

USING SIMPLIFIED FIXED OBLIGATION GRANTS (FOGS) TO INCREASE GOVERNMENT OWNERSHIP AND REDUCE STUNTING

OVERVIEW

Fixed obligation grants (FOGs) are grants used to support very specific development activities, where both the grant donor and recipient understand the costs required to meet certain deliverables and carry out specific activities.¹ FOGs—also known as Fixed Award Amounts (FAAs)—are different from other contractual mechanisms because grantees are paid an amount upon the achievement of a milestone/outcome, rather than on a line-by-line basis for individual expenses as they are incurred. Grantees are also not required to report on actual costs spent during activity implementation or provide receipts—just on their outcomes. That makes FOGs easier to administer and implement for both the donor and the recipient organisation, particularly for local organisations and governments.

IMA provided FOGs to regional and district government within the DFID ASTUTE stunting reduction programme as a tool for enabling the government to plan their nutrition activities and practise allocating these funds. Using FOGs, rather than implementing the activities through NGOs, promotes ownership and buy-in from the government at all levels and increases the likelihood that the government will own and sustain stunting reduction activities following the project's end.

WHY THIS IS AN IMPORTANT AREA FOR NUTRITION PROGRAMME IMPLEMENTERS IN TANZANIA

Nutrition has historically been excluded from the annual budgeting process at the regional and district-level in Tanzania due to competing priorities and limited funds, as well as the need for support from other sectors. Key decision makers (regional and district level government directors, councilors and departmental heads) used to feel that vitamin A supplementation, mass deworming events, and routine iron folate supplementation were sufficient programmes for the government to demonstrate their commitment to preventing and addressing nutrition issues. More recently, many districts have included nutrition priorities in the annual plans and budgets, but execution of related activities has been low due to not blocking off the committed budgets. NGOs simultaneously have worked to fill nutrition gaps created by the lack of government funding and support. The FOG mechanism marries these two approaches, creating a system in which donor-funded programmes work in partnership with

government structures and processes. FOG benefits include fostering high levels of transparency around what is required for reimbursement; minimising paperwork and accounting, freeing up manpower amongst grantees; and promoting accountability and results since the funding is tied to activity completion rather than labour.

STRATEGIES USED IN TANZANIA

IMA sought to close the gap between government efforts and donor-funded nutrition programmes within the ASTUTE programme by creating a flexible funding system that is locally-rooted to foster country ownership. IMA drew from its successful work in Tanzania under USAID's ENVISION: A World Free of Neglected Tropical Diseases (NTD) programme, led by RTI International globally. Since 2010, IMA under ENVISION has used FOG/FAA mechanisms to implement NTD activities in close collaboration with regional and district authorities. Through this process, IMA has allocated nearly 40% of the annual project budget by direct transfer of funds to regional and district councils to implement NTD activities. Lead ENVISION partner RTI's implementation of NTD elimination programmes through IMA World Health and other partners in 19 countries globally² has found that FOGs successfully build capacity within the country, both in technical areas as well as in management, budgeting, and administration. FOGs have been used to implement disease-specific assessments, enable supportive supervision, promote social mobilisation, and other activities.

Today, IMA uses FOGs within the ASTUTE programme as the primary mechanism to administer local stunting reduction funding through both government (in 36 target districts and 5 regions in the Lakes region) and to 48 CSOs (working at community-level on SBC interventions). Funding through

² www.NTDenvision.org

¹ www.ntdenvision.org/webinars https://www.ntdenvision.org/sites/default/files/docs/fog_webinar_final.pdf



these FOGs helps to ensure that local government authorities (LGAs) and regional secretariats (RSs) include ASTUTEs priority nutrition activities in their annual work plans and budgets system for the Tanzanian government's medium-term expenditure framework (MTEF) every year.

ASTUTE uses FOGs as fixed-price instruments by providing a pre-agreed upon amount of funds for the achievement of a predetermined number of activities, organised into milestones. Under this mechanism, LGA and RS recipients must provide proof of performance by completing "Milestone of Activities" forms before subsequent payments are delivered. The first milestone payment is generally made upon the signing of the contract. Subsequent payments are made on receipt of a deliverable, such as the FOG recipient's activity work plan and budget, which can be done before actual activity implementation begins. This enables the recipient to be awarded starter funding to cover the first set of milestone activities. Payments are delivered through LGAs or sub-treasury general deposit accounts with provision for President's Office - Regional Administration and Local Governments (PO-RALG). The PO-RALG controls the amounts allocated to each LGA or RS and is recorded in cash books or expenditure accounts for all levels.

KEY APPROACHES USED AND LESSONS LEARNT

IMA's approach to FOGs has achieved programme success in numerous settings, including fragile states, through building on existing government structures instead of replacing them, and working within the limitations of each setting rather than creating a temporarily more ideal environment to achieve short-term, donor-driven results.

The model is rooted in a strong understanding of the local context and respect for national priorities and needs. It is based on the understanding that local ownership and commitment requires that governments and communities lead and monitor their programmes, but do not always have the full range of technical and management skills needed to be successful. IMA's approach is to provide the support, training, mentoring and guidance to build local capacity to design, implement and monitor the results of their programmes. IMA has developed standardised planning tools to facilitate the planning and budgeting processes but adjusts these to each setting and technical area as appropriate.

For ASTUTE, IMA provided local LGA and RS capacity strengthening to successfully develop and implement FOGs as a key local ownership strategy. This included orienting key stakeholders on the purpose and components of FOGs, as well as one-on-one mentorship through questions as they arose. Equally important was developing mutually agreed upon work plans between IMA and LGAs or RSs and funding them. The work plan is linked to and funded through the centrally-managed LGA spending account or the sub-treasury account. However, the FOG funding is clearly labeled within the

government accounting system to specify the recipient (specific LGA or RS). This helps create a sense of ownership with the local, sub-national and central governments, with our support.

Lessons Learnt

FOGs were one of the primary components that led to the success of the ASTUTE nutrition programme managed by IMA in Tanzania. With 41 administrative entities (36 LGAs and 5 RSs) receiving funds through the FOG approach, all produced fundable work plans, executed agreed activities, and achieved their milestones with variations in timeliness in completion of their reports. We recommend that other implementers consider FOGs as a successful strategy for promoting local ownership of nutrition and other multi-sectoral development interventions. Lessons learnt regarding this process include:

- Sit down with each LGA/RS to identify budget gaps within their current government. This is important to develop the nutrition FOG budget and work plan, and fill gaps from existing resources.
- Simplify onerous reporting by eliminating detailed financial reporting. Instead, grantees submit narrative milestone reports with key supporting documents (such as signed minutes of coordination meetings, attendance lists, pay slips, etc.) The template is provided below.
- Develop and document clear and realistic milestones within the FOG work plan so that it is easy to administer payments.

Challenges and Recommendations

- The frequent changes of government leaders/representatives at the LGA and RS levels can slow down decision making. It necessitates frequent orientation/re-orientation by project staff on FOGs and their components.
- Bureaucracy within the LGA level creates slowdowns and excessive approvals to request funding from the donor and approval for implementation. Complicated government accounting systems can also delay access to funds at the district level.

To mitigate these issues, IMA recommends encouraging RS and LGA-level advocacy on managing nutrition-specific and nutrition-sensitive activities funded through the FOG system, as well as committing government resources for nutrition activities. In addition, programme implementers should plan and budget for frequent staff turnover and ensure they can provide on-the-job FOG training and supportive supervision when new key authority staff is hired or elected. Doing so will create constant communication with LGA, RS and central government authorities to push for timely approval of funds, or rectifying issues related to late access of funds from central deposit accounts to cash books of LGAs. This

supplements the original training of key LGA and RS-level finance and programme authorities who participate in FOG administration, including directors, accountants, and programme managers from departments hosting nutrition work. The ASTUTE team also identified a key contact and advocate working in PO-RALG, who can look into delays of payment or submission of documentation as it arises, moving paperwork forward as needed.

TOOLS AVAILABLE

IMA has included sample FOG templates within the ASTUTE Stunting Reduction Toolkit that can be adapted by Tanzanian implementers. These include:

- Sample **FOG Cover Sheet and Grant Agreement**, which includes terms and conditions and relevant information for creating a FOG between donor and recipient.
- Sample **FOG Performance Report Template**, which details the project by name, reporting period, milestones and numbers, and contact information for who completed the report. It also specifies the supporting documents required for each milestone report to ensure timely payment: key achievement, activity status, challenges experienced, recommendations, and success stories and photos.
- Sample **Success Story Template**, which provides suggestions and guidance on how to report on a success story related to the FOG and project.
- A **FOG Checklist**, which is attached as an annex to the milestone report. It includes space for programme/grant managers to mark the status for the completion of each activity, and whether it is complete or not.³
- **FOG budget template**, which demonstrates how to link incremental payments upon completion of each milestone. The first payment is made upon completion of the recipient's work plan.
- A **sample FOG Invoice** from the LGA or RS that will enable payment based upon the agreed milestone completion. It is addressed to the funder, and certified and signed by the grantee.

³ Partial certification is not permitted to receive payment, though in certain instances partial deductions may be made for incomplete milestones if there are mitigating circumstances or inter-linked activity issues.

In addition, donors and implementers may want to refer to:

- USAID ENVISION *Webinar on Fixed Obligation Grants: Sharing Best Practices*. Recorded webinar and PowerPoint slides available at: https://www.ntdenvision.org/resource/webinars/envision_webinar_on_fixed_obligation_grants_sharing_best_practices (May 2017).
- USAID guidance: *Fixed amount awards to NGOs: An Additional Help Document for ADS Chapter 303*: <https://www.usaid.gov/sites/default/files/documents/1868/303saj.pdf> (Dec. 2014).