

## IPR Topline Indicator Frequently Asked Questions

### ***What is the formula for the numerator and the denominator?***

As described in the “Additional Guidance” document attached to the topline indicator matrix, the numerator is the dollar value of the Mission’s annual program allocation that will be obligated through local systems during the fiscal year. The denominator is the Mission’s annual program allocation. Missions should provide bureaus the complete formula and calculations for the numerator and the denominator.

The term “annual program allocation” includes the Mission’s new obligating authority (NOA), carry-over funds, and transfers from other agencies (e.g., PEPFAR funds implemented by the Mission; inter-agency transfers from State/DRL, State/INL).

Missions that obligate funds into a SOAG/DOAG and sub-obligate funds into awards the year following the appropriation should treat these funds as if they were carry-over funds. For example, the full amount of funds obligated into a SOAG/DOAG in FY 10 but not sub-obligated by end-September 2010 should be included in the denominator for FY 11, and any funds that are sub-obligated through local systems should be counted in the numerator for FY 11.

For out-year budget levels, please follow the latest CDCS guidance (version 3): *Assume an eight percent reduction in FY 2012 country-level USAID-implemented program funds from FY 2011 653(a) totals. Assume a three percent annual reduction each year thereafter (from FY 2013 through FY 2016).*

The following formulas may provide further clarity:

### Host Country Systems

<b>FY 2010 baseline</b>	<b>FY 2011 target</b>	<b>FY 2012 target</b>	<b>FY 2013 target</b>	<b>FY 2014 target</b>	<b>FY 2015 target</b>
Amount of annual program allocation obligated through partner country systems / Total FY 10 annual program allocation (FY 10 NOA + carryover and transfers)	Amount of annual program allocation planned for obligation through partner country systems / Total FY 11 annual program allocation (FY 11 NOA + carryover and transfers)	Amount of annual program allocation planned for obligation through partner country systems / Total FY 12 annual program allocation (FY11 653a levels minus 8% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through partner country systems / Total FY 13 program allocation (FY 12 level in previous column minus 3% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through partner country systems/ Total FY 14 annual program allocation (FY 13 level in previous column minus 3% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through partner country systems / Total FY 15 annual program allocation (FY 14 level in previous column minus 3% + estimated carryover and transfers)

### Local Organizations

<b>FY 2010 baseline</b>	<b>FY 2011 target</b>	<b>FY 2012 target</b>	<b>FY 2013 target</b>	<b>FY 2014 target</b>	<b>FY 2015 target</b>
Amount of annual program allocation obligated through local organizations / Total FY 10 annual program allocation (FY 10 NOA + carryover and transfers)	Amount of annual program allocation planned for obligation through local organizations / Total FY 11 annual program allocation (FY 11 NOA + carryover and transfers)	Amount of annual program allocation planned for obligation through local organizations / Total FY 12 annual program allocation (FY11 653a levels minus 8% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through local organizations / Total FY 13 program allocation (FY 12 level in previous column minus 3% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through local organizations / Total FY 14 annual program allocation (FY 13 level in previous column minus 3% + estimated carryover and transfers)	Amount of annual program allocation planned for obligation through local organizations / Total FY 15 annual program allocation (FY 14 level in previous column minus 3% + estimated carryover and transfers)

***Should P.L. 480 be counted as part of the annual program allocation?***

P.L. 480, International Disaster Assistance, and Transition Initiatives funds should not be included in a Mission's annual program allocation.

***How is the term "partner country system" defined?***

As described in ADS 220.1, "partner country systems" are:

National arrangements that are established in the national legislation covering Public Financial Management, procurement, audit, and the internal monitoring and evaluation functions of partner country governments. They can include external monitoring, and in some cases, supporting project implementation, by civil society and private sector entities. Partner country systems include Public Financial Management (PFM) systems at both the government-wide and ministerial/sectoral level. They also include partner country procurement and project design and implementation systems, both on a national and ministerial/sectoral level. In addition to systems established at a national level, partner country systems can include those established at a subnational level, such as regional or local Public Financial Management, procurement, design and implementation, and related systems. Partner country systems are national arrangements that are established in the national legislation covering Public Financial Management, procurement, audit, and the internal monitoring and evaluation functions of partner country governments. They can include external monitoring, and in some cases, supporting project implementation, by civil society and private sector entities. Partner country systems include Public Financial Management (PFM) systems at both the government-wide and ministerial/sectoral level. They also include partner country procurement and project design and implementation systems, both on a national and ministerial/sectoral level. In addition to systems established at a national level, partner country systems can include those established at a subnational level, such as regional or local Public Financial Management, procurement, design and implementation, and related systems.

***How is the term "local organization" defined?***

For purposes of indicator reporting, at the time of the award a "local organization" must,

- (1) be organized under the laws of the recipient country;
- (2) have its principal place of business in the recipient country;
- (3) be majority owned by individuals who are citizens or lawful permanent residents of the recipient country or be managed by a governing body, the majority of whom are citizens or lawful permanent residents of a recipient country; and
- (4) not be controlled by a foreign entity or by an individual or individuals who are not citizens or permanent residents of the recipient country.

The term "controlled by", (4), means a majority ownership or beneficiary interest as defined at (3), above, or the power, either directly or indirectly, whether exercised or exercisable, to

control the election, appointment, or tenure of the organization's managers or a majority of the organization's governing body by any means, e.g., ownership, contract, or operation of law.

"Foreign entity" means an organization that fails to meet any part of the "local organization" definition.

Government controlled and government owned organizations in which the recipient government owns a majority interest or in which the majority of a governing body are government employees, are included in the above definition of local organization.

For regional platforms the definition of a local organization can be expanded to include regional organizations that meet the following criteria:

- (1) be organized under the laws of a country in the region served by the platform;
- (2) have its principal place of business in the region;
- (3) be majority owned by individuals who are citizens or lawful permanent residents of the region or be managed by a governing body, the majority of whom are citizens or lawful permanent residents of the region; and
- (4) not be controlled by a foreign entity or by an individual or individuals who are not citizens or permanent residents of the region.

Regional platforms and bilateral Missions also may include obligations or sub-obligations to international organizations composed principally of countries to which membership is limited to countries within the region, provided the funds are to be implemented directly by or through the regional international organization.

***Can sub-awards to local organizations count as part of our baseline or target?***

Funds obligated through intermediaries cannot be included in the baseline or target.

***Should we include Administration and Oversight and PD&L funds as part of our annual program allocation?***

Yes, since you're A&O and PD&L funds are part of your NOA, please count these funds in the denominator.

***How do we set targets for use of partner country systems if we haven't yet conducted a Public Financial Management Risk Assessment?***

We recognize that it may be difficult to set targets in advance of conducting a risk assessment. Please set targets that reflect the best information that you currently have about potential partner government capacity to manage USAID funds. If you later find that your information and plans change significantly based on risk assessment findings, you should work with your bureau to adjust the targets accordingly at that time.

***What if our Mission signed new 5-year grants or contracts last year with international organizations and nearly all of our funds between now and 2015 are tied to these awards? Are we supposed to terminate existing awards early and issue new awards through local systems?***

If nearly all of your funds are tied to awards that do not advance USAID Forward IPR goals, you should consider modifying awards to allow for a gradual shift to direct implementation through local systems, consistent with the Mission's development objectives and the capacity of the local systems to manage USAID funds. Please contact your bureau for further guidance.