 3 · 2 · 1 · 1 · 2

In Pakistan, an evaluation of the Women's Empowerment activities of an agricultural project in Balochistan found that the project could affect more women if it fine-tuned its approach and expanded to targeted geographic areas. Based on the adoption of these recommendations, the project has been successfully extended for another three years.

Middle East

13

2 · 1 · 3 · 1 · 6
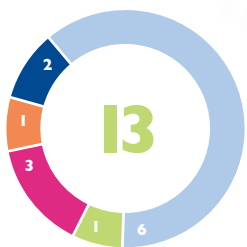
In Morocco, two democracy and governance assessments have been highly influential in re-directing current programs and informing the mission's strategic planning. USAID/Morocco is acting on evaluation findings to increase support to civil society to increase-their-role in the Moroccan reform process.

Evaluation Key

- HEALTH
- FOOD SECURITY/AGRICULTURE
- DEMOCRACY, HUMAN RIGHTS & GOVERNMENT
- EDUCATION
- CROSS-CUTTING
- NATURAL RESOURCE MANAGEMENT/ENVIRONMENT
- ECONOMIC GROWTH
- ENERGY

PROMOTING SUSTAINABLE DEVELOPMENT THROUGH HIGH-IMPACT PARTNERSHIPS

As a cornerstone of our reform agenda, we have begun a critical shift in the way we administer our assistance, placing a greater emphasis on public-private partnerships, channeling funding to local governments and organizations that have the in-country knowledge and expertise to create sustainable change, and expanding our partner base to include all voices—from faith-based organizations and diaspora organizations to small businesses.

USAID set out to employ the central pillars of aid effectiveness—county ownership, systems strengthening and sustainability—derived from global meetings in Paris, Accra and Busan. Putting these tenets into practice required us to take a hard look at our own systems and our capacity to work with a broader community of diverse partners while holding them accountable for delivering results.

Thanks to this focused and committed effort, we have increased the amount of mission funding to host country government institutions, private firms and non-governmental organizations by almost 50 percent since Fiscal Year (FY) 2010. In FY 2010, only 9.7 percent of mission funding was awarded directly to local institutions, which meant that we were not directly supporting the change-agents and problem-solvers who were charting their nation's development. Today, 14.3 percent of mission funds are awarded directly to local institutions, putting us half-way toward our five-year goal of 30 percent by FY 2015 .[1]

[1] *These percentages do not include cash transfers. When cash transfers to Egypt, Jordan and West Bank/ Gaza missions are included, the amount of mission funding awarded to local institutions increased by 23.7% from 13.9% in FY 2010 to 17.2% in FY 2012.*

Almost half of these funds are going to partner country governments—from national ministries to local government bodies—and the remainder is going to local organizations, from universities to farmers' associations to businesses.

In each case, the right approach is based on careful consideration of the country's development needs and priorities, and the capacity of local partners. Approximately half of our missions are working directly with both partner country governments and local organizations in addition to a range of traditional partners. In the remainder, we are either working with host governments to strengthen their internal capacity to manage and implement funding prior to providing funding directly to them or are opting to not work directly with the government at this time due to concerns about the potential for corruption.

When we do partner with country governments, sophisticated tools are used to assess their financial management capacity and safeguard U.S. resources. For example, the weaknesses identified in USAID's 2011 assessment of Malawi's public financial management systems led Malawi's new President, Joyce Banda, to make an unprecedented commitment to strengthen Malawi's systems, including elevating the position of the Auditor General.

These partnerships do not mean that we write blank checks to foreign governments. Assessments are used to identify specific institutions that will be good partners. In some cases, we may only partially use the partner's system in order to strengthen it while maintaining financial controls and mitigating risks. In Afghanistan, we partnered directly with the Ministry of Health to build it into an institution capable of serving its people and

sustaining results beyond our assistance, but we limited our use of its systems to those that met our fiduciary standards. Our investments helped expand access to basic services from only nine percent to 64 percent of the country, leading to the largest increase in life expectancy and largest decreases in maternal and child mortality of any country in the world in the last decade.

We know that partnerships with governments and civil society organizations alone will not lead to broad-based development. In a world where foreign direct investment flows vastly outpace development assistance, we have to enable global investment and local private sector entrepreneurs to serve as engines of sustainable growth for even the most vulnerable communities. That is why we set a goal of increasing our investments in public-private partnerships to 10 percent of mission program funding by FY 2015. Over the last year alone, we increased our contributions to these partnerships by almost 40 percent, leveraging an additional $383 million of non-U.S. Government money towards our development goals.

In the 2011 Development Assistance Committee Peer Review, the Organization for Economic Co-Operation and Development recognized these efforts, calling the Agency a leader when it comes to private sector engagement.

To further increase private sector engagement, we have substantially strengthened our Development Credit Authority (DCA), which is designed to use loan guarantees to unlock much larger sources of local capital. Prior to USAID Forward, the Development Credit Authority's loan guarantee products were underutilized. Through a small investment of mission resources, DCA can unlock a much larger amount of private capital by partnering with local banks and guaranteeing a portion of their

" **The vision for Liberia is as ambitious as it is simple. It is a goal to be free from official development assistance within a decade. It is Africans who must determine their own economic policies…and with the rest of the world, make choices about the highest priorities in their development strategies…"**

—*Liberian President Ellen Johnson Sirleaf*

We have formed new partnerships across the globe...
Public private partnerships provide a convening platform to bring together new parties and mobilize more resources to transform lives. This is what USAID has done through its partnership with the World Cocoa Foundation and the Sustainable Trade Initiative. Over a five-year lifespan, Feed the Future's Africa Cocoa Initiative (ACI) will leverage a total of $11 million in investments from its principal partners including key chocolate-producing companies such as Cargill, the Hershey Company, Kraft Foods, Nestle and Mars. The ACI aims to double cocoa productivity and train 100,000 farmers throughout West Africa. The ACI is providing farmer productivity training, introducing higher-yielding tree stock, and working with agro-dealer networks to improve access to fertilizer, inputs and extension support.

loans to underserved local borrowers. A $2.5 million investment from a mission, for example, could buy 25 tractors directly—or it could be used to catalyze $25 million worth of loans from a local bank that would facilitate the procurement of 250 tractors by area farmers.

Through the goal-setting process facilitated by USAID Forward, our staff in the field has broadened their perspective on how they could work with DCA. In Washington, DCA's leadership created a specialized Strategic Transactions Group to develop new guarantee products and novel investment structures that channel more private capital toward the toughest development challenges. We also deployed the Agency's first-ever cadre of Field Investment Officers— Foreign Service Officers with experience and backgrounds in finance and banking—to build contacts locally and help missions engage with new financing partners, including pension funds, diaspora groups, impact funds and multinational companies.

As a result, we were able to get more financing to local entrepreneurs in critical sectors than ever before. DCA's efforts advanced growth where opportunity and need were greatest: today half of its work is in Africa and over one-third of its portfolio is in agriculture. Last year, USAID approved 38 new partial credit guarantees to mobilize a record $700 million in commercial capital—$500 million more than in 2011—that will empower more than one million entrepreneurs.

Challenges and the Way Forward

Over the last several years, we have focused a lot of attention on implementation and procurement reform because changing our own systems is critical to working more effectively with our country partners. But this focus should not come at the expense of effective implementation, and we know that we need to work harder to provide dedicated support for capacity development for both our own staff and our partners. A real challenge in the year ahead will be to move from anecdotal to evidence-based assessments of success, including clear definitions and measures of capacity development.

We know that in our eagerness to establish indicators to measure our progress on USAID Forward, we did not always effectively convey an understanding that these efforts were the means to achieving the goal of sustainable development. Indicators will be revisited to ensure that they fully reflect this end goal, as well as capture the breadth of efforts underway towards this mission. That may mean factoring in interim indicators to incorporate the work of an international non-governmental organization or multi-donor trust fund to help develop capacity before a local partner is ready to manage donor funds directly. Definitions will also be revisited to ensure that we are promoting regional capacity development. Finally, while our efforts to date have focused on mission-level funding, we will identify ways to ensure that Washington-funded programs also empower local actors to create meaningful development solutions.

- The most successful public private partnerships are sustained long after USAID's initial investment. In Colombia, USAID pulled together businesses and government offices to form a $1 million partnership supporting internet connectivity and solar energy in 26 schools in the conflict-torn region of Nudo de Paramillo. NewCom, a global communications company, established internet connections to schools via satellite and mobile broadband; Hybertech, a Colombian technology company, installed solar panels; and Ecopetrol, a Colombian petroleum company, provided schools with computers for connection and refrigerators to store basic vaccines. As a result, 4,200 students are now attending schools with electricity and up-to-date technology. After hours, the schools function as job training facilities for community members. Best of all, USAID's support is phasing out in March 2013 as the Colombian Ministry of Education is poised to continue the project.

Due to rapid adoption in the first few years of USAID Forward, it may be difficult for DCA to continue exceeding its USAID Forward targets. As a result, DCA is working closely with missions to better incorporate planning for DCA's work in country multi-year strategies and encouraging mission teams to think creatively about how to deploy DCA guarantees in the future.

Going forward, we will build on the commitment to increase direct support to partner country governments, local private sector firms and non-governmental organizations. We will integrate this work more closely into our strategic planning process with the goal of institutionalizing it still further.

...and are already starting to see results

From Host Country Governments: Together with other donors, USAID is working directly through the Government of Bangladesh's Ministry of Health and Family Welfare to support their new health program. Based on a rigorous assessment process, the Ministry is now directly implementing a nearly $300 million Multi-Donor Trust Fund aimed at improving maternal and child health care, as well as strengthening the government's capacity to deliver services without assistance in the future. The coordinated efforts of donors have also lowered programming and administration costs—multiplying our ability to deliver services to those who need them most.
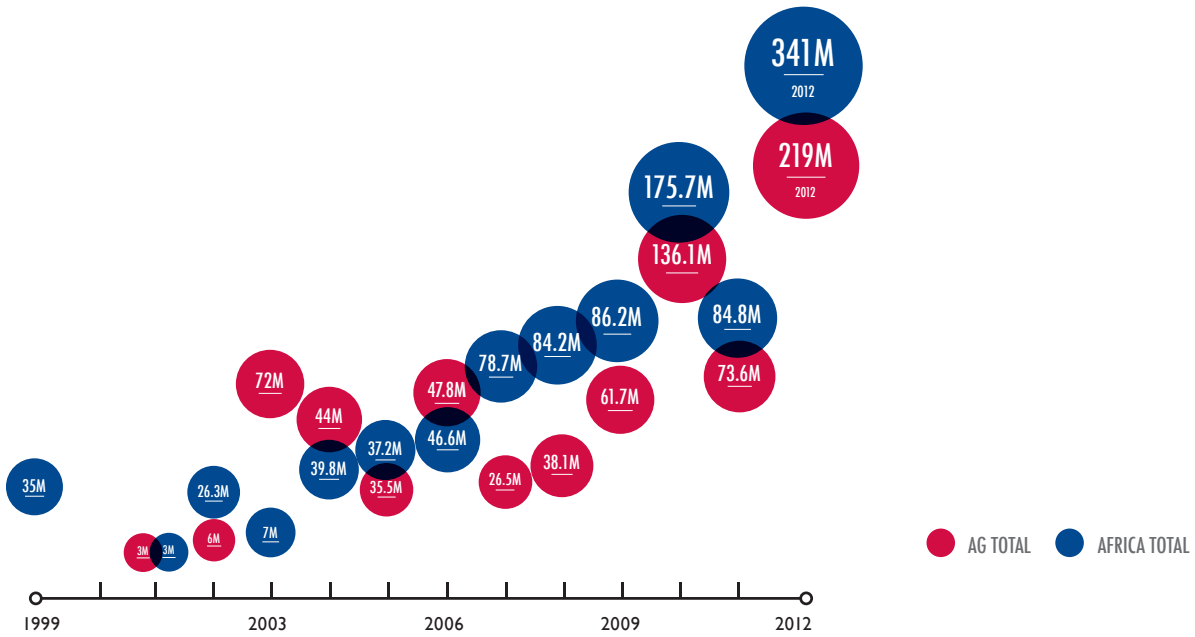
To Local Non-Profit Organizations: In Guatemala, two local organizations —the Guatemalan Exporters Association and Guatemalan National Coffee Association—are now USAID's signature Feed the Future partners. The organizations are directly managing grants that cumulatively represent over $60 million in USAID contributions, cost-sharing, and funds leveraged from the private sector, and will benefit more than 32,000 households. This five-year project will improve household access to food by expanding and diversifying rural income, and contribute to improving the nutritional status of families— especially children under five years old facing chronic malnutrition.

To Local Private Sector Companies: By investing seed money in a local startup in Kenya that is using new technology to convert waste into bio-gas, we are not only supporting local development solutions, but investing in an organization that stands to create jobs and become self-sustaining through its profits in the long run.

Private Capital for Projects in Africa and Agriculture Made Available to
Underserved Borrowers through the Development Credit Authority

341M
2012

219M
2012

175.7M

136.1M

86.2M

84.8M

84.2M

78.7M

73.6M

72M

61.7M

47.8M

46.6M

44M

38.1M

37.2M

35.5M

39.8M

26.5M

35M

26.3M

6M

7M

3M 3M

● AG TOTAL   ● AFRICA TOTAL

1999   2003   2006   2009   2012

Innovative Municipal Bonds in Serbia

As a result of a USAID guarantee issued through the Development Credit Authority in 2011, Serbia's second largest city issued a $50 million bond to fund critical infrastructure projects. The city of Novi Sad was able to then build a major urban thoroughfare and extend their water and sanitation systems to the city's poorer outskirts. USAID helped Novi Sad strengthen its strategic budgeting and financial management capacities in order to meet private sector standards and secure the bond. This was the first municipal bond ever issued in the country, and it paved the way for new legislation, dramatically expanding the local capital markets. One other municipality has since issued its own bond and four more cities, including Serbia's largest city of Belgrade, have registered to issue their own bonds.

Total Private Capital Made Available to Underserved
Borrowers through the Development Credit Authority

59.5M
15M
27.5M
63.4M
214.8M
163.7M
180.8M
176.9M
175.9M
210.2M
204.4M
291.9M
*
194.5M
525M
2012
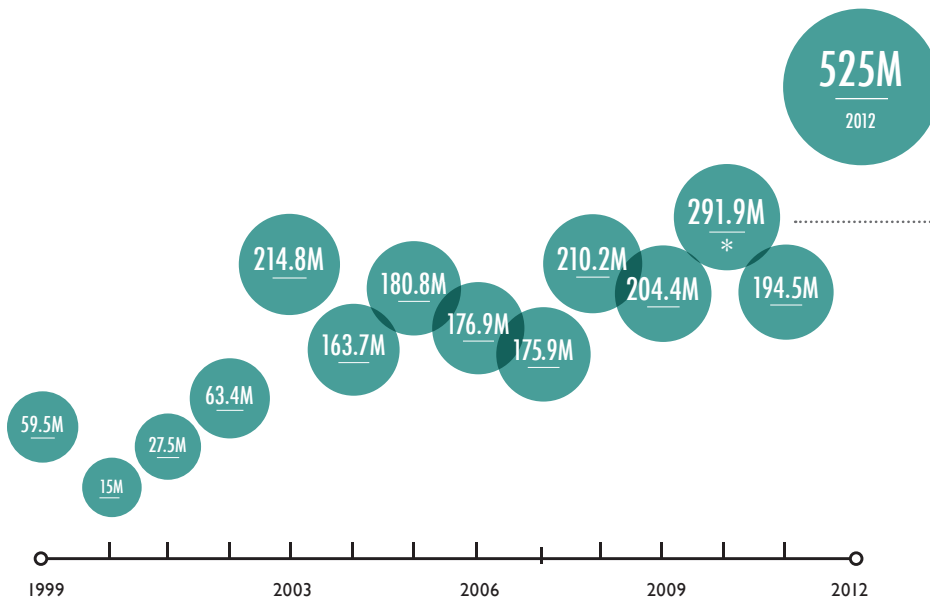
* Note 291.9M does
not include financial
crisis supplemental funding

1999   2003   2006   2009   2012

ACHIEVING SUSTAINABLE DEVELOPMENT THROUGH HIGH-IMPACT PARTNERSHIPS

From FY 2010 to FY 2012, the percent of global mission funding awarded to local institutions increased from 9.7% to 14.3%. Our approach in each region reflects the area's needs and context.
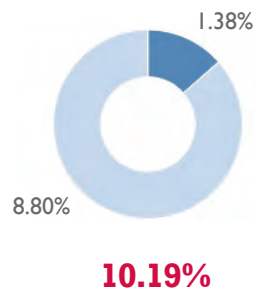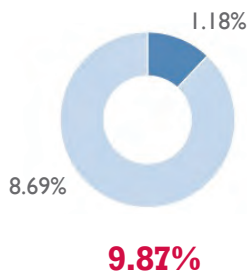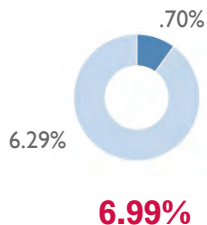
■ HOST COUNTRY GOVERNMENT ■ LOCAL ORGANIZATIONS ■ TOTAL PERCENT OF MISSION FUNDING

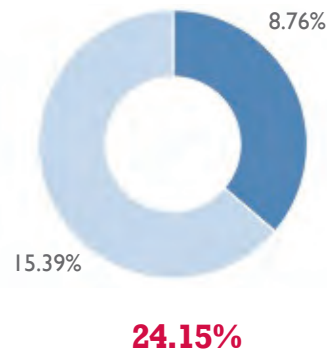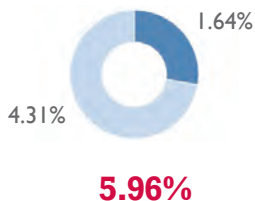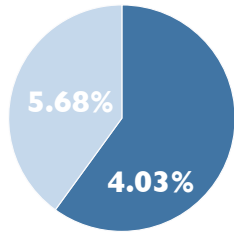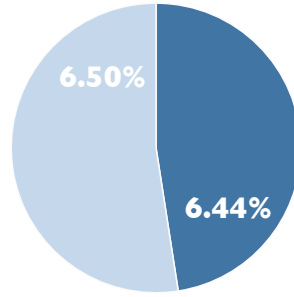|	**2010**	**2011**	**2012**
AFRICA	.70% 6.29% **6.99%**	1.18% 8.69% **9.87%**	1.38% 8.80% **10.19%**
ASIA	.84% 4.20% **5.04%**	.87% 5.27% **6.15%**	3.34% 10.66% **14.00%**
EUROPE & EURASIA	1.64% 4.31% **5.96%**	11.43% 8.40% **19.83%**	8.76% 15.39% **24.15%**
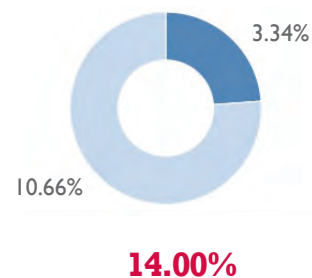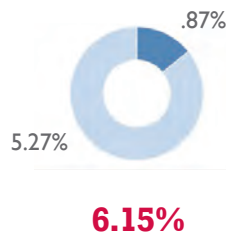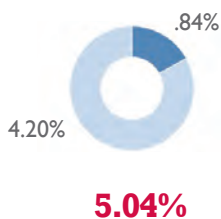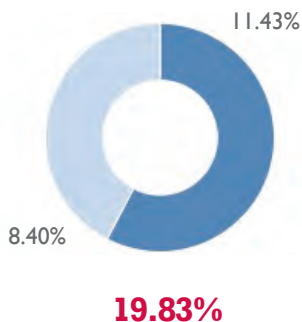
Please note that this data does not reflect cash transfers. The following data does incorporate cash transfers:

AGENCY TOTAL

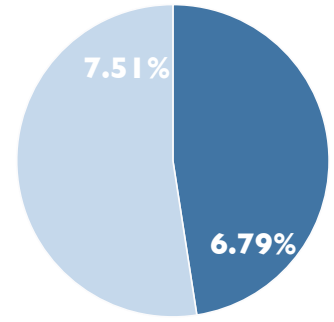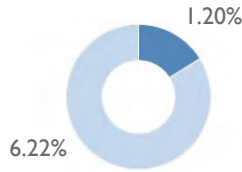|		
5.68%	6.50%	7.51%
4.03%	6.44%	6.79%
2010 | 9.71%	**2011 | 12.99%**	**2012 | 14.30%**

2010	**2011**	**2012**

LATIN AMERICA & THE CARIBBEAN
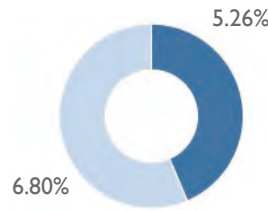
1.20%	5.26%	1.16%
6.22%	6.80%	10.25%
7.42%	**12.06%**	**11.41%**
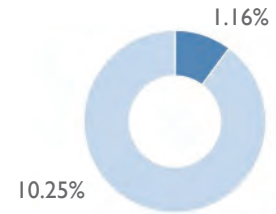
MIDDLE EAST
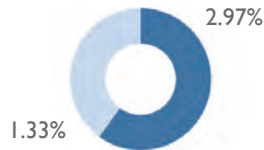
2.97%	1.91%	.16%
1.33%	4.85%	2.86%
4.30%	**6.77%**	**3.03%**
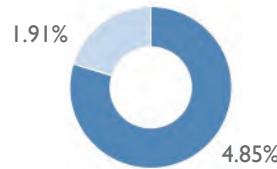
AFGHANISTAN & PAKISTAN
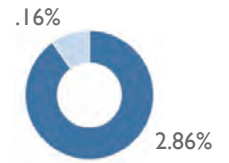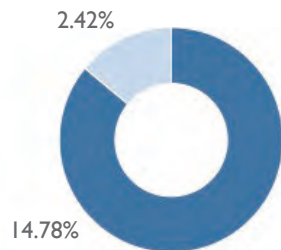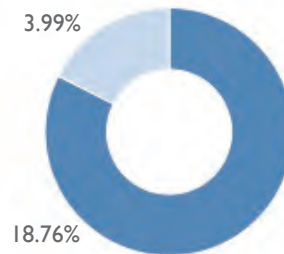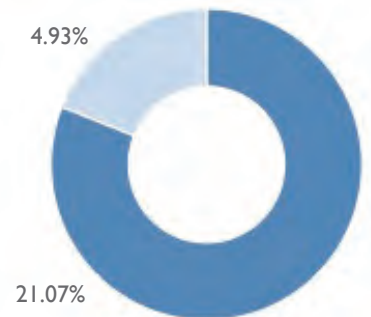
2.42%	3.99%	4.93%
14.78%	18.76%	21.07%
17.20%	**22.75%**	**26.00%**

*GLOBAL | FY10 • HC 9.85% • LO 4.03% • TOTAL 13.88% // FY11 • HC 10.97% • LO 6.44% • TOTAL 17.41% // FY12 • HC 9.73% • LO 7.51% • TOTAL 17.24%
*MIDDLE EAST | FY10 • HC 32.41% • LO 1.33% • TOTAL 33.74% // FY11 • HC 36.79% • LO 4.85% • TOTAL 41.64% // FY12 • HC 25.02% • LO 2.86% • TOTAL 27.89%

PARTNERING FOR SUSTAINABLE DEVELOPMENT IN 2012 BY THE NUMBERS.....................

14.3%

$1.4 BILLION

TOTAL MISSION FUNDING TO LOCAL INSTITUTIONS

Sector Breakdown

4.90%	HEALTH
3.30%	INFRASTRUCTURE
1.60%	DEMOCRACY & GOVERNANCE
1.60%	EDUCATION
1.50%	AGRICULTURE
1.40%	OTHER

33

missions completed initial overview assessments...

of which ## 30

countries successfully continued on to more detailed "Stage 2" assessments of which...

70

are currently completed or underway.

69

awards were made to host governments...

... by 30 missions

17%
to National Governments

17%
to Local or Regional Governments

65%
to Ministries/other National Government Bodies

Across a range of Ministries & National Government Bodies, including…

14	HEALTH	1	TRANSPORTATION
4	EDUCATION		HOUSING
4	AGRICULTURE		ECONOMICS
3	STATISTICAL		LABOR
2	AUDIT		WATER
	FINANCE		ELECTRONICS
	DISASTER RELIEF		ELECTIONS
	SOCIAL SERVICES		ETC.

almost

$745M

was awarded to local organizations…
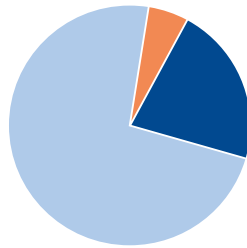
■ NON-PROFITS   ■ FOR-PROFITS   ■ ACADEMIA

in

73

missions worldwide.

IDENTIFYING AND SCALING UP INNOVATIVE, BREAKTHROUGH SOLUTIONS TO INTRACTABLE DEVELOPMENT CHALLENGES

To recapture our Agency's strong legacy of delivering progress through innovation, we're placing a new emphasis on leveraging the creativity of an increasingly diverse scientific and development community. Technology cannot solve every problem we face, but new tools can change the reality of what is possible. In order to leave behind generational legacies of success, we have to harness this potential in a fundamentally new way, enabling countries to leapfrog slower, costlier and more traditional development paths.

Today, three quarters of the world's poor do not have a bank account, making it difficult to get a loan or save money—early steps in the climb from poverty. Instead of building brick-and-mortar banks to expand financial services to these poor communities, we're using new partnerships and technologies to enable hundreds of thousands of people to send money home, pay school fees or collect their salary right on their phones. It's called mobile money, and we've launched new programs in Haiti, Afghanistan, Indonesia, the Philippines, Malawi and Mozambique in the past year. In partnership with banks, mobile network operators and private foundations, we will enable at least 20 percent—the tipping point for commercial viability—of mobile phone users to become active mobile money users within four years.

Mobile money programs are accelerating financial inclusion, fighting corruption and catalyzing private sector development. In Haiti, where an earthquake buried much of Port-au-Prince—and people's life savings—under mountains of rubble, a new mobile money program has enabled users to make more than 5 million transactions since June 2010. In recognition of these efforts, USAID received the "Best Government Policy for Mobile Development" award at the GSMA Mobile World Congress 2013.

We have also undertaken a number of important steps to strengthen our investments in game-changing scientific and technological solutions. Four Grand Challenges for Development, grant competitions designed to generate new ideas to save lives at birth, get all children reading, power agriculture through clean energy, and make all voices count were introduced. The first three of these grant competitions received more than 400 applications each. Out of those, 30 percent of applicants had never worked with USAID before, and 50 percent originated from the developing world.

In November 2012, the Higher Education Solutions Network, a groundbreaking partnership with seven top American and foreign universities designed to engage young people in the discovery of new solutions to development challenges, was launched. Each of the seven universities—The College of William and Mary, Texas A&M University, Michigan State University, University of California, Berkeley, Duke University, Massachusetts Institute of Technology, and Makerere University in Uganda—will establish a development laboratory to incubate and scale up new innovations.

Challenges and the Way Forward

Inspired by the legacy of new technologies that have transformed development—from improved seeds to mobile phones—it is easy to think about innovation as the silver bullet. But sustainable development will not be achieved through individual discoveries and innovations alone. We have to take them to scale to provide an accelerated pathway out of poverty for millions of the world's most vulnerable people. In the coming year, USAID will be working with our partners and missions to scale up new technologies that are making an impact.
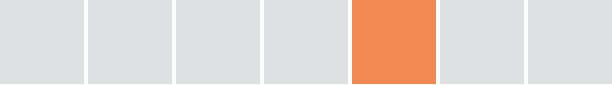
As the demand for mobile technology continues to grow, USAID will expand its ability to meet country needs by diversifying across a range of mobile technologies.

Like partnerships, innovative technologies are important tools in our toolkit that enable us to build effective development programming. In this regard, we will incorporate these tools in our strategic planning process earlier, with the end goal of ensuring that these tools lead to better development outcomes.

The Road Ahead

For the first time, we collected reliable, replicable data on USAID Forward indicators that allow us to compare progress across countries and across time, as detailed in the scorecard at the end of this report. As a result, we are able to analyze what is working well and how to better target our efforts in the year ahead to attain the greatest impact possible. We will continue to proactively seek the input of our long-standing development partners to ensure that our reforms draw on the expertise of diverse stakeholders. For example, this year we opened our policy on sustainable urban services for public review, and comments will be used to inform the final policy.

The large-scale transformation of a federal agency is a long-term and complex endeavor. Transformation will be successful if it not only changes the way we do business, but also results in improved results and continued development progress. USAID is committed to continuing our forward progress and calls on all of our partners to join us in our collective efforts to end extreme poverty.

Our investment in Afghanistan's Mobile Money initiative has helped to improve transparency and mitigate corruption in the disbursement of public sector employee pay. USAID's $5 million Mobile Money initiative will convert 400,000 Afghan civil servants and security personnel salaries currently being paid in cash onto the mobile phone; facilitate bill payment for the 750,000 electricity customers; and encourage USAID implementing partners to use mobile money. In the past year, USAID worked closely with the Central Bank to reduce regulatory barriers to entry so now all four mobile operators have established mobile money capabilities. With USAID's support, Etisalat, a regional mobile telephone and internet service provider, and the Afghan electricity utility have come together to provide upwards of 110,000 households with the opportunity to pay their electricity bills via their mobile phone.

Higher Education Solutions Network

As part of our new Higher Education Solutions Network, our seven lead university partners have formed formal knowledge-sharing linkages with schools and institutions around the world engaging in complimentary research. In doing so, USAID is able to draw upon findings from a global academic and think tank system and apply the best findings to our work—wherever they may be.

University of California, Berkeley

Michigan State University

Massachusetts Institute of Technology

College of William & Mary

Duke University

Texas A&M University

KEY

● Lead Institution

● Partners

•••• Lead institution linkages to respective partners

Makerere
University
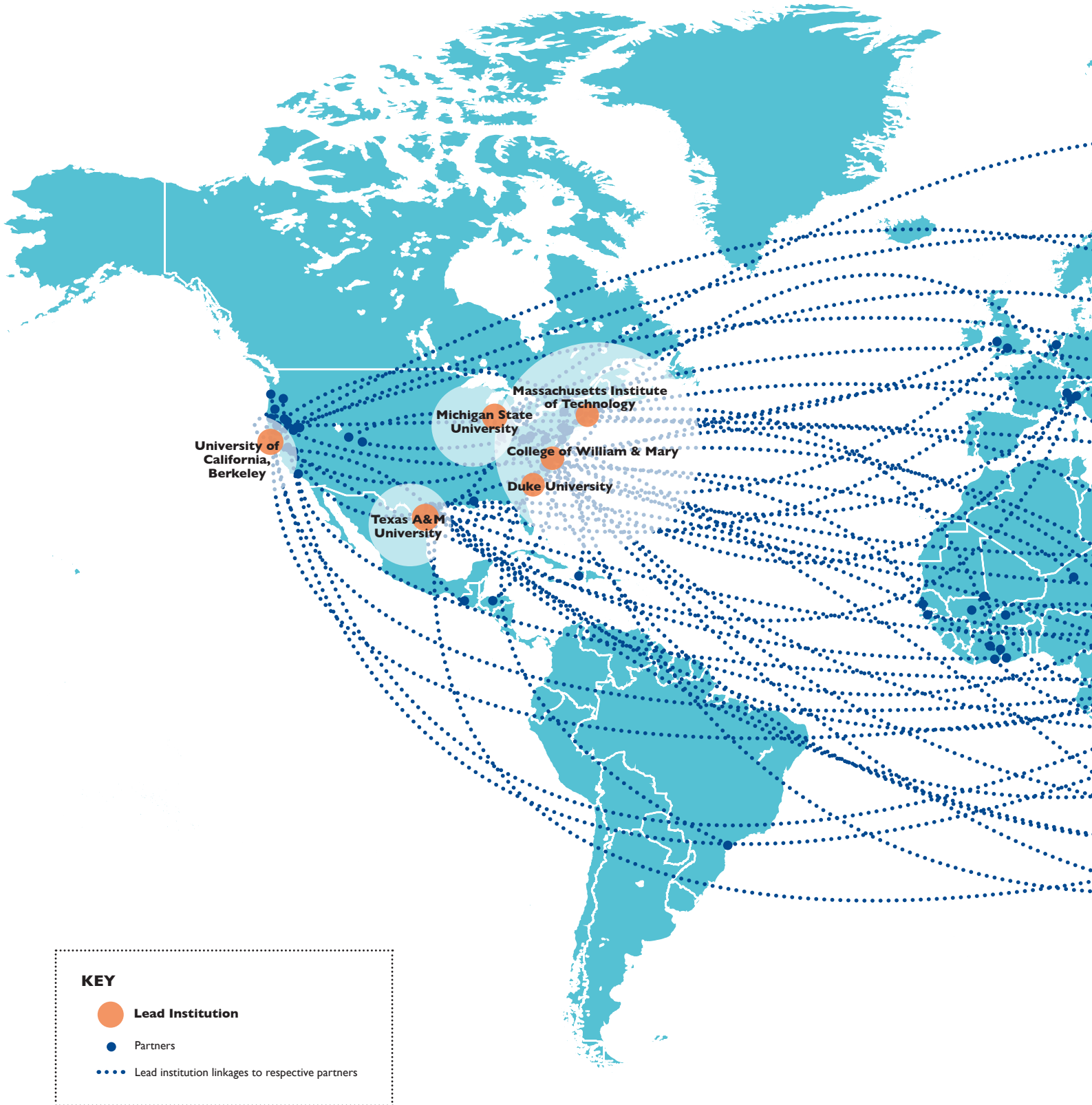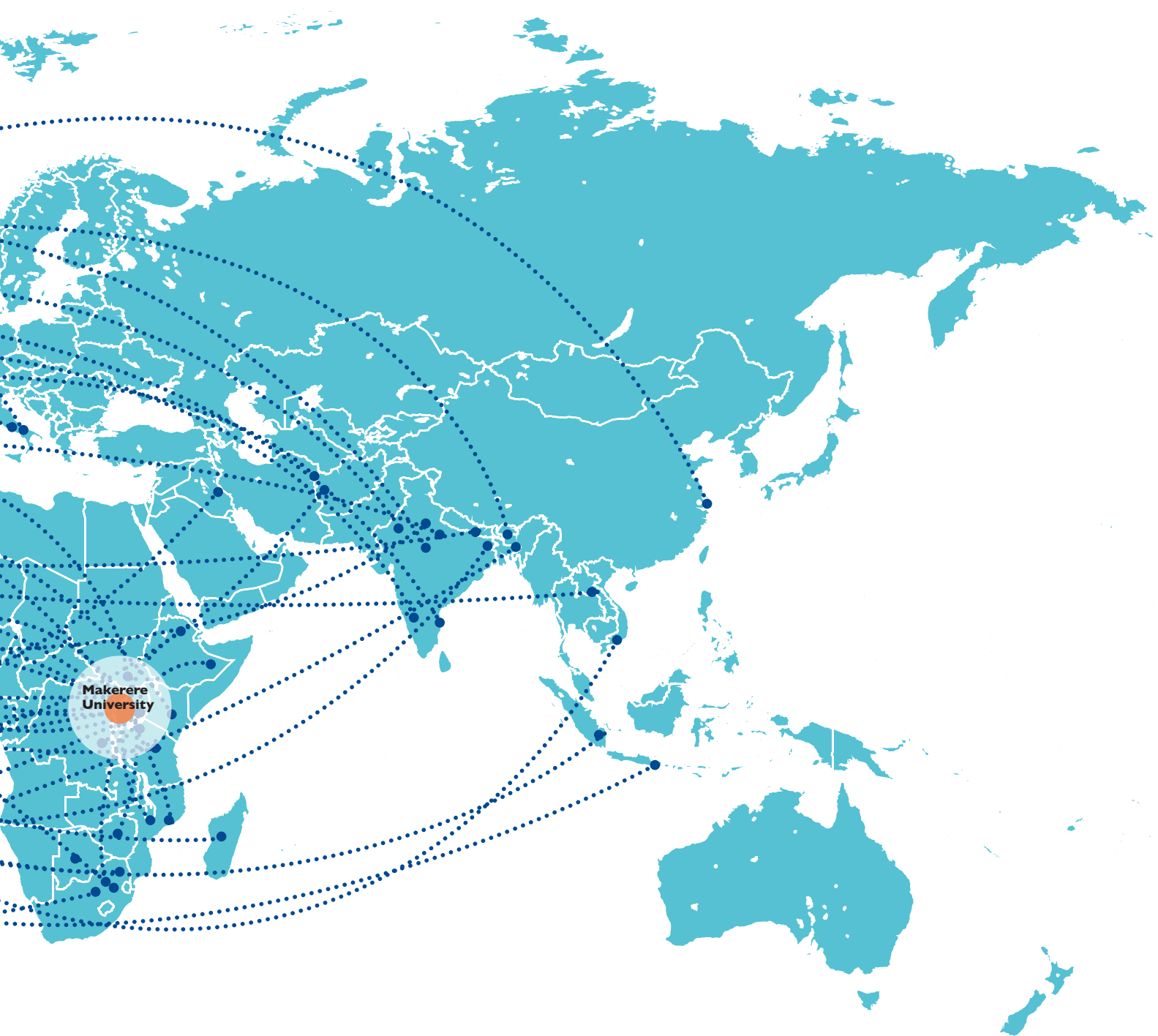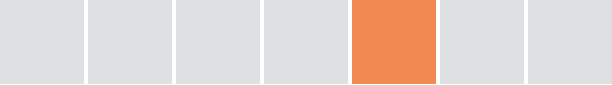
ANNEX 1:
SCORECARD OF INDICATORS ··

STRENGTHENING OUR CAPACITY TO DELIVER RESULTS

Global Target: 70 by CY 2014

Goal	Measure	CY12 Milestone
Maximize impact through focused, strategic planning	**Number of CDCSs completed**	**20**
	Africa	8
	Asia	3
	Europe & Eurasia	6
	Latin America	2
	Middle East	1
	Afghanistan & Pakistan	0

Global Target: 250 by CY 2012

Goal	Measure	CY12 Milestone
Improve decision making in programs and budgets	**Number of completed high quality evaluations**	**186**
	Africa	51
	Asia	31
	Europe & Eurasia	25
	Latin America	34
	Middle East	13
	Afghanistan & Pakistan	12
	Washington DC	20

Global Target: 300 by FY 2014

Goal	Measure	FY12 Milestone
Strengthen and retain our best talent	**Number of emerging FSO and FSN leaders participating in formal mentoring program**	**640**
	Africa	271
	Asia	151
	Europe & Eurasia	48
	Latin America	125
	Middle East	45
	Afghanistan & Pakistan	0

PARTNERING FOR SUSTAINABLE DEVELOPMENT

Global Target: 30% by FY 2015

Goal	Measure	FY12 Milestone
Strengthen local capacity, enhance and promote country ownership, increase sustainability	**Mission program funds per year implemented through local systems**	**14.3%** [2]
	Africa	10.2%
	Asia	14.0%
	Europe & Eurasia	24.2%
	Latin America	11.4%
	Middle East	3.0% [3]
	Afghanistan & Pakistan	26.0%

Global Target: 70% by FY 2012

Goal	Measure	FY12 Milestone
Strengthen staff core development capacities, build host country capacity	**U.S. staff work plans with at least one direct engagement performance measure**	**57.2%**
	Africa	55.6%
	Asia	59.6%
	Europe & Eurasia	66.8%
	Latin America	66.5%
	Middle East	52.2%
	Afghanistan & Pakistan	52.2%

Global Target: 10% by FY 2013

Goal	Measure	FY12 Milestone
Enhance sustainability of programs, facilitate scale-up of interventions, maximize resources by leveraging private-sector resources	**Total value of public-private partnerships with a minimum of 1:1 leverage**	**1.7%**
	Africa	1.7%
	Asia	3.0%
	Europe & Eurasia	6.4%
	Latin America	4.9%
	Middle East	0.1%
	Afghanistan & Pakistan	0.0%

[2] *17.2% with cash transfers*
[3] *27.9% with cash transfers (Egypt, Jordan, West Bank/Gaza)*

*Please note that this data does not reflect cash transfers. The following data does incorporate cash transfers:
****GLOBAL** | FY10 • HC 9.85% • LO 4.03% • TOTAL 13.88% // FY11 • HC 10.97% • LO 6.44% • TOTAL 17.41% // FY12 • HC 9.73% • LO 7.51% • TOTAL 17.24%*
****MIDDLE EAST** | FY10 • HC 32.41% • LO 1.33% • TOTAL 33.74% // FY11 • HC 36.79% • LO 4.85% • TOTAL 41.64% // FY12 • HC 25.02% • LO 2.86% • TOTAL 27.89%*

PARTNERING FOR SUSTAINABLE DEVELOPMENT (continued....)

Global Target: 0.4% by FY 2016

Goal	Measure	FY12 Milestone
Enhance sustainability of programs, maximize resources by leveraging private sources of capital	**Percent of program funds dedicated to leveraging commercial private capital through the Development Credit Authority**	**0.3%**
	Africa	0.3%
	Asia	0.3%
	Europe & Eurasia	1.4%
	Latin America	0.6%
	Middle East	0%
	Afghanistan & Pakistan	0%

UNLOCKING GAME-CHANGING SOLUTIONS

Global Target: 10 by FY 2013

Goal	Measure	FY12 Milestone
Accelerate financial inclusion, improve transparency, catalyze private sector development	**Number of missions actively supporting mobile money initiatives**	**6**
	Africa	2
	Asia	2
	Europe & Eurasia	0
	Latin America	1
	Middle East	0
	Afghanistan & Pakistan	1

WHERE WE ARE WORKING

HIGH QUALITY EVALUATIONS // Angola • Benin • Democratic Republic of the Congo • East Africa Regional Mission • Ethiopia • Ghana • Kenya • Liberia • Madagascar • Malawi • Mozambique • Namibia • Nigeria North Sudan • Rwanda • Bangladesh • Cambodia • Central Asian Republics • India • Indonesia • Kyrgyzstan • Mongolia Nepal • Philippines • Regional Development Mission for Asia • Sri Lanka • Timor Leste • Vietnam • Albania • Armenia • Azerbaijan Bosnia • Georgia • Kosovo • Russia • Serbia • Ukraine • Bolivia • Brazil • Colombia • Dominican Republic • Ecuador El Salvador • Guatemala • Haiti • Jamaica • Mexico • Nicaragua • Paraguay • Peru • Egypt • Iraq • Lebanon Morocco • Yemen Afghanistan • Pakistan **MENTORING //** Angola • Democratic Republic of the Congo • East Africa Regional • Ghana Guinea • Madagascar • Malawi • Namibia • Nigeria • Rwanda • Senegal • South Africa • Tanzania • Uganda • West Africa Regional Program • Zambia • Zimbabwe • Cambodia • Indonesia Mongolia • Philippines • Timor Leste • Vietnam • Regional Development Mission for Asia • Bangladesh • Nepal • Central Asian Republics' Regional Mission • Kyrgyzstan • Albania Azerbaijan • Bosnia Georgia • Kosovo • Macedonia • Moldova • Russia Serbia • Bolivia • Brazil • Ecuador • El Salvador • Haiti Honduras • Jamaica • Mexico • Nicaragua • Paraguay • Peru • Egypt Lebanon • Jordan • Morocco • West Bank/Gaza • Yemen **IMPLEMENTATION & PROCUREMENT REFORM //** All but Mongolia, Iraq and Yemen

DIRECT ENGAGEMENT // All but Barbados **PUBLIC PRIVATE PARTNERSHIP //** Democratic Republic of the Congo East • Africa Regional Mission • Ethiopia • Ghana • Guinea • Kenya • Liberia • Malawi • Mozambique Namibia Nigeria • Rwanda • Senegal • South Africa • Tanzania • Uganda • Zambia • Zimbabwe • Cambodia • Indonesia Philippines Timor Leste • Vietnam Regional Development Mission for Asia • Bangladesh • India Nepal • Albania • Armenia Azerbaijan Bosnia • Georgia • Moldova • Russia • Serbia • Ukraine • Bolivia • Brazil • Colombia • Dominican Republic • Ecuador El Salvador • Guatemala • Haiti • Honduras • Jamaica • Mexico • Nicaragua • Peru • Jordan • Morocco • West Bank/Gaza **DEVELOPMENT CREDIT AUTHORITY GUARANTEES //** Angola • Benin • East Africa • Regional Mission Ghana • Guinea • Kenya • Nigeria •South Africa • South Sudan • Tanzania • Uganda • West Africa Regional Program Zambia • Cambodia • Indonesia • Philippines • India • Albania • Armenia • Azerbaijan • Kosovo • Haiti • Afghanistan **MOBILE MONEY //** Haiti • Afghanistan • Indonesia • Philippines • Malawi • Mozambique

ANNEX 2:
GLOSSARY OF TERMS

Cash Transfer

Cash disbursement, often referred to as a cash transfer, is a disbursement of resources to a partner country government program rather than specific project assistance, and for general purposes such as balance of payments support and sector program assistance.

Country Development Cooperation Strategy (CDCS)

A CDCS is a five-year strategy (although it may be shorter for countries in transition) that focuses on USAID–implemented assistance and related US Government non-assistance tools. USAID missions work closely with host country governments and citizens, civil society organizations, the private sector, multi-lateral organizations, other donors, the State Department, and other US Government agencies to develop a CDCS that supports multiple goals, including furthering U.S. foreign policy priorities, ensuring strategic alignment with host country development priorities and promoting mutual accountability; taking into account the needs, rights, and interests of the country's citizens; and focusing on achieving development results that have clear and measurable impacts.

Development Credit Authority (DCA)

USAID's Development Credit Authority works with investors, local financial institutions, and development organizations to design strategic risk-sharing agreements, known as credit guarantees, that unlock financing from banks for entrepreneurs in the developing world. Through these loan guarantees, DCA has leveraged $2.7 billion in financing from local lenders for infrastructure projects, small, and medium sized businesses. These loans have spurred untold economic growth over the last 13 years in 70 countries.

Government-to-Government (G2G) | Host Country (HC)

A host country (HC) or government-to-government (commonly called G2G) project or activity is one that is managed and implemented directly by a partner government entity using its own financial management and procurement systems. Specifically, G2G activities are those implemented by a partner government entity using their financial management (budgeting, accounting, and payment) and procurement systems. This definition was carefully developed based on experience, including that of USAID's, that activities funded and managed through parallel systems established by donors alongside government entities may work for immediate project delivery, but do not lead to sustainable capacity building of the partner government because the capacity disappears when the parallel management unit disappears.

High Quality Evaluation

A performance or impact evaluation that meets at least seven out of ten of the following criteria:

> » Represents a thoughtful, well researched and well organized effort to objectively evaluate what worked in the project, what did not and why;

> » Addresses all evaluation questions included in the scope of work;

> » Includes the scope of work as an annex;

> » Explains evaluation methodology in detail and includes all tools used in conducting the evaluation such as questionnaires, checklists and discussion guides in an annex in the final report;

> » Assess outcomes and impact on males and females in evaluation findings;

> » Discloses limitations to the evaluation in the report, with particular attention to the limitations associated with the evaluation methodology (selection bias, recall bias, unobservable differences between comparator groups, etc.);

» Presents findings as analyzed facts, evidence and data and not based on anecdotes, hearsay or the compilation of people's opinions. Findings should be specific, concise and supported by strong quantitative or qualitative evidence;

» Properly identifies sources of information and lists them in an annex;

» Provides recommendations that are supported by a specific set of findings;

» Provides recommendations that are actionoriented, practical and specific, with defined responsibility for the action.

Local Institution

Local institution is a broad term that can refer to any host country government entity and/or any local organization. USAID Forward's goals for partnering in country are aimed at a diverse range of local institutions.

Local Organization (LO)

A local organization is a non-profit, for-profit or academic institution that is legally organized according to the country's law; has its principal place of business in the country; and where the majority ownership interest, if a business, or a majority of the board members, if a non-profit, (51 percent or more in each case) are citizens or lawful permanent residents of the country in question. The criteria for local management control is a fundamental component of the definition as experience shows that for an entity to truly be sustainable, citizens of that country need to have a significant control in the leadership, management, programming, and financial decisions of the organization.

Mission Funding

Development Credit Authority, implementation & procurement reform, and public private partnership indicators are all expressed in terms of the percent of mission program funds obligated in each area. These percentages refer only to mission program funds, not all USAID funding. Mission program funds are defined as funds that are allowed by regional bureaus to missions, whether direct missions budgets, or other program funds transferred from regional bureaus to it's missions. Pillar bureau funds allowed to missions (unless those funds are allowed through regional bureaus) are not included nor are mission funds transferred to other US Government entities for management. Only funds in the direct management control of missions are included for reporting purposes.

Mobile Money

Mobile Money initiatives catalyze mobile money platforms to accelerate financial inclusion, root out corruption, empower entrepreneurs, and unlock the private sector. In order to achieve the USAID Forward innovation target, missions must leverage Government to People (G2P) payments and leverage USAID country programs. They are also highly encouraged to create technical advisory teams. The network effects generated by the number of users reached by G2P payments and through implementing partners should foster an environment in which 20 percent of mobile users are using mobile money services within four years of the mission starting programming.

Public-Private Partnership (PPP)

A public-private partnership is a partnership funded by a one-to-one match of resources over the life of the partnership and involving one or more private sector organizations or actors, defined as private for-profit entities, private equity or financial institutions, private investors, private business or industry associations, private grant-making foundations or philanthropic entities and/or private individuals and philanthropists. Through a public-private partnership, the organizations involved agree to share money, staff, knowledge, and/or other resources to accomplish a common goal.

Risk Assessment

A risk assessment is a rigorous and detailed examination of the accounting, cash management, payroll, procurement, inventory management or other financial management systems under consideration for use in a G2G project. These assessments may be performed by international audit firms, their local affiliates, USAID's own professional financial management staff or local financial consulting firms and must be completed before the project is funded. The assessment teams look for gaps, vulnerabilities and weaknesses that might expose USAID funds to waste, fraud or loss. Two things happen when weaknesses are found in any of these systems during these assessments. First, a risk mitigation plan is implemented that permits use of taxpayer funds only for the purpose of the project. Second, recommendations are made to address the weaknesses in order to strengthen the government entity to directly implement projects in the future. The host government, sometimes with the assistance of USAID or another donor, addresses the weakness over time. In this regard, the assessment findings and follow-up are just as, if not more, important than the amount of funding going to G2G activities because the G2G assistance leads directly to strengthening the partner government's systems. This is the principal process that USAID uses to assist partner governments to strengthen their systems and is integral to realization of our ultimate goal of sustainable development.

Stage 1 Rapid Appraisal

The first step in a risk assessment is a Stage 1 appraisal, which covers issues affecting country-level fiduciary risk, such as country commitment to development, transparency and accountability of public funds. The appraisal also examines political or security factors that exacerbate fiduciary risk such as existence and quality of policies and legal and institutional framework and systems; and includes a review of the potential partner country government's commitment to rule of law, international human rights and accountable and transparent democratic governance practices. Designed to be conducted wholly by USAID staff, this appraisal provides USAID with a high-level snapshot of fiduciary risks associated with use of the country's public financial-management systems and helps inform the decision whether USAID should move forward and undertake more rigorous, formal Stage 2 Risk Assessment(s). Additionally, the rapid appraisal may inform the areas and/or sectors where Stage 2 Risk Assessment(s) should focus.

Stage 2 Risk Assessment

In a Stage 2 Risk Assessment, USAID identifies and, where appropriate, proposes measures to mitigate fiduciary risks at the country, sector or subnational government level. The risk identification process includes professional examination of the actual public financial management systems, to include procurement and inventory management. Mitigation measures resulting from this risk identification and investigation process can include requirements that government institutions meet specific operational standards prior to receiving fund advances or are subject to close program monitoring for viability and realistic planning. They can also include identification and partnership with regions/sectors where leaders are active and committed partners within the government to bolster successes that USAID can build on; or developing an agreed-upon standard financial reporting template/model based on government reporting requirements for consistency and simplification, regular or even concurrent financial audit, special oversight mechanisms for procurement or financial transactions, periodic reassessment, tranching of disbursements, and other proven risk treatment measures. This process may be conducted by internal USAID staff, outsourced to an international consulting, public accounting, or a Regional Inspector General (RIG)-certified local audit firms. In the event the assessment is outsourced, USAID retains the final authority to exercise inherently governmental functions, such as a determination to proceed to the next stage of the assessment process and recommend an approval for use of partner country systems by the mission director.