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# Project Design Guidance

December 9, 2011

# USAID Project Design Guidance

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## *Executive Summary*

This Project Design (PD) guidance seeks to revitalize the Agency's commitment to design projects, as part of the Program Cycle, in order to increase the effectiveness of development interventions and maximize the impact of limited resources. Project design should be informed

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by evidence, supported by analytical rigor, and consistent across USAID Missions.

The guidance is meant to accommodate various conditions and requirements in the field, and facilitate new learning into project analysis, evaluation, and implementation. The PD guidance describes the relationship of designing projects to Mission strategic planning and monitoring and evaluation. It defines guiding principles, outlines the design process and its documentation, and describes the analytical steps that support project design.

The revitalization of project design at USAID recognizes that development is highly complex, requiring that the design process itself be responsive to Mission-specific circumstances, and stresses the need to assess and reassess project implementation through learning and adapting. The PD guidance also takes into consideration the challenge of transitioning from current practices to a much more rigorous, consistent, and predictable process as part of the Program Cycle.

To facilitate the transition, this PD guidance will apply fully to Missions when they have an approved Country Development Cooperation Strategy (CDCS) or an approved Feed the Future strategy (for FTF focus countries only). In these countries, Mission Directors will identify a limited number of new project designs for FY 2012 – FY 2013 for which full application of the PD guidance will be applied and also for which project design support will be provided by Washington. In all other cases, Missions are expected to prepare, at minimum, an abbreviated Project Appraisal Document and Project Authorization, in lieu of an Activity Approval Document, for new project designs beginning by July 2012. Additional implementation policy detail is provided below.

This PD guidance is the primary vehicle for implementing the USAID Policy Framework 2011-2015. That Policy Framework sets forth USAID's core development objectives, its seven operational principles, and USAID Forward reforms. Within USAID Forward, project design is primarily concerned with Implementation and Procurement Reform (as a means of building local institutional capacity), strengthening monitoring and evaluation, supporting capabilities in

science and technology, and leading in innovation. Sound project design is also the primary means of implementing an approved strategy, and achieving intended results.

As USAID gains experience in the new project design process defined herein, we expect to reassess the PD guidance with the expectation that further modification and adaptation will be required. In addition, we will be moving quickly to change the ADS 200 series to have it reflect the PD guidance, as well as the CDCS process and the evaluation policy.

**Mission Support:** PPL has established two key mechanisms to help Missions implement the PD guidance. First, PPL has established a Program Cycle Service Center that will provide TDY support from expert consultants at no cost to Missions to complement the technical assistance provided by PPL and regional and pillar bureaus. Missions interested in assistance should send an email to [ProgramCycleServiceCenter@usaid.gov](mailto:ProgramCycleServiceCenter@usaid.gov). Second, PPL has established a [ProgramNet](http://programnet.usaid.gov) community of practice (<http://programnet.usaid.gov>) that will: (a) contain project design reference material or “tool kits” including best practices, sample analyses, templates, and examples and (b) facilitate chats, blogs, and Webinars covering the project design process.

### *Implementation Policy*

The policy implementation parameters for the project design guidance are:

**Application and Compliance:** Missions are expected to comply fully with the PD guidance for priority projects identified by the Missions once they have in place an approved Country Development Cooperation Strategy (CDCS) or an approved Feed the Future (FTF) strategy (for FTF focus countries in cases where a CDCS has not yet been developed). Given the interagency dynamic of the Global Health Initiative (GHI), with a majority of funding for GHI strategies controlled by USG interagency partners, PPL will work with the Bureau of Global Health and Regional Bureaus to identify possible opportunities to implement the full PD guidance on a case by case basis before the country develops a CDCS.

Mission Directors with approved CDCSs or FTF focus strategies will identify those priority new projects planned for in FY 2012 – FY 2013 for which they believe the full PD guidance would be most beneficial, including a Concept Paper Peer Review process between Washington and the Mission. Particular projects that could most benefit initially include:

- Projects that intend to use government systems;
- Projects that are multi-sectoral or key to accomplish the associated CDCS Development Objective; and
- Projects of which the Missions anticipates conducting an impact evaluation.

In all other cases (for non-priority CDCS and FTF focus projects and for projects in countries without these strategies), Missions are expected to prepare, at minimum, an abbreviated Project Appraisal Documents and Project Authorization, in lieu of an Activity Approval Document, for new project designs beginning by July 2012. The development of a Concept Paper is optional for these projects. This transition period will allow for advanced acquisition and assistance processes that are already underway to continue. The content of the abbreviated PAD will be

determined by the Mission Director, but it must comply with applicable Agency policies and mandatory gender, environmental, and sustainability analyses and include a logical framework, Monitoring and Evaluation Plan, and mandatory pre-obligation materials currently required (see ADS 201.3.11.2).

At this time, Washington Operating units may apply those elements of the PD guidance that they find relevant and helpful (such as the logical framework). However, this does not exempt Washington Operating Units from complying with other related requirements, including Agency wide policies and strategies such as the Evaluation Policy, applicable elements of USAID Forward, and mandatory analyses.

**Project Design Schedule:** Missions are required to submit to the Regional Bureau and PPL, within four months after CDCS approval, a table that identifies all planned projects anticipated to be designed during FY 2012 and FY 2013. Missions without a CDCS but with an approved FTF strategy for FTF focus countries also must submit a table to the Regional Bureau and PPL that identifies anticipated new planned projects during FY 2012 and FY 2013. In the Project Design Schedule, Mission Directors should indicate which priority new projects would be most appropriate for application of the full PD guidance, including a Concept Paper Peer Review. (More information on the Project Design Schedule is provided below).

**Concept Paper Peer Review:** For priority projects identified by the Mission Directors, Washington will be included in a technical peer review of Concept Papers. The purpose of these reviews, which would be limited to five working days in duration, is to provide useful input to the Mission from technical specialists. This is not a Washington approval process. PPL will work with the Regional and Pillar Bureaus to define how the review process will be managed.

**Project vs. AAD:** It is currently common practice at a number of Missions to prepare a Concept Paper and AAD for each new procurement. This practice is no longer applicable for projects under the new PD guidance. Since a project will generally focus on the IR level (or a Development Objective (DO) if it is associated with relatively small levels of resources or is highly integrated) of an approved CDCS, it normally will incorporate a number of different implementation mechanisms.

**ADS 200 Series:** Applicable parts of the ADS will be amended in 2012 to bring it into conformity with the PD guidance, and other recent modifications to the USAID program cycle, including the CDCS guidance. The Concept Paper, PAD, and Project Authorization defined in the PD guidance will take the place of Activity Approval Documents (AAD).

### *The Strategic Context for Projects*

Project design and implementation is at the heart of the program cycle, framed by Agency policies and strategies, strategic planning, and monitoring and evaluation. All the Program Cycle components are required for a project to succeed in achieving results: Agency or USG-wide policies and strategies set our broad development priorities; sound strategic planning tells us what development results are to be achieved and why; the rigorous design and implementation of a project helps us identify and realize when and how best to achieve those results in the most

effective manner; and rigorous evaluation provides evidence as to whether and why our effort had the intended impact, or if not, why not, and sets the stage for the next program cycle. When designing a project, the entire cycle must always be kept in mind.

### *Agency Operational Principles*

Along with strategic and resource planning, project design and implementation are the primary stages in the program cycle where Agency policies, strategies and approaches, including the USAID Policy Framework 2011 – 2015, Agency policies and strategies, and USAID Forward will be applied. In particular, USAID's Policy Framework 2011-2015 ([http://www.usaid.gov/policy/USAID\\_PolicyFramework.PDF](http://www.usaid.gov/policy/USAID_PolicyFramework.PDF)) defines seven operational principles that apply across the Agency to help focus on achieving and measuring results with constrained resources. The following defines how these principles can be applied to the project design process:

- **Promote Gender Equality and Female Empowerment:** Because USAID project effectiveness depends upon the ability to target approaches to the needs, roles, and constraints of both men and women of all ages in project design, implementation, and evaluation, gender analysis is a mandatory component of the strategic and design planning processes, as well as project monitoring and evaluation. Projects should seek to eliminate gaps between the status of males and females and reflect the different roles, responsibilities, and expertise of women and men. In addition to conducting the gender analysis, project managers should directly and systematically consult with and involve both male and female stakeholders in project design, implementation, and evaluation.
- **Apply Science, Technology, and Innovation Strategically:** As part of the project design process, we must support the application of new technologies, approaches and methods to help address the development issues being addressed in the design, including through engaging with the private sector and the university community. These new solutions should be scaled up as appropriate with a focus on maximizing the cost effectiveness of our investments. The Mission also should consider how to improve significantly the cost effectiveness, speed, and scale of proposed projects. This may require utilizing innovative types of funding mechanisms and engaging a wide range of partners to generate innovative development solutions.
- **Apply Selectivity and Focus:** In the design process, selectivity means targeting resources in the specific sectors and sub-sectors, geographic areas, social or ethnic groups, institutions, and/or systems through which interventions will yield the highest probability of success. Focus is about assuring that total project resources (from USAID and other contributing partners) are well-targeted and large enough to have a meaningful, measurable and lasting impact.
- **Measure and Evaluate Performance and Impact:** Monitoring and evaluation (M&E) is critical to ensure that we are accountable to our stakeholders and that we use learning to improve effectiveness. Knowledge and lessons from past evaluations and performance monitoring should inform choices made in the design process. Additionally, sound project design requires that M&E be built into the design from the beginning. Defining baselines, targets, and implementing systems to routinely collect and analyze data, as well as planning

for necessary evaluation and decision points, are all essential to keeping a project on track and communicating project performance. The standards and requirements of the USAID Evaluation Policy need to be addressed in the design process. In complex or dynamic environments, ongoing evaluation may need to be built into the project design as well as the revision of M&E plans over time based on learning. (USAID's Evaluation Policy can be found at <http://www.usaid.gov/evaluation/>).

- **Build-in Sustainability from the Start:** The ultimate goal of development cooperation is to enable developing countries (governments, civil society and private sector organizations) to devise and implement their own solutions to key development challenges. All projects must define the degree of sustainability that is considered essential for the success of the project, and should consider questions such as:
  - Is there demonstrable local demand and ownership, where a broad segment of the community has a stake in ensuring that the activity or service continues after the USAID project ends?
  - How will USAID work to build up the skills and capacity of local stakeholders whose involvement will be critical for maintaining development gains after the project ends?
  - How can USAID nurture effective institutions – governmental, civil society, and private sector – to analyze, implement, and evaluate activities in the relevant development areas?
  - How will USAID ensure that relevant activities or services are gradually tied to sustainable financing models, either through private-sector participation or through sustainable, publicly-managed arrangements and government processes?
  - How can IPR objectives help to achieve sustainability goals?
  - Is the proposed project environmentally sustainable?
  
- **Apply Integrated Approaches to Development:** Development problems are complex and multi-dimensional. The project design process should be undertaken by integrated, multidisciplinary teams, and should identify all relevant and necessary factors affecting the success of a project, building on the CDCS. In some cases, for example, synergies can be gained where objectives in one area (like building civil society capacity) can be achieved through investments in other areas (like health service delivery). Missions should engage the USG interagency to ensure integrated approaches are designed to address development challenges.
  
- **Leverage or Mobilize “Solution-Holders” and Partner Strategically:** The active engagement of partners and stakeholders, including the partner country government, the private sector, local civil society, other USG agencies, and other donors, is an essential component of the design process. The project design process should include, early on, a stakeholder analysis to aid in a determination of which public and private organizations and groups should be included in the project. Partnerships must be focused on Agency and country priorities, have clear goals, and be outcome driven. USAID's partners should have complementary and clearly defined roles, and there must be clear mechanisms to evaluate progress. When involving external individuals and organizations in the project design and consultation process who may be prospective competitors for USAID-direct awards

(contracts, grants or cooperative agreements), the design team must be careful to avoid potential conflicts of interest. The Contracting Officer and RLA must be consulted to insure that appropriate safeguards are in place to avoid subsequent conflicts of interest.

### *Additional Principles of Project Design*

In addition to the application of the Operational Principles discussed above, there are a number of significant additional principles that apply specifically to the design process, as follows:

- **Apply analytic rigor and utilize the best available evidence.** Missions should apply analytic rigor, including sustainability analysis, to design projects that can maximize development impact for the resources allocated. There is always a dynamic tension between the pressure to obligate funds and the time needed for evidence-based project designs. It is essential that project designs benefit from analysis or the acquisition of development experience and lessons learned through high-quality evaluations as outlined in the Agency's Evaluation Policy. In addition to USAID directly producing analytic studies and assessments, other methods for obtaining needed information can be used, including literature reviews, the analysis of existing information, peer exchange of experimental knowledge, consultations with the private sector, universities, local civil society organizations, and local opinion leaders to elicit local knowledge, etc. Methods and formats should be matched to available resources and to the knowledge being sought, and should be planned to optimize the analytic gain for the effort and funding available. While in-depth analytic studies will be necessary in some cases, in others, sufficient analyses can be conducted by using interactive formats, ranging from face-to-face facilitated workshops to virtual discussions among development experts. Based on best available data, the expected project costs and results should be comparable with similar interventions in the host country and other countries. To the extent possible, the evidence and analysis used for the CDCS or Presidential Initiative strategy should be used for project design.
- **Broaden the range of implementing options to be considered.** In support of IRR objectives, use of partner country government agreements and systems, local civil society and private sector organizations, agreements with Public International Organizations, and pooled funding arrangements broaden the range of mechanisms beyond USAID-direct contracts and grants. The choice of implementing mechanisms is one of the most fundamental considerations in project design, and has clear linkages to the project's sustainability strategy.
- **Incorporate continuous learning for adaptive management.** Regardless of the approach to analysis, it should be recognized from the outset that the analytic basis for projects continuously needs to be updated, tested, and upgraded in the course of project implementation. Project design should, therefore, incorporate plans to reflect on the evidence underlying project design, assess the implications of any likely divergence between anticipated and unanticipated outcomes, and facilitate reflection, additional analytic work, and course correction during project implementation. Project management plans and/or learning approaches should consider identified risks, such as local partner constraints, and opportunities to exploit potential breakthroughs and strategic alliances that may not have been certain at the time of design. Periods of assessment should be built into project

implementation. As necessary, these can lead to changes in the project's logical framework (particularly at the output and purpose level) and the project implementation plan to match these changes. At the input level, this could also require modifications of implementing agreements with, for example, partner country governments, Public International Organizations, or USAID-direct mechanisms. Depending on the implementing agreement or mechanism, Missions should work with their RLA and/or Contracting/ Agreement Officer to build in the ability to make appropriate modifications or mid-course corrections.

- **Implement peer review processes that are commensurate with a project's cost and complexity.** In addition to conducting analysis, project designs can also be improved through the use of peer input and peer review. This can take a variety of forms, including having USAID/Washington staff undertake an early knowledge management review to identify lessons from similar projects and programs; reviewing previous evaluations included in the Development Experience Clearinghouse; having a panel of experts participate in a facilitated project design review session; and seeking design and review participation from experts at partner country institutions, U.S. Government and other donor agencies, think tanks, universities, and private sector entities. At a minimum, all projects must undergo an internal multidisciplinary formal review involving various Mission offices and functions. The Concept Paper Peer Review process is described below.
- **Promote collaboration and mutual accountability among USAID, the partner government and other key Stakeholders.** In line with the principles of the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the principles of USAID Forward, the design process must include the active engagement of partner country governments and civil society and private sector organizations, through, for example, joint diagnostic project constraints analyses. The project design should consider the partner government's capacity and role with regard to project implementation and managing donor resources. Based on this analysis, a decision can be made on the partner country's role in the project, on their potential contribution toward sustainability, and on including mechanisms for mutual accountability, consistent with ADS 220.
- **Demonstrate USAID staff leadership in the project design effort.** Major steps of the project design process must be led by USAID staff, involving participation from all relevant offices. The designated USAID project design team must oversee the analysis, conceptualization and detailed design aspects of the project. Collaboration, consultations and peer reviews with experts should be used, but USAID staff must assume a leading role. USAID staff must serve as the principal liaison with partner government officials, local stakeholders and with other donors in establishing project priorities and broad design parameters. Where a Mission does not have appropriately skilled staff resources, they may be available from the Pillar Bureaus, Regional Bureaus, and PPL.

### *From Country Development Cooperation Strategy to Project Design*

The project design process is a continuum of activities and analyses that begins with the development of the CDCS and concludes with the authorization of a project designed to achieve the results defined in the CDCS Results Framework, normally at the Intermediate Result (IR) level. In some cases, availability of resources or complexity may result in a Mission focusing a

project design at the Development Objective (DO) or sub-IR level. The CDCS Guidance can be found at:

[http://www.usaid.gov/our\\_work/policy\\_planning\\_and\\_learning/documents/CDCS\\_Guidance.pdf](http://www.usaid.gov/our_work/policy_planning_and_learning/documents/CDCS_Guidance.pdf).

For USAID application in this guidance, a “project” is defined as: a set of executed interventions, over an established timeline and budget, intended to achieve a discrete development result by resolving an associated problem. It is explicitly linked to the CDCS Results Framework. More succinctly, a project is a collaborative undertaking with a beginning and end, designed to achieve a specific purpose.

Several other terms relate to this definition of project, including “program” and “activity.” As used in this guidance, “program” is aligned with a CDCS Development Objective and includes all projects and other activities that are associated with a particular DO. An “activity” is a component of a project that contributes to a project purpose. It refers to an award (such as a contract or cooperative agreement), or a component of a project, such as policy dialog, that may be undertaken directly by Mission staff.

**Project Design Schedule:** As referenced above, Missions are required to submit to the Regional Bureau and PPL, upon four months after CDCS approval, a table that identifies all planned projects anticipated to be designed during FY 2012 and FY 2013. Missions without a CDCS but with an approved FTF strategy for focus countries also must submit a table to the Regional Bureau and PPL that identifies anticipated new planned projects during FY 2012 and FY 2013. In the tables (as illustrated in a sample below), Mission Directors should indicate which priority new projects would be most appropriate for application of the full PD guidance, including a Concept Paper Peer Review.

<u>PROJECT DESIGN SCHEDULE</u>	CDCS		Planned	Estimated	Remarks	Priority
	Results Framework	Concept				
List of Planned Projects for FY 2012-2013	Association	Paper*	Obligation**	Budget		(Y/N)***
Health Financing Policy Reform	DO #1 - IR 1	2012 Aug	2013 Feb.	\$32M	Sector Program Assistance	
Commodities Procurement Improvement	DO #1 - IR 2	2012 Jan	2012 Aug	\$18M	Likely use of G2G mechanism	
Strengthened Commodity Value Chains	DO #2 - IR 1	2012 Apr	2013 Apr	\$145M	FtF Flagship project	
Improved Food Availability and Utilization	DO #2 - IR2&3	2012 Oct	2013 Dec	\$78M	Ag productivity and nutrition	
Strengthened Democratic Accountability	DO #3	2012 Nov	2013 May	\$16M	Public International Org	
* Estimated date for completion.						
** Estimated date to when first implementing mechanism is awarded.						
*** Yes means full PD guidance with Concept Paper Peer Review and Washington support. No means an abbreviated PAD at minimum.						

In developing this table, Missions may wish to consider:

- Existing projects, activities or awards that contribute to the CDCS’ Results Framework (RF) and should be continued as originally planned or extended until a new project can be designed and authorized;

- Existing projects, activities or awards that could contribute to the RF, but require some redesign; and
- Existing projects, activities or awards that do not contribute to the new RF, and therefore should be ended.

### *The Project Design Process*

The project design process consists of three inter-related stages that refine a project from its strategic basis in a CDCS to a final authorized project. This iterative process will result in a project that is informed by evidence and supported by analytical rigor. The three stages of the design process are: **Stage 1**, Conceptual; **Stage 2**, Analytical; and **Stage 3**, Approval.

Project design will be documented at each of the three stages in the design process: The conceptual stage (resulting in a Concept Paper), the analytical stage (resulting in a Project Appraisal Document) and the approval stage (resulting in a Project Authorization). As defined in detail below, the purpose of the Concept Paper is to define the tentative parameters of the project, building upon the CDCS Results Framework, and to provide a plan to complete the PAD. The PAD will summarize the analyses used as the foundation of the project design and include: (a) a final logical framework matrix; (b) an implementation plan and schedule; and (c) a monitoring and evaluation plan. The Project Authorization will include a brief summary of the basic elements of the project, the assistance checklist, a list of required and optional individual clearances, and the signature of the individual (usually the Mission Director) delegated by the Agency to authorize the project for funding and implementation.

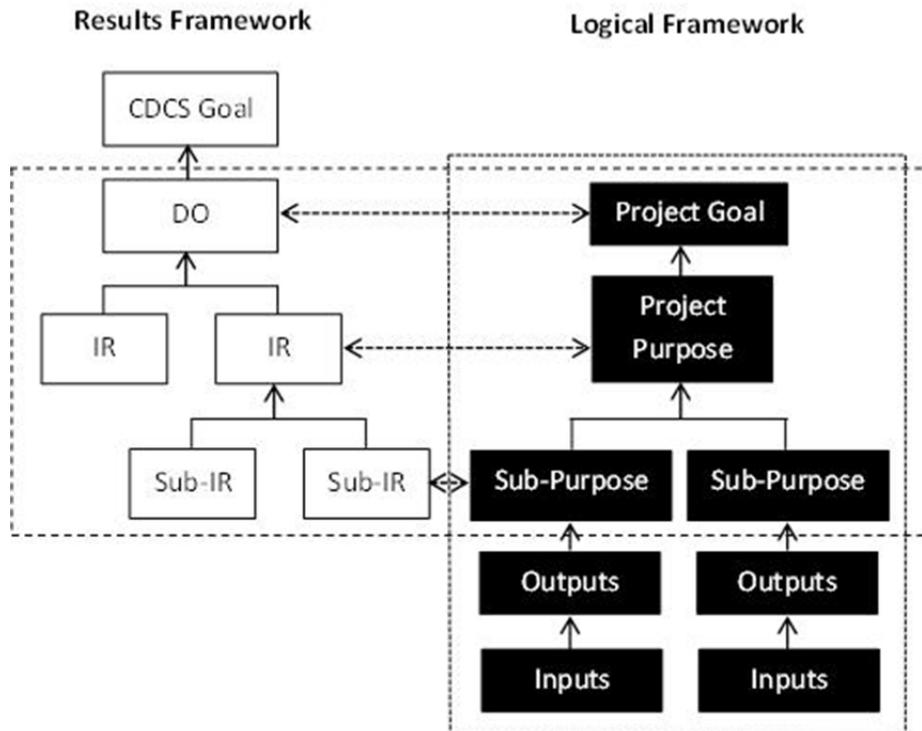
#### *Stage 1: Concept Stage (estimated 3-4 weeks)*

During Stage 1, the basic parameters of the project and its further articulation are established using the CDCS or FTF focus strategy as the departure point. Among the activities that occur during Stage 1 of the project design process are:

- **Define the Project Design Team:** As early as possible in the process, core members of the project design team should be formally designated by the Mission Director, and include a specific design team leader who will be accountable for guiding the design process from inception to authorization. The design team should include appropriate representation from key support functions as needed in the design process, including the Offices of the Controller, Contracting Officer (CO), RLA, and others as appropriate. It will be important to clearly define and differentiate the role of the Program Office and the lead Technical Office. The role of the PDO is to be accountable for the overall management of the design process. The Technical Office is accountable for the technical soundness of the design. The Mission Director will determine which of these two will lead the design team.
- **Define the Problem:** Beginning with the CDCS Results Framework, the Project Design Team needs to review the development challenge addressed by the IR being addressed to ensure specific and accurate problem identification. Usually, the problem statement should be directly linked to a Results Framework. The problem statement will be the focus of the “purpose statement” of the project’s logical framework. There are various tools to conduct

problem identification (e.g., fishbone analysis, problem tree, force field, and SWOT (Strengths-Weakness-Opportunity-Threat) analysis). When the problem has been clearly identified, it should be restated as the project purpose.

- **Develop Preliminary Logical Framework:** Starting with the project purpose, an “if-then” objective tree analysis should be used as the basis for developing the summary narrative portion of the Logical Framework, covering outputs and inputs and including key assumptions. The relationship of the CDCS Results Framework and the Logical Framework is illustrated below.



- **Identify and Analyze the Stakeholders:** It is critical to identify and understand the stakeholders in the project, to include women and men, youth, persons with disabilities, internally displaced persons, lesbian, gay, bisexual, and transgender individuals, and vulnerable populations, in order to help ensure project “buy-in” and the long-term sustainability of the effort. Stakeholders should include the partner country government, civil society and private sector organizations, other donors, and universities.
- **Review Available Knowledge (including research, evaluations, tacit knowledge and lessons-learned):** The design team should cast a broad net to bring into the design process related evaluations, assessments, studies, etc., that may inform the design process including project performance to date for ongoing projects. Where available, the design team should review and compare the unit cost of delivery with other comparable projects. The findings of this review will help define the specific analytical requirements to be undertaken during the preparation of the PAD.

- **Define Strategic Partners:** This analysis should identify the roles of potential partners who will be critical to the success of the project and its sustainability building on those partners identified in the CDCS or Initiative strategy and supporting IPR objectives. This takes the stakeholder analysis one step further, including identification of potential project design partners outside USAID. A critical aspect of this analysis is to determine partner country participation in project design and implementation, taking into consideration U.S. commitments to the Paris Declaration of Aid Effectiveness and the Accra Agenda for Action. It is at this point also that the initial strategy for developing local capacity, using country government systems, and partnering with the private sector should be defined, as well as plans for ongoing engagement with these partners in terms of sharing knowledge and learning from each other as design proceeds.
- **Carry out a Public Financial Management Risk Assessment Framework (PFMRAF):** A decision to further assess the use of partner country government systems is fundamental to project design, and needs to be factored into the definition and cost of project analysis. For that reason, it is recommended that whenever feasible, Missions should complete the first stage of the PFMRAF (as defined in ADS 220) prior to drafting any individual project Concept Paper,<sup>1</sup> since this stage of the PFMRAF is at a country level and will apply to all projects. USAID guidance for a process, in conjunction with or in addition to the PFMRAF for incorporating democracy, human rights, and governance considerations into decisions regarding the use of government-to-government assistance, is under development. If partner country government systems are part of the implementing mechanisms to be used, the analysis under ADS 220 must be completed as part of the PAD, leading to a recommendation to use partner country systems. Risk-mitigating measures to permit initial or subsequent use of such systems also must be defined.

**Required Product:** The required product from Phase 1 is the Concept Paper, the content of which is described below.

The purpose of the Concept Paper is to provide a summary of a proposed project that can be reviewed by Mission management to assess strategic fit, plausibility of success, underlying assumptions, and manageable interest, among other considerations. Concept Papers minimize the expenditure of resources on fully developed designs until it has been decided that such an effort should be undertaken.

### **CONCEPT PAPER CONTENT**

The Concept Paper itself should be no more than 10 pages. Overall, the Concept Paper should define a clear road-map for completion of the project design and PAD, and include cost estimates and timeframes for completing required analysis.

The following is a suggested outline for the Concept Paper:

1. Problem Statement and Major Issues
2. Relationship to the CDCS, FTF focus strategy, and applicable Agency Policies and Strategies

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<sup>1</sup> Missions need to conduct only one stage-one assessment that can cover all Concept Papers.

3. Illustrative Interventions
4. Analytical Requirements
5. Monitoring, Evaluation, and Learning
6. Preliminary Sustainability Analysis
7. Customer/Partner Ownership
8. Funding Requirements
9. Possible Implementing Mechanisms
10. Proposed Design Team and Plan

**1. Problem Statement and Major Issues:** Identify and briefly describe the problem the project intends to address and the expected outcomes of the project, as described in the preliminary Logical Framework, which is to be included as an annex to the Concept Paper. Analyze and explain the scale of the project's expected accomplishments in relation to the scale of the problem being addressed. In addition, briefly articulate the major issues affecting the development problem.

**2. Relationship to the CDCS, FTF focus strategy, and applicable Agency Policies and Strategies:** Present a brief discussion of how the planned project will link with, and contribute to, achieving the DO and associated IR(s) in the CDCS (or separate FTF strategy where a CDCS does not exist) as supported by the CDCS development hypothesis, as well as any other projects or activities by the partner government or other donors that will make a contribution. Also outline how the project demonstrates alignment with Agency-wide policies and strategies, noting if the Mission has received an exception in accordance with the Administrator's Directive on Policy and Strategy Implementation.

**3. Illustrative Interventions/Results:** Present a preliminary list of the activities and interventions that are expected to be implemented, along with corresponding anticipated results, based on the logical framework, with causal linkages between activities and results defined.

**4. Analytical/Consultation Requirements:** As a result of the initial problem analysis, outline the type of analyses needed, in addition to the three mandatory analyses, and recommend how these analyses will be conducted. What additional evidence from evaluations, research, or other sources will be sought to inform the project design? Which of these analyses have already been completed as part of the CDCS process or which have already been conducted by other parties, including the private sector, think tanks, host governments, other donors, and universities, that can be leveraged? How will cost-benefit and/or cost-effectiveness considerations be included? Project design teams need to balance the benefits of increased evidence-base with the costs in terms of time and resources to conduct multiple analyses, particularly in transition settings where projects need to be designed and implemented quickly.

**5. Monitoring, Evaluation, and Learning:** Identify 1-2 central questions to be evaluated over the course of project execution, considering those identified in the CDCS. If the project is defined as a pilot project, a preliminary evaluation design should be defined to test the implementing mechanism or development hypothesis, and an impact evaluation will be recommended. Preliminary indicators should be identified (and included in the Objectively Verifiable Indicator column in the Logical Framework). For Missions that have a Mission-wide learning and adapting plan, indicate the part each project plays in the larger plan.

**6. Sustainability Analysis:** The Concept Paper should include a paragraph that summarizes the elements of sustainability considered essential to achieve the project purpose and describes how sustainability objectives will be integrated throughout the project and how benefits and results will continue.

**7. Stakeholder/Strategic Partner Ownership and Demand:** Identify the principal stakeholders and potential partners who are critical to the project's success, present an overview of their level of involvement and commitment, including the design phase, and define their interest and project participation.

**8. Funding Requirements:** Present an overall estimate of the expected costs that will be required to manage and achieve the objectives in the project's preliminary logical framework.

**9. Possible Implementing Mechanisms:** Assess the likelihood of using partner government systems, or working with and through local organizations. If partner government systems are identified, Stage One (Rapid Appraisal) of the "Public Financial Management Risk Assessment Framework" should be completed before the Concept Paper is approved if possible. The project design team should defer the selection of specific types of implementing mechanisms, such as USAID-managed acquisition or assistance instruments, until later as part of the development of the implementation plan

**10. Proposed Design Team, Process, Schedule, and Cost:** The Mission Director or his/her designee shall approve who will be responsible for leading the project design team and who will participate (from the USAID Mission, the Country Team, the Regional Mission, AID/W, the partner country); specify their roles and responsibilities; and identify a timeframe for completing the various steps in the process, including any necessary analyses that may be required and their cost. Project committee members outside the Mission, such as officials of the partner government and other key stakeholders, should also be identified.

**Attachment:** (a) Preliminary Logical Framework

**Concept Paper Review:** Once the Concept Paper is finalized by the project design committee, it must be circulated widely within the Mission and reviewed in a Mission-wide meeting chaired by the Mission Director or her/his designee. The Program Office will be responsible for organizing the meeting and preparing an Issues Paper that will serve as the agenda for the meeting. The Issues Paper will identify key problems or concerns to be discussed during the Mission review. Explicit decisions to be taken during that Mission review meeting include: (a) agreement on the types of analysis to be completed as part of the project design process (or obtained from other sources); (b) agreement on the plan and budget to complete the PAD; (c) clarifications in the statement of the project purpose to be addressed by the project; (d) issues that must be addressed during the subsequent design process; and (e) estimates of multi-year project budget parameters using the CDCS budget data as a point of departure.

At the conclusion of the review, the Program Office will prepare a memorandum for the Mission Director to approve or disapprove the Concept Paper, and provide whatever guidance may be appropriate for the project design committee in the subsequent stages of the project design if approved.

### *Stage Two: Analytical Stage (3-6 months)*

Depending on the complexity of the project, the Analytical Stage of project design requires the most effort, combining completion of all project analyses and their synthesis into a final logical framework and project design. Once the Concept Paper has been approved and the topics of required analyses have been identified, project design should proceed with problem and solution analysis. This should be undertaken and managed directly by USAID, with required analyses undertaken by USAID subject matter experts (including those from Washington or other Missions), local institutions, or local or expatriate contracted specialists as appropriate. It is important to note that some of the required analytical work may have been completed during the preparation of the CDCS and should be used as appropriate. It is also possible that the partner country, civil society and/or other donors have completed some of the analytical work already.

The project design team must do its best to understand the identified problem or constraints, and identify and assess critical assumptions. These will be considered when the completed design is approved, and serve as the basis for periodic re-validation of the design over the life of project execution.

#### **ANALYSIS**

Not every project will undergo the same breadth and depth of analysis. As outlined above in the Concept Paper, **it will be up to the project design committee, under the leadership of the Mission Director, to determine which additional analyses are required (other than the three mandatory analyses)**. The Mission is not required to justify in the PAD why it did not undertake the non-mandatory analysis. Projects designed in highly dynamic environments may for example reduce the depth of some aspects of analysis at this stage of design and include them in early stages of project implementation. Further description of some of these potential analyses follows:

**Gender Analysis: MANDATORY.** All projects must address relevant gender disparities in a manner consistent with the findings of any analytical work performed during development of the Mission's CDCS (see ADS 201.3.9.3) or project design. Findings from gender analyses, such as any gender-related obstacles to accomplishing the project's objectives, recommendations for ways to reduce gender gaps, and opportunities to enhance women's participation and leadership should be incorporated into the project design.

**Environmental Analysis: MANDATORY.** Drawing upon the previous environmental analysis during strategic planning (i.e. CDCS preparation (ADS 201.3.9.2), and the information from the pre-obligation requirement for environmental impact (ADS 201.3.11.2.b)), project design teams must incorporate the environmental recommendations into project planning. Often additional environmental analyses may be useful to project design and should be undertaken at this time.

**Sustainability Analysis: MANDATORY.** This is a new requirement for all project designs. Missions are asked to analyze key sustainability issues and considerations around a host of issues including economic, financial, social soundness, cultural, institutional capacity, political economy, technical/sectoral, and environmental. Where appropriate, the analysis should discuss generally how IPR objectives could help achieve sustainability goals. For Presidential Initiative projects, this analysis should determine if/what democratic governance or economic growth

interventions should be considered to promote sustainable outcomes. This analysis also requires a review of the financial costs of the program, its recurrent costs, and its maintenance capability and costs (if applicable), as well as ensuring that future revenues will be adequate. It involves analyzing the institutional capacity that will need to be in place or developed through the project, including systems, policies, and skills. In conflict situations, or other highly volatile environments, sustainability of project benefits may be unpredictable. In those cases, this section should describe what benefits may be sustainable and what may be left to future projects to achieve. The analysis should reference the sustainability objectives of the project or project components (with the understanding that not all projects aim to be fully sustainable at their conclusion), and indicate how the project intends to meet these objectives. Missions should summarize this analysis in a short document to be included in annex J.

**Economic and Financial Analysis: *Cost Benefit Analysis (CBA)*** is a decision-making approach used to determine if a proposed project is worth doing, or to choose between several alternative ones. It involves comparing the total expected costs of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much. CBA is composed of three types of analysis: beneficiary, financial and economic. ***Beneficiary Analysis*** identifies the main beneficiaries of a project, classifying them according to broad income categories (poor, near poor, non-poor), gender, and on the likely effects of the proposed activities (direct, less direct and indirect effects). ***Financial analysis*** identifies the benefits and costs that will accrue to the beneficiaries, if a project is undertaken. Financial analysis is necessary to ensure that the potential beneficiaries will have an incentive to participate in the project. Additionally, financial analysis will quantify the financial costs that will have to be borne by the partner country government and/or civil society during the life of the activity and thereafter. ***Economic Analysis*** identifies the benefits and costs that will accrue to the host country. It adjusts the financial costs to eliminate transfer payments, such as subsidies and taxes, and uses economic prices that reflect the opportunity cost of resources. Beneficiary, financial, and economic analyses have to be subjected to a ***risk analysis*** to determine how variations in the values of the key parameters affect the results. Risk analysis informs Monitoring and Evaluation (M&E), as it identifies those variables that have the greatest effect on the results (outcomes) of a project. During monitoring, if some of those key variables start to deviate from what was assumed during project design, corrective action can be undertaken. Drawing from the economic and financial analysis, estimates of unit cost should be possible and used to determine how best to contain or minimize unit costs.

**Social Soundness Analysis:** Social Soundness Analysis has three distinct but related aspects: 1) the compatibility of the project with the socio-cultural environment in which it is to be introduced (its socio-cultural feasibility); 2) the likelihood that the new practices or institutions introduced to the initial project target population will be diffused among other groups (the spread effect); and 3) the social impact or distribution of benefits and burdens among various groups, both within the initial project population and beyond (the incidence).

**Youth Analysis:** A youth analysis will: 1) enable a better understanding of the country's youth profile and inform program and project focus (by age cohort for example) and modality selection; 2) affirm our commitment to and create avenues for meaningful participation by youth in the design process, with potential for longer-term engagement; 3) underscore that youth are

impacted by, and can have impact on, projects in all sectors, and with more youth-sensitive design can come better overall project outcomes; and 4) elevate awareness of and advocate for opportunity and attention to youth among host country and development stakeholders at large.

**Institutional Analysis:** Developing local capacity is a core policy objective of the USAID Forward reforms. Such an analysis would require in-depth assessment of the local institutions and systems most critical to the implementation of the project's development interventions, including an assessment of the quality of their leadership, structure and staff, and identification of their administrative and financial management strengths and weaknesses. The institutional values, culture, and decision-making processes (their governance) should also be considered as these directly affect performance and relationships with USAID and other public, private sector and civil society actors. The analysis should then develop a plan for project activities that are necessary and sufficient to bring these institutions up to the level of performance or engagement as partners appropriate for their roles in the project's implementation and their eligibility for direct USAID funding. The plan should include an appropriate sustainability strategy to ensure that the institution(s) will remain administratively and financially sustainable by the end of the project and equipped to continue to play their roles in local development. A useful tool is the Human and Institutional Capacity Development (HICD) Handbook, developed by EGAT/ED in 2010. (See <http://www.usaid.gov/policy/ads/200/201maf.pdf>)

**Disability Analysis:** In accordance with the USAID Disability Policy, the following issues should be included in project design: (1) promoting the participation and equalization of opportunities of individuals with disabilities in country and sector strategies, activity designs and implementation; (2) increasing awareness of issues of people with disabilities both within USAID programs and in host countries; (3) engaging other U.S. government agencies, host country counterparts, governments, implementing organizations and other donors in fostering a climate of nondiscrimination against people with disabilities; and (4) supporting international advocacy for people with disabilities. (See full text of the policy paper at [http://pdf.dec.org/pdf\\_docs/PDABQ31.pdf](http://pdf.dec.org/pdf_docs/PDABQ31.pdf)).

**Climate Change Vulnerability Analysis:** This analysis seeks to identify: 1) whether and how the project will affect, or be affected by, medium- and longer-term climate change impacts; and 2) if the project's design should be adjusted in consideration of climate change vulnerabilities. The basis of this analysis should be a review of a country's medium- to long-term climate change vulnerability forecast (i.e. how and where within a country will climate change vulnerability manifest itself). The CDCS will have provided considerable attention to climate change issues for each DO. Considerations, for example, may affect which crops are planted and in which areas, water resource and management requirements, and location sustainability. If the project is expected to increase greenhouse gas emissions, then alternative lower-carbon development strategies should be considered.

**Conflict Analysis:** This analysis seeks to identify and prioritize the causes and consequences of violence and instability in a given country context, understand how existing development programs interact with these factors, and determine where development and humanitarian assistance can most effectively support local efforts to manage conflict and build peace (summarized from the Conflict Assessment Framework (CAF) from USAID's Office of Conflict

Management and Mitigation). Such analysis serves as a foundation for more effective U.S. engagement in most countries where USAID is present, thus is generally undertaken in conjunction with strategic planning.

**Political Economy Analysis (PEA):** PEA is an emerging approach that attempts to address the interrelated political and economic interests that underlie governance challenges and that either stand in the way or facilitate good development performance and successful achievement of the project purpose. PEA approaches are tools for examining the dynamic relationship between political, economic and societal forces supporting and inhibiting sustainable change, based on an assessment of the underlying political dynamics of the society. This is an area of emerging Agency experience.

## **SYNTHESIS**

The synthesis step in the analytical phase is to review the options and evidence, based on the above analyses, to solve the identified problem. Elements of the synthesis process can be undertaken in parallel to the above analysis. During project synthesis, consideration of alternative solutions to the identified problem should be explicit. Various possible solutions should be assessed in terms of how well they might resolve the development problem considering cost and sustainability. Synthesis must cover not only the technical approach, but also issues such as social soundness, institutional questions, partner country commitment, project implementation issues and Mission project management.

This is also the time to ensure that USAID Forward and the Policy Framework operational principles have been considered, and where appropriate, factored into final project design. For example, this is the stage of the process where the evaluation is designed along with the rest of the undertakings. This is the time and place to focus on sustainability, one of the most central of all the operational principles, and to consider direct partnerships with partner country government institutions and/or local civil society and private sector organizations.

**Required Product:** The required product for this stage of the design process is a completed PAD, as outlined below.

The PAD documents the complete project design and serves as the reference document for Project Authorization and subsequent implementation. As described below, the PAD should: define the development problem to be addressed by the project; provide a description of the technical approach to be followed during implementation; define the expected results at the output, purpose, and goal level (as presented in the final logical framework including objectively verifiable indicators); outline the analytical and sustainability considerations; present the financial plan and detailed budget; present an overall project implementation plan; and present the monitoring and evaluation plan.

The PAD is the baseline for project implementation, adaptation, and evaluation. It synthesizes the various analyses that underlie and rationalize the project design, and assesses the overall feasibility of project success. It is also the baseline against which the project may be realigned during implementation, since the development process is dynamic and project activities may need adjustment, or aspects of the project logical framework require reworking in light of

unforeseen circumstances. Finally, the PAD provides a reference point for comparing the value of alternative investments for the purposes of resource allocations and budget justifications.

## **PROJECT APPRAISAL DOCUMENT CONTENT**

The Project Appraisal (PAD) should be between 20-25 pages, excluding annexes. In many cases, the PAD will update data included in the Concept Paper. The body of the PAD should summarize briefly data included in the appendices. The length of the document, in part, is a function of the size and complexity of the project itself. The basic sections of the document will include (executive summary optional):

1. Relationship to Mission CDCS and Results Framework
2. Relationship to Partner Country and Other Donor Programs
3. Project Description
4. Implementation Plan
5. Summary Cost Estimate and Financial Plan
6. Monitoring and Evaluation Plan and Learning Approach
7. Analytical and Sustainability Considerations
8. Conditions, Covenants and/or Actions Required
9. Annexes

**1. Relationship to Mission CDCS and Other USG Programs:** This section should describe the relationship of the project to the CDCS (or Presidential Initiative Strategy) at the IR or DO level. The development problem/hypothesis and the expected impact of the project in terms of the Results Framework should be identified and described. Relationships to other IRs or DOs, or to ongoing activities managed by the Mission, should be identified and described. Missions also should ensure close coordination with other USG projects.

**2. Relationship to Partner Country, Local Stakeholders and Other Donor Programs:** The relationship of the project to Partner Country and citizens' planning priorities in the context of Aid Effectiveness Principles should be described, including level of Partner Country commitment to the purpose of the project and any identified division of labor to achieve project results. Other donor funding that will have a material effect in the success of the project should also be described.

**3. Summary Project Description:** This section should begin with a summary presentation of the project logical framework, including key assumptions, relationship to development hypothesis, geographic focus, and brief descriptions of the planned inputs, outputs, and purpose-level accomplishments and their specific linkages to the CDCS Results Framework. More detail is provided as a PAD attachment.

**4. Implementation Plan:** The section should summarize the time-phased implementation plan, defining important implementation actions and decision points by time over the life of the project. The plan should be more detailed in the first year. A sub-set of the overall implementation plan should be an A&A Strategy<sup>2</sup> that identifies all significant procurement

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<sup>2</sup> The A&A Strategy contains specific A&A actions, at the instrument level, intended over the life-of-project, to include: the choice of instrument; general planned timelines; and awards that require the preparation of an

actions and their associated development, implementation and close-out activities. If partner country systems will be utilized during implementation to support IPR objectives, this section should summarize the appropriate assessments that have been done to identify and, as appropriate, mitigate risk associated with use of partner country government systems and institutions. Finally, the Mission's plan to manage the project, defining office roles and responsibilities and staffing requirements, also should be included. More detail is provided as a PAD attachment.

**5. Summary Financial Plan and Budget:** A summary budget for all contributions (fund sources) to the costs of the project should be included by year (USAID, Partner Government, other sources). Ideally, the budget should be presented by input as well as outcome (output or purpose-level achievement). The financial plan will include USAID funding requirements by fiscal year and account for the life of the project, illustrating the link to the Framework and the CDCS Results Framework, and outlining any other pertinent directives. One element of USAID costs is associated with facility, equipment, staff and contractor costs of security, particularly in high-threat environments. More detail is provided as a PAD attachment.

**6. Monitoring and Evaluation Plan and Learning Approach:** This section should summarize the plans for project monitoring and evaluation (indicating how the project is complying with USAID's Evaluation Policy). The plans should clearly describe how the project will collect needed data from project inception (baseline data), and periodically over the life of the project for both monitoring and evaluation purposes. If an impact evaluation is planned, its design should be summarized in this section. Impact evaluation design requires that project implementation consistently respect the separation of the 'target' group from the 'control' group throughout the life of the project. If a Mission has a learning or adapting approach and implementation plan, this section should indicate the project's role in implementation and how the Mission will utilize this approach to achieve adaptive management during implementation. More detail is provided as a PAD attachment.

**7. Analytical and Sustainability Considerations:** This section should summarize the evidence that suggest that the project will succeed, underlying assumptions, and, where available, outline how it will be cost effective compared to similar projects and alternatives. This section should reference the various analyses done to support articulation of the final project design and logical framework (as included in attachment k), and reference any key evaluations that influence project design. Specifically, this section should summarize the key findings of the Mission sustainability analysis. More detail is provided as a PAD attachment.

**8. Other Required Actions:** This section should define what actions prior to project execution, if any, need to be taken by the Partner Government, or ongoing mutual agreements or actions (usually referred to as "covenants") that need to be specified in any subsequent bilateral project agreement with the partner country. Also, any waivers should be identified.

**9. Annexes:**

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Individual Acquisition and Assistance Plan per FAR Part 7 and, in the case of assistance awards, the ADS. Any non-A&A implementing mechanisms, e.g., use of the Development Credit Authority, shall be covered in the PAD's Implementation Plan.

- a. Draft Project Authorization (including Approval of Use of Partner Country Government Systems, if appropriate)
- b. Logical Framework and CDCS Results Framework
- c. Concept Paper Approval Memorandum
- d. Expanded Project Description
- e. Financial Plan and Detailed Cost Estimate
- f. Implementation Plan and Schedule
- g. A&A Strategy
- h. Monitoring and Evaluation Plan and Learning Approach
- i. Public Financial Management Risk Assessment Framework (if applicable)
- j. Project Analyses
- k. Environmental Threshold Decision (based on Initial Environmental Examination)
- l. Country and Assistance Checklists
- m. Waivers, Certifications, and Other Project-Specific Information

Additional descriptions of selected Annexes (b, d, e, f, g, h, j, l, and m) are provided below:

**b. Logical Framework:** Producing the PAD will require completing a final version of the logical framework as informed by the results of the analysis and synthesis phases of the design process. Initial means of verification should be identified, which will be finalized in the Performance Management Plan.

**d. Expanded Project Description:** Building upon the summary project description, the design team should describe the selected technical approach based on the synthesis of the analytical work undertaken or consulted during the design process. Significant differences between the technical approach described herein and the Concept Paper should be identified, as well as how any areas raised in the Issues Paper resulting from the Concept Paper review were resolved. Finally, identified major assumptions, risks, and contingencies should be assessed with an overall statement of project feasibility.

**e. Financial Plan and Cost Estimate:** A multi-year financial plan and project budget is required that provides estimated project costs from all sources, including USAID. This plan should include M&E costs and will be the basis for Mission multi-year budget requests.

**f. Implementation Plan and Schedule:** The design team will develop a comprehensive set of implementation modalities, activities and outputs, including a preliminary life-of-project schedule and defined exit strategy. The level of detail and specificity is meant to help the design team clarify and vet their understanding of the major activities, inputs, data requirements for monitoring and evaluation, implementation mechanism, and capacity development needs of prospective local partners. In the PAD, the greatest level of detail will focus on Year One of the project, with significantly less specificity for the out-years. Drawing from the Assumptions in the logical framework where possible, the plan should anticipate that unexpected outcomes, newly available knowledge, changes in country conditions, and/or other kinds of change may occur, and thus should build in learning processes for periodically reviewing and analyzing the implications of these changes, developing contingency plans, adapting implementation as necessary, and sharing the results of these analyses within USAID and with partners, partner government counterparts, other donors and other stakeholders. If partner country systems are part of the implementing mechanisms to be used to support IRP objectives, the analysis under ADS

220 must be completed, leading to a recommendation to use partner country systems. Risk-mitigating measures to permit initial or subsequent use of such systems also must be defined.

**g. A&A Strategy:** As a component of the implementation plan, the A&A Strategy should be developed in consultation with the Program Office, Contracting Officer, RLA and Controller. Normally the PAD will describe and justify the ‘choice of instruments’ (assistance or acquisition), if sufficient detail is available for the Contracting Officer to make that judgment. In preparing the A&A Strategy, the Project Design team should work closely with the Contracting Officer to determine the need for any special approvals or waivers linked to procurement, such as for restricted commodities, source and nationality, or competition, which should be identified in Annex M. The A&A Strategy should identify acquisition and assistance awards requiring the preparation of an “Individual Acquisition and Assistance Plan,” to address FAR Part 7 requirements.

**h. Monitoring and Evaluation Plan and Learning Approach:** Development of the Monitoring Plan and Evaluation Plan is an essential step to manage the process of assessing and reporting progress towards achieving project outputs and outcomes, and to identify what evaluation questions will be addressed through evaluation. The M&E Plans contribute to the effectiveness of the CDCS-level Performance Management Plan (PMP), as well as the project itself, by assuring that comparable data will be collected on a regular and timely basis. At the design stage, the project monitoring and evaluation information that needs to be identified includes the following:

- Performance measures to be used to monitor each level of the project results (Project Goal, Purpose, Outputs), and provide a precise definition for each indicator. The Project Goal and Purpose indicators should be consistent with those included in the CDCS. In the Logical Framework, these are known as *Objectively Verifiable Indicators*.
- Data sources and the methodologies of data collection. In the Logical framework these are known as the *Means of Verification*. The collection of baseline data at the beginning of project implementation, including methodology for that collection.
- Identification of needed evaluations and suggestions of appropriate methods if external evaluations are required.

Using M&E Plans to define indicators, sources, and methods of data collection increases the likelihood that the project will collect comparable data over time, even when key personnel change. M&E Plans also support reliable data collection by prescribing the frequency and schedule of data collection and assigning responsibilities. Identifying key evaluation questions at the outset will both improve the quality of the project design and guide data collection and evaluation during implementation. Analyzing the need for evaluations during the project (tied to some threshold or key decision) and at the end of the project (either for decisions or to capture learning) lays the foundation for allocating sufficient evaluation resources and planning in a way that allows the use of the best methods for quality evaluation. Missions also should identify what support is needed from Washington to implement.

**j. Project Analysis:** The PAD should include the actual analysis conducted or used to design the project. In particular, this section should contain the three mandatory analyses and document all factors identified, including the mandatory sustainability analysis referenced in Analysis section above.

**l. Country and Assistance Checklists:** The Country Checklist, done annually before the initial obligation for the particular country involved (i.e., with the DO Agreement), should be attached. The Assistance Checklist is sometimes prepared at the DO level, if projects/activities that come under the DO have been designed. If this is the case, the Assistance Checklist should be attached. Where a new project is being designed, the Assistance Checklist should be prepared and attached to the PAD in Annex M. The Project Design Team should consult their RLA concerning contents of the Assistance Checklist.

**m. Waivers, Certifications, and Other Project-Specific Information:** This Annex should contain any project-specific waivers, certifications or other pertinent information. Examples include source and nationality waivers, special justifications for awards to PIOs (responsibility determination), JOFOCs, Approval of Use of Partner Country Systems (AUPCS), use of Host Country-Owned Foreign Currency (ADS 624 and 627), etc.

**PAD Review:** The final Mission review of the PAD follows the same procedures used for the Concept Paper. The PAD will be circulated to all Mission offices and reviewed in a meeting chaired by the Mission Director. The Project or Program Officer will be responsible for orchestrating the review meeting, including drafting an issues paper based on input from involved Mission offices. The issues paper should focus on major points of clarification, areas that lack consensus, extent of perceived risk, probability of success, etc. Some adjustments may have to be made in the draft PAD as a result of the Mission review. Normally, it will be the role of the Program Office to make the required adjustments, finalize the PAD, and prepare for the final stage of project design – Project Authorization.

### *Stage Three: Project Authorization (estimated 3 pages)*

The **Project Authorization** gives substantive approval for a project to move from the planning stage to implementation. It does not reserve or commit funds. The Project Authorization approves the project design detailed in the PAD, sets out the purpose of the project, its duration (defines an end of project date), defines fundamental terms and conditions of the assistance when a partner country agreement is anticipated, and approves an overall total budget level, subject to the availability of funds, for the project. Waivers will also be included and documented in the Project Authorization. As highlighted in the Implementation Policy section above, the Project Authorization is required for all new projects, regardless of the size or type of the project or method of financing and obligation.

For projects that include use of partner country systems for implementation, the Project Authorization also will document the Approval of Use of Partner Country Systems, as required by ADS 220. Since use of partner country government systems will require execution of a bilateral agreement with the partner country obligating (or sub-obligating) funds for the project components to be implemented through partner country systems, the Project Authorization also will include the terms and conditions required by USAID for that bilateral agreement.

The Project Authorization will in addition record final clearances from each Mission office with responsibility for project design and for Mission compliance with USAID policies and procedures. These offices must include the RLA, the Contracting Officer, and the Controller. Others in the clearance process will include the involved technical office(s) and the Program Office. The Mission Director (or other official delegated the authority to approve the project)

will sign the Authorization and the signed version of the Project Authorization will be included in the final PAD. Attachment 1 provides a sample Authorization template.

**Amendments to the PAD and Project Authorization:** The PAD and Project Authorization need to be amended formally through an Action Memorandum approved by the Mission Director under the following circumstances: (a) The amount of USAID funding for the projects is increased or decreased by 10% of the initial project; (b) the defined end date of the project requires an extension of more than six months; or (c) the project purpose requires substantive modification (such as modifications in the Project Purpose, expected outputs and significant targets and benchmarks at the purpose level). The rationale for these changes will be documented by an amendment to the PAD.

### *Project Authorization to Implementation*

Project implementation does not ‘begin’ with the signing of the Project Authorization. Implementation and A&A planning, definition of the roles and responsibilities of partner country government systems, and other steps completed in the design process should expedite initiation of assistance and acquisition actions and obligation (or sub-obligation) of funds through G2G agreements, agreements with PIO’s, etc. as defined in the implementation plan. During the design process, the choices of these implementation mechanisms should be made, basic scopes of work/terms of reference drafted, and budgets allocated for each mechanism. This should significantly facilitate preparation of RFPs or RFAs for USAID-direct awards and drafting of bilateral agreements in the case of G2G agreements.

Regarding Mission management, the project management plan developed in the PAD can immediately be implemented, with clear roles assigned to technical and other Mission offices. Since the RLA, Controller, and Contracting/Assistance staffs have been part of the design and approval process, they should be able to focus on moving ahead with initial project implementation. Clear performance benchmarks are part of the implementation planning process, launching project monitoring from the start.

**Attachment 1: Draft Project Authorization Template**

Name of Country:

Name of Project:

## A. Project Definition:

1. Pursuant to the Foreign Assistance Act of 1961, as amended, I hereby authorize the [title of project] involving planned total obligations not to exceed [total life-of-project funding provided under the FAA] over a [length of time usually expressed in years] from the date of authorization subject to the availability of funds in accordance with the USAID appropriation and allotment process. Funds will be made available in United States dollars and local currency as deemed necessary and appropriate.
2. The purpose of the project is to [briefly define the project purpose and project outputs]

## B. Source and Nationality:

Goods and services financed by USAID under the Grant shall have their source and nationality in the United States and [define geographic code]

## C. Approval of the Use of Partner Country Systems (AUPCS): [If applicable]

I hereby approve the use of the Government of [country] government systems to implement specific components of the Project based on the detailed financial and risk assessment and mitigating measures defined in the PAD and mutually agreed by the Government of [country]. The Project Agreement with further specify the terms and conditions under which USAID funds will be provided to, and expended by, the Government of [country].

## D. Condition Precedent to Disbursement of Project Funds to the Government of [country] [if applicable]

## E. Special Covenants [for Partner Country Bilateral Agreements – if applicable]

## F. Definition of Use of Partner Country-Owned Local Currency [if applicable]

## G. Waivers [such as Source and Nationality]

## H. Special Justifications [such as awards to PIOs (responsibility determinations)]

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Signed, Mission Director

Clearances:

Program Officer, Controller, Regional Legal Advisor, Etc.