Implementation Tips *for* USAID Partners

Sharing Resources and Knowledge Among the Global CSO Community

Definitions

Award Amount—The total amount anticipated to be spent by the USG over the life of the project.

Obligated Amount—The amount the USG has committed to spend on the project to date, which may be a portion of the award amount.

Unobligated balance—The portion of the award amount that is not yet obligated.

Pipeline—The amount of funds obligated but not yet spent.

Burn Rate—The rate at which an organization spends its award funds (obligated amount) on a periodic basis, typically monthly.

References

USAID Automated Directives System (ADS) Glossary

USAID's Accrual Documentation

Items to Consider

Remember: The process for requesting and receiving additional funds from USAID can take a considerable amount of time, so plan ahead so that your project can continue without interruption.

Pipelines and Burn Rates

Q. What are my "Pipeline" and "Burn Rate," and how do I calculate them?

A. You may have heard the terms "pipeline" and "burn rate" discussed in relation to the financial management of your grant. But what do they mean, what are they used for and how do you calculate them?

To monitor how much money you are spending under your U.S. Government (USG) grant and to make sure there is enough money available to cover your upcoming expenses, two key figures to track are your **pipeline** and **burn rate**.

To calculate these, start by looking at your grant agreement to identify the amount the USG has committed so far for your grant, known as the "obligated amount." Note that this amount is different from the "award amount," which is the total expected to be obligated over the life of the grant.

Your **pipeline** is the amount of funds obligated but not yet spent. This is the amount of money that is available for you to draw down on for project activities. Calculate this by adding up all the funds you have spent to date and subtracting that amount from the total obligation.

$$\text{Calculation: Pipeline} = \text{Obligation} - \text{Total Amount Spent}$$

The **burn rate** is the rate at which you are spending your obligation. The basic calculation for your burn rate is to figure how much you have spent and divide that by the number of months you have been spending.

$$\text{Calculation: Burn Rate} = \frac{\text{Total Amount Spent}}{\text{Number of Months}}$$

Obligation vs. Award

It is important to understand that your obligation amount is not necessarily the full amount of your award. The total award amount is the amount anticipated to be spent over the life of your project. The obligated amount is the amount USAID has definitely committed to spending on the project.

Therefore, just because your organization has received an award, USAID is only liable to pay you up to the amount of the obligation. Any spending your organization does above the obligated amount is at your own risk!
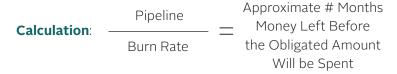
Most awardees are obligated approximately 1/3 of their entire award amount after their workplans are approved. The amount obligated is documented in a modification to your Agreement.

Examples:

- My CSO has been awarded a Cooperative Agreement for a total of US$1,000. We received an initial obligation of US$10. When the workplan was approved, we received an additional obligation of US$300, bringing our total obligation to US$310.

- My CSO has been managing the award for four months and has spent a total of $145.

- Subtracting our total spent (US$145) from our total obligated (US$310) gives us a pipeline of US$165.

- Dividing the amount spent (US$145) by the number of months we have been spending (4) gives us a burn rate of US$36.25 per month.

Next Steps

- Using your pipeline and burn rate, you can calculate how many months worth of money you have left before you will need an additional obligation.

$$\textbf{Calculation}: \frac{\text{Pipeline}}{\text{Burn Rate}} = \begin{array}{c}\text{Approximate \# Months}\\\text{Money Left Before}\\\text{the Obligated Amount}\\\text{Will be Spent}\end{array}$$

In our above example, dividing My CSO's pipeline of US$165 by the burn rate of US$36.25 tells us that My CSO will spend its remaining obligation in about four and a half months, assuming spending stays at about the same level.

By tracking your pipeline and burn rate, you can monitor your spending to make sure you are neither spending too quickly nor too slowly. Most important is that by watching these figures, you will know when you need to request an additional obligation from the USG.

For More Information

For this or other issues of *Implementation Tips*, please visit www.NGOConnect.net. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening CSOs, networks and CSO support organizations worldwide.

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My NGO's USG Award

Award Amount	$1,000
Original Obligation	$10
Additional Obligation	$300
Total Obligation to Date	$310

	Jan	Feb	Mar	Apr	Total
Spending	$25	$55	$35	$30	$145

	Calculations	Results
Pipeline	$310–$145	$165
Burn Rate	$145/4	$36.25
Months Remaining	$165/$36.25	4.5 months

Total Award Amount Breakdown

- Pipeline — 16.5% (Obligated)
- Spent — 14.5% (Obligated)
- Unobligated — 69%