

donors  
**Funding** assistance  
research  
*mechanisms*

# Chapter 7: Seeking Future Funding

## **7.1 Overview**

## **7.2 Getting Started**

7.2.1 Five Tips for Seeking Funding

## **7.3 Researching Funding Opportunities**

7.3.1 Defining Donors

7.3.2 Common Types of Donor Organizations

7.3.2.1 Global Fund to Fight AIDS, Tuberculosis and Malaria

7.3.3 Private Sources of Funding

## **7.4 Applying for USG Funds**

7.4.1 USG Funding Mechanisms

7.4.1.1 Acquisition versus Assistance

7.4.1.2 Cooperative Agreements versus Grants

7.4.2 USG Funding through Competitive Processes

7.4.2.1 Annual Program Statement (APS)

7.4.2.2 Request for Applications (RFA)

7.4.2.3 Request for Proposals (RFP)

7.4.2.4 Re-Competes

7.4.2.5 Multiple-Stage Competitions

7.4.2.6 Subgranting Mechanisms

7.4.2.7 Pre-Solicitation Notices

## **7.5 Designing Programs**

7.5.1 PEPFAR and In-Country Programmatic Guidance

7.5.2 Developing Targets

7.5.2.1 Defining Indicators

7.5.2.2 In-Country Demographic, Epidemiological, and Other Data

7.5.2.3 Past Program Data

7.5.2.4 Linking Program Targets with Impact Indicators

## **7.6 Budgeting**

7.6.1 Standard Budget Categories

7.6.2 Direct versus Indirect Costs

7.6.3 Cost Share

## **7.7 Eligibility Rules to Receive USG Funds**

## **7.8 Partnerships**

7.8.1 Seeking Subrecipients

7.8.2 Seeking Funds as a Subrecipient

## **7.9 Summary and References**

## 7.1 Overview

The process of seeking funding can be challenging and stressful. There is a great deal of competition, and, especially for small organizations, the future of a program may depend on its ability to secure funds.

Successful fundraising demands using your resources efficiently to target specific funding opportunities aligned with your organization's work. This chapter will help you develop your fundraising strategy by showing you how to [research funding opportunities](#) (7.3), [apply for funding](#) (7.4), and [design programs](#) (7.5) and [budgets](#) (7.6). You will also find special sections on [funding eligibility](#) (7.7) and building and leveraging [partnerships](#) (7.8) for increased funding opportunities.

### Skip Ahead

- ▶ [Research Funding Opportunities](#)
- ▶ [USG Funding Mechanisms](#)
- ▶ [Funding Competitions](#)
- ▶ [Designing Programs](#)
- ▶ [Standard Budget Categories](#)
- ▶ [Partnerships](#)

## Objectives

- Understand different U.S. Government (USG) funding mechanisms and competition processes.
- Learn about strategies for fundraising and applying for funding.
- Improve your ability to develop strong applications for PEPFAR and other funding opportunities.

## Key Terms and Acronyms

- **APS**—Annual Program Statement, a funding solicitation that allows the USG to make multiple awards over a period of time.
- **Assistance**—USG funding to an individual or an organization to achieve a public purpose.
- **Contract**—The mechanism the USG uses in awarding acquisitions.
- **Cooperative Agreements**—One of two methods the USG uses to provide assistance. The USG uses this method when it wishes to retain substantial involvement in a project.
- **Cost Share**—The portion of project or program costs not covered by the USG. This may be in the form of cash or in-kind contributions.
- **Direct Costs**—Goods and services specifically purchased for the exclusive benefit of one project that are charged to that project.
- **Grants**—A method the USG uses to provide assistance. Under grants, the USG retains less control over the program, compared to Cooperative Agreements.
- **Indicator**—A specific data point you track to monitor program progress. There are standard PEPFAR indicators, in-country standard indicators, and your own program-specific indicators.
- **Indirect Costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff. If a NICRA (Negotiated Indirect Cost Rate Agreement) is established, include the rate and how it is calculated. Also state whether the [NICRA](#) is the provisional or final rate. (For more information on indirect costs and NICRA, see USAID document, <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **In-Kind Contribution**—Non-cash resources contributed to a project; may include volunteer services, equipment, or property.

- **Key Personnel**—Key Personnel refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in the Cooperative Agreement as Key Personnel are those leadership slots considered essential to the successful implementation of the overall project.
- **Matching Funds**—A percentage or fixed amount of non-USG resources that some donors require recipients to provide for a project to be eligible for USG donor funds.
- **MOU**—Memorandum of Understanding. A document describing an agreement between two or more parties, usually less formal than a contract.
- **NICRA**—Negotiated Indirect Cost Rate Agreement (a rate negotiated individually between an organization and the USG to cover indirect cost).
- **Obligated Amount or Obligation**—The amount the USG has committed to the program. There is no guarantee that the USG will reimburse the recipient for any spending above the obligated amount.
- **RFA**—Request for Applications, a mechanism for grants or Cooperative Agreements, which means that it anticipates funding activities with limited oversight. RFAs are the most common means of soliciting applications from NGOs.
- **RFP**—Request for Proposals, a mechanism for contracts. Contracts may be awarded to any type of organization, though they are used frequently with for-profits.
- **Standard Budget Categories**—Nine standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, Construction (sometimes replaced with “program costs” for non-construction projects), Other, and Indirect Costs (NICRA).
- **Substantial Involvement**—The right the USG retains to maintain some control over an assistance project funded through a Cooperative Agreement. This right usually includes the ability to approve workplans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients.

## 7.2 Getting Started

Your strategy for seeking funds should be similar to your strategy for seeking employment: you want to sell yourself as the best candidate for the job. Each NGO has its own strategy for differentiating itself from other organizations and selling its expertise, experience, and capacity. NGO strategies commonly include one or more of the following:

- **Geographical Experience**—Does your NGO have experience providing services to a particular geographic area? No matter the size—from a single community to a multiple-country region—experience working in an area usually suggests that an organization can provide insights into the political, cultural, and linguistic landscape. It also means having staff and offices on the ground and ready to go.
- **Technical Expertise**—Does your NGO specialize in delivering a particular service? In general, having a particular area of technical expertise, such as behavior change communications or setting up home-based care interventions, is more than just having experience; it also suggests you are a competent provider in your specialized area.
- **Demographic Specialization**—Does your NGO specialize in working with or providing services to a particular demographic group, such as women, children, or high-risk populations? Similar to technical area expertise, specializing in a specific demographic group may indicate particular sensitivity in providing services to the targeted group.
- **Special Resource Leveraging**—Does your NGO have the ability to leverage an important resource? This is common with faith-based organizations (FBOs) that

leverage private funds and volunteers who are motivated by their faith to support the organization's initiatives. This is also common among NGOs attached to specific universities and professional organizations that can leverage university staff or corporate resources.

Large organizations may have a combination of these attributes, but many smaller organizations have one primary asset on which they focus in their fundraising strategy. For example, an organization that specializes in providing services in a particular country is going to focus on seeking funding opportunities in that country; an organization that specializes in a technical area will focus its efforts on finding opportunities to fund that particular service.

To raise funds successfully, you must build on your organization's strengths. If not, you will waste time and resources going after awards you are not in a good position to win. Developing a targeted fundraising strategy allows you to maximize your efforts and ultimately increases your chances of winning the awards you seek.

### 7.2.1 Five Tips for Seeking Funding

#### 1. *Apply for a reasonable and appropriate amount of funding.*

When applying for funding, check the solicitation for the budget range and develop a program scope (for example, geographic coverage and proposed targets) to fit within that range. (For more information on your program's budget, see [Budgeting \[7.6.\]](#))

#### 2. *Start pilot projects with private funds.*

If your organization has private funds, consider starting a pilot project. Pilot projects developed on a small scale using all of the same technical design, project management, monitoring and evaluation (M&E), and budgeting principles as full-scale projects can give your organization valuable experience you can use later in applying for funding. A proposal to expand an existing program—even a pilot program—is built on more evidence than is a new program. This gives the donor more assurance that the proposed project has a strong chance of success.

#### 3. *Provide specifics in proposals.*

Technical reviewers who evaluate proposals constantly ask, "How?" Do not just state what you will do; explain how you will do it. Describe how your approach is different and/or how it has been successful in the past. Explain how much it will cost and how you will monitor the outcomes. Before you submit a proposal, re-read the entire document and constantly ask "how" questions: How much does it cost? How will you measure it? How will that work? How will you get that result?

#### 4. *Build a network of partners.*

Successful partnerships come in all shapes and sizes, from large organizations to small, from private-sector businesses to charities and faith-based groups. They can involve organizations that provide different services, or organizations that are similar to one another. The key to success is organizations' willingness to work together on a common cause leveraging the different strengths of each organization. The wider your network of relationships, the more potential partnership opportunities you will have.

### 5. *Be precise in responding to solicitations.*

Common mistakes made in responding to solicitations include failing to add certain required documents, missing a deadline by just a few hours, or failing to abide by the submission requirements. Weeks of work can be lost if you do not include a budget or do not use the proper template. When you decide to respond to a solicitation, your first step should be to scour it for exact submission requirements—what documents are required, page limits, due dates and times, submission instructions, etc. Make a checklist and be sure to check off each requirement before submitting your final proposal. If possible, submit your proposal early to avoid last-minute problems.

## 7.3 Researching Funding Opportunities

There are many ways to raise money and many sources of funds. Choosing the best methods for your organization takes thought and planning. Most organizations do not have the resources to pursue every funding opportunity, so they will have to determine which funding sources are most likely to support their goals. The variety of funding sources ranges from those designated for very specific purposes to others with almost no conditions or stipulations. This section discusses identifying and understanding different funding opportunities that may be available to your organization. In the references section at the end of the chapter are links to [resources](#) on various fundraising tactics—from special events to capital campaigns.

Fundraising takes time and skill. When seeking financial support for your programs, you need to dedicate resources to researching and applying for funding and exploring other methods of fundraising. Most organizations have limited resources, so deciding how much staff time and energy to divert from implementation to fundraising may be a challenge. However, fundraising is not just a matter of spending time; it is also about using the time and skill you have as effectively as possible.

### 7.3.1 Defining Donors

A “donor” usually refers to an organization whose primary purpose is to distribute funding to nonprofit organizations to implement programs. Donors may be governments, individuals, businesses, or other organizations.

Hundreds of donors provide funding for HIV/AIDS programs in countries around the world, some providing billions of dollars, others just a few thousand. Some provide open competitions, while others support specific types of organizations. Some provide funding the grantee can spend at its own discretion, while others may provide funding for a very specific purpose.

Finding suitable donors takes time and research. This section begins by outlining common types of donors, and then profiles the Global Fund, the largest donor of HIV/AIDS funding outside of the USG.

### 7.3.2 Common Types of Donor Organizations

The following list may help you think of donors or agencies that might be willing to support your programs or advise you how to access resources to fund your projects.

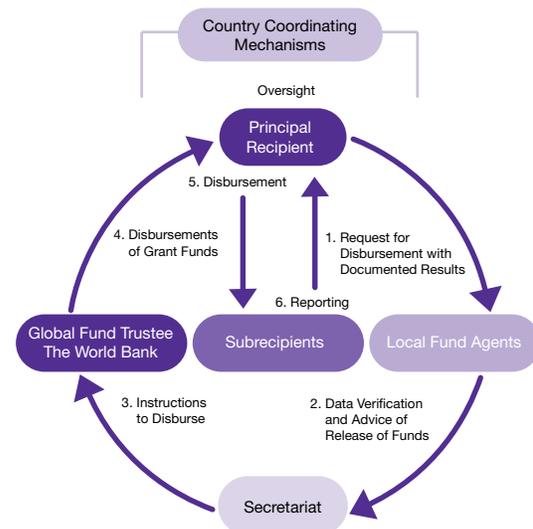
- Host Governments—Government ministries often have programs that provide funding to NGOs to implement HIV/AIDS programs. Their priorities typically are outlined in country strategic planning documents, which may include details on how they plan to fund the needed efforts in their countries.
- Other Governments (Bilateral Organizations/Agencies)—Just as the USG provides funding through PEPFAR, other governments provide HIV/AIDS and other development funding. Generally, this funding is organized by an agency similar to USAID, for example, DFID—Department for International Development ([www.dfid.gov.uk](http://www.dfid.gov.uk)), AUSAID—Australian Agency for International Development ([www.ausaid.gov.au](http://www.ausaid.gov.au)), CIDA—Canadian International Development Agency ([www.acdi-cida.gc.ca](http://www.acdi-cida.gc.ca)), World Bank ([www.worldbank.org](http://www.worldbank.org)).
- Embassy Programs—Sometimes, foreign embassies have funding to support small-scale projects.
- Multi-Lateral Funding Organizations—These organizations pool resources from governments, the private sector and individuals to provide funding for specific causes; the [Global Fund to Fight AIDS, Tuberculosis and Malaria](#) and UN agencies (UNAIDS, UNICEF) are common examples (see below).
- Private Foundations—Large charitable foundations sometimes have grants for HIV/AIDS programs, [www.foundationcenter.org](http://www.foundationcenter.org).
- Faith-Based Groups—Hundreds of faith-based charities raise funds from their members to provide grants and funding to organizations.
- Corporate Charitable Giving—Some large corporations have programs to fund projects in the countries in which they operate.
- Corporate Cause-Related Marketing—Pairs corporate support of a charitable cause with the purchase or promotion of a service or product. For example, The Product Red Campaign promoted by rock band U2 lead singer Bono, since its launch in 2006. Purchasing select Product Red-branded items from companies like Gap Inc. and Starbucks Corp., consumers can also support nonprofits such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

#### 7.3.2.1 Global Fund to Fight AIDS, Tuberculosis, and Malaria

The Global Fund (<http://www.theglobalfund.org/en/>) is the largest multi-sectoral donor providing funding for programs to mitigate the effects of HIV/AIDS, TB, and malaria. NGOs do not apply for funding directly to the Global Fund, but rather work through a Country Coordinating Mechanism (CCM) illustrated in Figure 44 that operates in each country.

The CCM is a committee comprising representatives from the host government, civil society advocates, NGOs, and donors.

Figure 44—Global Fund Country Coordinating Mechanism



Graphic Adapted from the brochure, The Global Fund: Who We Are, What We Do, available online at <http://theglobalfund.org/en/publications/whoweare/>.

The CCM works with all of these groups to develop a consolidated proposal for funding, which it submits to the Global Fund Technical Committee for evaluation. If the proposal is successful, the Global Fund will award the funding for that country through a Principal Recipient. This agency disburses funds to the organizations, and a Local Fund Agent monitors the funding.

Global Fund money is awarded initially for two years and is extended for a further three years if the program is successful. To find out more about more about the Global Fund in your country, visit <http://www.theglobalfund.org> and look up your country's CCM contacts.

### 7.3.3 Private Sources of Funding

Support from private sources may come in the form of monetary and/or in-kind contributions. Obtaining donations of money from individuals, foundations, and/or businesses has many advantages. Privately raised money often goes into a general fund that supports an organization's day-to-day operations rather than being tied to a specific program. Privately raised money may be used as matching funds or cost share to stretch your USG-funded programs further (and potentially make you a more attractive partner in the process). In addition, private funds are often available immediately.

There are numerous strategies for raising money from private sources. Some organizations tap into connections to faith-based groups or other organizations that share your concerns. Others try to raise funds by generating public awareness about their work and hoping that strong positive impressions will prompt companies and/or individuals to support their programs.

Most successful private fundraising strategies build on “who you know”—that is, connections the people in your organization already have. For example, if your organization is a faith-based group, you may be able to tap into a network of churches or mosques or individuals who share your faith to raise funds. If members of your Board, your staff, or even your volunteers have personal connections with businesses or other organizations, you may be able to leverage these to request donations.

It is up to you to discover the connections that can help you raise funds. With creativity, there is no limit to potential ideas. Here are a few tips you might consider when raising funds.

#### ***Seek “repeat customers.”***

Those in the business world know that it takes a lot less effort to get an existing customer to come back than it does to get a new customer to come into your store for the first time. The same is true for private donations. Therefore, consider strategies to keep your existing supporters engaged. For example, develop a newsletter describing how you use funds or acknowledge large donations through special plaques or signs on project sites.

#### ***Ask for donations.***

If you tell a group, business, or individual about the great work you do, but do not say that you need the support of that group, business, or individual, or do not explain how to support your organization, then you will never get the donation! Ask, and offer different ways to provide support, including in-kind donations and cash contributions.

***Provide ways for individuals and organizations to become involved.***

People who support organizations like to feel involved. Consider ways of getting private companies and individuals more involved with your organization. For example, you might organize special volunteer opportunities to allow people to see your projects up close and have a chance to contribute. Or if someone has demonstrated a commitment to your NGO by providing significant support, you might ask him or her to become a member of your Board of directors or serve as an advisor on a particular project.

Also, consider asking for in-kind support, resources other than money. Instead of buying everything with cash, look for donations from the community. In-kind support, or noncash contributions, might be things you would otherwise pay for. For example, when someone volunteers to give you a service, supplies, or free help, you’re receiving in-kind support. Such support can come from your organization’s members, your local community, and others.

The right combination of fundraising strategies and tactics is key and will differ from one organization to the next. Figure 45 lists a number of the potential sources of funds discussed above, along with some of the advantages and disadvantages to consider before deciding what mix of actions to take.

**Figure 45—Overview of Sources of Fundraising\***

Source	Advantages	Disadvantages
Individuals	<ul style="list-style-type: none"> <li>• Grassroots source one can build</li> <li>• Donors may become potential advocates</li> <li>• Volunteers may be source of money and/or connections to other sources</li> </ul>	<ul style="list-style-type: none"> <li>• Costly to develop, likely to generate small return for big effort</li> <li>• Risky for inexperienced NGO</li> <li>• Needs significant buy-in from Board of Directors, management, staff, and volunteers</li> <li>• In-kind volunteer service likely</li> </ul>
Private Foundations	<ul style="list-style-type: none"> <li>• May be source of large sums of money</li> <li>• Smaller funding may be ongoing</li> <li>• Clear guidelines, processes</li> <li>• Accessible, professional staff</li> <li>• Committed to social change</li> <li>• May have rolling deadlines</li> </ul>	<ul style="list-style-type: none"> <li>• Large sums of money may be one-time</li> <li>• May be tied to very specific goals not aligned with NGO’s</li> </ul>
Corporate Foundations	<ul style="list-style-type: none"> <li>• May be source of large sums of money</li> <li>• Smaller funding may be ongoing</li> <li>• Accessible, professional staff</li> <li>• Attuned to community needs</li> </ul>	<ul style="list-style-type: none"> <li>• May be tied to very specific goals not aligned with NGO’s</li> </ul>
Large Corporations	<ul style="list-style-type: none"> <li>• May be source of large sums of money</li> <li>• Smaller funding may be ongoing</li> <li>• Professional staff</li> <li>• May have less formal application process</li> </ul>	<ul style="list-style-type: none"> <li>• May be tied to very specific goals not aligned with NGO’s</li> <li>• May want Board representation</li> <li>• Access may require personal connections</li> <li>• Must understand nature of business (products or services)</li> </ul>

\*Based on E.M. Hatfield at [http://www.managementhelp.org/fndrsng/np\\_raise/np\\_raise.htm](http://www.managementhelp.org/fndrsng/np_raise/np_raise.htm). To help find the right mix of fundraising approaches that will maximize the effectiveness of your time and energy, create a chart like the one in Figure 46 that analyzes your most likely funding sources.

**Overview of Sources of Fundraising (continued)**

Source	Advantages	Disadvantages
Corporate Cause-Related Marketing	<ul style="list-style-type: none"> <li>• Generates short-term revenue</li> <li>• Boosts NGO image in marketplace</li> <li>• Raises awareness of issue</li> <li>• Attracts volunteers</li> <li>• Generates publicity</li> <li>• Makes it easy and convenient for individuals to give</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term fix</li> <li>• May be tied to very specific goals not aligned with NGO's</li> <li>• Association may tarnish image of NGO</li> <li>• May alienate key volunteers and/or other donors</li> <li>• Distracts consumers from real issue(s)</li> </ul>
Local Small Businesses	<ul style="list-style-type: none"> <li>• Very informal</li> <li>• Money may be ongoing</li> <li>• Personal connections are key</li> <li>• Local focus is important</li> <li>• Not fussy about grant format</li> </ul>	<ul style="list-style-type: none"> <li>• Small amounts of money</li> <li>• Narrow range of interest</li> <li>• Personal contacts mean a lot</li> </ul>
Churches, Faith-Based Organizations, Associations	<ul style="list-style-type: none"> <li>• Often looking for group projects</li> <li>• May be grass roots-focused</li> <li>• Committed to public good</li> </ul>	<ul style="list-style-type: none"> <li>• In-kind services most likely</li> <li>• Need to match their service, local, or religious outlook</li> </ul>
National/Local Government (i.e., Host Governments)	<ul style="list-style-type: none"> <li>• Large sums of money possible</li> <li>• Clear guidelines, processes, deadlines</li> <li>• Political clout helps</li> <li>• May be source of ongoing funding</li> <li>• Focus is public good</li> </ul>	<ul style="list-style-type: none"> <li>• Application process may be complicated, time-consuming</li> <li>• May require extensive reporting, recordkeeping</li> <li>• May be tied to very specific goals not aligned with NGO's</li> </ul>
Multilateral Organizations (UNAIDS, UNICEF, Global Fund, etc.)	<ul style="list-style-type: none"> <li>• Large sums of money possible</li> <li>• Clear guidelines, processes, deadlines</li> <li>• May be source of ongoing funding</li> <li>• Focus is public good</li> </ul>	<ul style="list-style-type: none"> <li>• Application process may be complicated, time-consuming</li> <li>• May require extensive reporting, recordkeeping</li> <li>• May be tied to very specific goals not aligned with NGO's</li> <li>• Highly competitive</li> </ul>
Bilateral Organizations (DFID, EU, AUSAID, etc.)	<ul style="list-style-type: none"> <li>• Large sums of money possible</li> <li>• Clear guidelines, processes, deadlines</li> <li>• May be source of ongoing funding</li> <li>• Focus is public good</li> </ul>	<ul style="list-style-type: none"> <li>• Application process may be complicated, time-consuming</li> <li>• May require extensive reporting, recordkeeping</li> <li>• May be tied to very specific goals not aligned with NGO's</li> <li>• Highly competitive</li> <li>• Registration in-country may be required</li> </ul>

Figure 46—Sample Funding Source Analysis\*

Funding Source	Potential Available Resources	Time and Resources Required to Pursue	Time Unit Potential Funding May Be Received	Competition
Ministry of Child Welfare Orphans and Vulnerable Children (OVC) Grants	US\$10,000–US\$50,000 per year, renewable for up to 5 years, to work with district governments on OVC priorities	Must participate in the OVC Planning Sessions weekly while developing the annual plan	Grants awarded each year in summer	Competitive, but we are well positioned to receive a grant for our district, since the district is very supportive of our past work
XYZ Church Foundation Grants	US\$5,000–US\$50,000 one-time grants for funding to strengthen the church's ability to respond to the OVC needs	Will take approximately 1 week to develop a proposal	Grants awarded on a rolling basis; may be 3–9 months before funding is received	Somewhat competitive, but we are the only XYZ church-funded organization in this region, which should position us well if we have a good proposal
Private Individuals	Last year we averaged about US\$1,500 per month total from private individual, which goes into our general fund for both programming and administrative costs	Last year our board and executive team traveled to church groups and other organizations to raise funds. We also maintain an e-mail list and newsletter, both of which help generate funds. This takes about 5 days a month for 2 individuals to manage	Funding comes in regularly and can be used for immediate needs	We have had small but steady income in the past from small individual donations
USAID Mission OVC APS	US\$250,000–US\$500,000 annually for 2–3 years to provide OVC services	Approximately 3 weeks dedicated to developing the proposal, using mostly existing staff. We may need to contract an editor to polish the final proposal	Approximately 6 months before awards are made	Very competitive; only 6–8 agreements will be awarded

\* The data in this table are just an example and not based on actual funding research.

## 7.4 Applying for USG Funds

Funding opportunities from USG agencies, such as USAID, the Department of Health and Human Services (HHS, including the Centers for Disease Control and Prevention [CDC] and the Health Resources and Services Administration [HRSA]) and the U.S. Department of State among others, may be found on two Web sites:

- Grants.gov (<http://www.grants.gov>) provides information on all USG assistance and, specifically, most PEPFAR funding announcements (grants and Cooperative Agreements).
- Federal Business Opportunities or “FedBizOpps.gov” (<http://www.fbo.gov>) provides information on all USG acquisitions (contracts).

Both Web sites contain helpful user guides, tutorials, and other tips. In addition, you can search both by agency or keyword.

Another helpful feature is the posting of award announcements. An organization seeking to be considered as a subrecipient on a larger award can monitor a site to see who received an award, and then contact the recipient to determine whether it is seeking subrecipients to help implement the program.

Look over past announcements, which are archived on the Web sites at the URLs listed below. A review can offer a sense of what was required in the past when applying for a particular source of funds. For example, if you are seeking PEPFAR funds from the USAID mission in a particular country, you can research the mission’s past announcements to see what types of funding it offered and what it required from organizations during the application process. These requirements could change, but you may get some ideas about how best to prepare your organization for future announcements.

- Grants.gov Applicant Resources  
[http://grants.gov/applicants/app\\_help\\_reso.jsp](http://grants.gov/applicants/app_help_reso.jsp)
- FedBizOpps Vendor Guide  
[https://www.fbo.gov/downloads/FBO\\_Vendor\\_Guide.pdf](https://www.fbo.gov/downloads/FBO_Vendor_Guide.pdf)

Before you start applying for USG funds, you must understand the mechanisms the USG uses to award funding to organizations and how USG-funding competitions work.

### 7.4.1 USG Funding Mechanisms

The USG has two methods for awarding funding to organizations. The first is through acquisition, and the other is through assistance. The USG awards contracts for acquisitions and grants or Cooperative Agreements for assistance.

#### 7.4.1.1 Acquisition versus Assistance

Acquisition is when the USG buys something for the implementation of your program. This can be anything from pens and paper to special services, such as information technology or printing services or health services, and is achieved through contracts.

Assistance is when the USG provides funding (or something else of value) to accomplish a public purpose. For example, NPI awards, made through Cooperative Agreements, are provided to expand HIV/AIDS-related services and service providers in the PEPFAR countries.

### 7.4.1.2 Cooperative Agreements versus Grants

The primary difference between grants and Cooperative Agreements is that the USG retains greater control over Cooperative Agreements through [substantial involvement](#), retaining the right to approve implementation plans, workplans, monitoring and evaluation (M&E) plans, Key Personnel, and subrecipients. NPI awards are all Cooperative Agreements.

### 7.4.2 USG Funding through Competitive Processes

One of the cornerstones of USG funding is that it is awarded on a competitive basis (except in certain extraordinary situations). To make these competitions as fair and open as possible, the USG avoids actions that give one organization an unfair advantage over another. Therefore, if you ask the USG a question about a particular solicitation, it only provides an answer if it does so to all of the other organizations applying.

When the USG announces a particular funding opportunity, it generally provides the following three critical details:

- **Eligibility Criteria**—What types of organizations are eligible to apply.
- **Application Scoring Criteria**—How the applications will be scored.
- **Application Requirements**—What documents and information organizations must submit, how they must submit them, and by when.

When applying for USG funding, you must address these criteria and requirements. If the competition-scoring criteria give significant weight to organizations that demonstrate successful experience implementing similar programs, then you want to address your organization's experience in your proposal.

### Types of Solicitation Mechanisms

The USG uses different types of solicitation mechanisms to award funding. The most common form is a competition when the USG announces an Annual Program Statement (APS), Request for Applications (RFA), or Request for Proposals (RFP) and intends to execute one or more agreements for a fixed period. However, the USG uses many variations and strategies to achieve different programming results.

#### 7.4.2.1 Annual Program Statement (APS)

An APS is a funding solicitation that allows the USG to make multiple awards over a period. Sometimes, the USG uses APSs to make awards from different agencies. For example, the NPI agreements were solicited under an APS.

The USG uses the APS to encourage potential applicants to propose innovative and effective new approaches to address a specific challenge. APS applications follow general themes that are outlined in the solicitation; local NGOs establish the actual proposed activities by themselves. Applications are generally accepted and reviewed on a rolling basis over a defined period, for example, a year. While the USG may set an award ceiling for each grant, under an APS, applications may be accepted for any amount up to the maximum and for variable periods. Usually, the USG sets a total overall budget for the solicitation, and once those funds are committed or after one year, the call for applications is closed.

### **7.4.2.2** *Request For Applications (RFA)*

RFAs are the most common means of soliciting applications from NGOs. An RFA is a general solicitation with a stipulated deadline. The scope of an RFA may vary from focusing on specific activities to being wide open. With the exception of timing, an RFA is generally as flexible as an APS. Like an APS, it is a mechanism for grants or Cooperative Agreements, which means that it anticipates funding activities with limited oversight.

### **7.4.2.3** *Request For Proposals (RFP)*

Projects may also be funded through RFPs, which are acquisition instruments that lead to the execution of contracts. Contracts may be awarded to any type of organization, though they are used frequently for for-profit companies.

### **7.4.2.4** *Re-Competes*

USG funding is generally for a fixed period. At the end of the original award, the USG may seek to re-compete if the program is still needed.

The organization with the original award, called the “incumbent,” must compete in an open competition for a new award. The solicitation has clear criteria, and applicants will be evaluated on a competitive basis.

Do not shy away from applying for a project when there is an incumbent. You never know whether there may have been performance problems with the previous winner, or perhaps the USG will like the new approach your organization offers.

A unique aspect of a re-compete is that you can do research to find out what worked well and what challenges may have occurred under the original award. Consider talking to community leaders, beneficiaries, and subrecipients that participated in the original program.

If you happen to be an incumbent on a re-compete, do not take it for granted that you will win. Take the lessons you learned from your experience and suggest new approaches you will take if you win a second award.

### **7.4.2.5** *Multiple-Stage Competitions*

The USG often uses multiple stages in competitions, especially when it expects a large number of applicants. The first stage requires a short concept paper that describes the proposed project at a high level with a simplified budget. The USG reviews these concept papers and allows a limited number of applicants to move on to a second stage, where they submit detailed technical applications and budgets. The NPI program is an example of a multi-stage competition.

This process gives organizations an excellent opportunity to enter a competition without committing the time and resources needed to develop a full proposal.

### 7.4.2.6 *Subgranting Mechanisms*

One strategy the USG uses to limit the number of awards it directly manages, while still being able to provide smaller awards to a larger number of organizations, is to create a subgranting program. In this type of program, the USG makes a single award to a large organization with the capacity to compete, award, and manage numerous smaller awards.

The USG often requires the implementing organization to subgrant to specific types of entities for specific purposes—for example, it may require that all the subgrants go to community-based organizations (CBOs) to provide orphan and vulnerable children (OVC) services in their communities.

Sometimes, the subgranting programs come with technical assistance, trainings, and other benefits for the subrecipients. For smaller organizations, this can be a great way to tap into USG resources.

Most subgranting programs are run at the country level out of missions. Since a third party manages them, these opportunities are not posted on Grants.gov or FedBizOpps. Network with other organizations to find out whether subgranting programs already exist in your country and when the next round of solicitations will be available.

### 7.4.2.7 *Pre-Solicitation Notices*

Sometimes, prior to an announced opportunity, the USG will post a pre-solicitation notice on the Web sites, <http://www.Grants.gov> or <http://www.fbo.gov>. The USG uses this strategy to solicit feedback, questions, and clarifications from potential bidders before the competition begins. This is an excellent way for you to get advance notice about what programs the USG is considering funding. The solicitation may change, but a pre-solicitation does give you extra time to explore potential partnerships and strategies for competing.

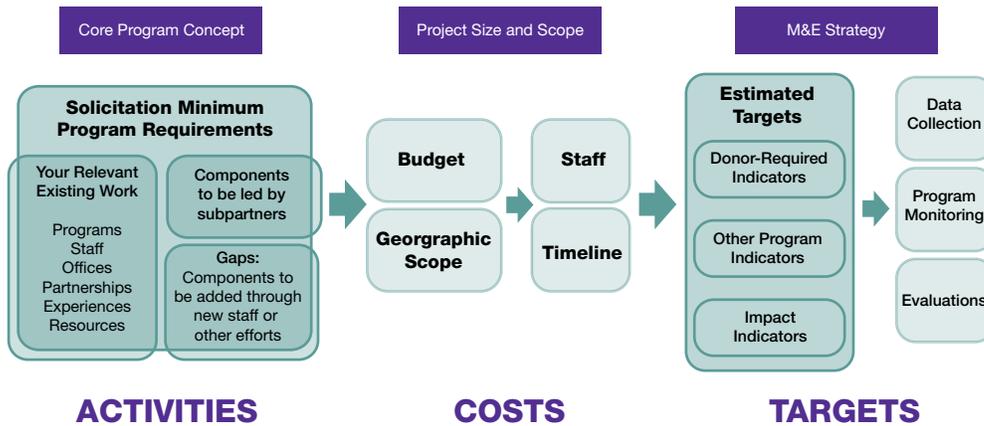
## 7.5 *Designing Programs*

Once you find a funding opportunity you wish to pursue, the next step is developing a program concept that builds on your existing work and meets the program requirements in the solicitation. The core of your program design should leverage your relevant existing projects, experience, partnerships, and data as much as possible. You must also develop an approach to the additional programmatic elements the solicitation requires but your organization does not currently address. You may consider filling in these gaps through partnerships with other organizations or by proposing to hire individuals with special skills.

Once the core program design is complete, you will need to determine the size of the program, including the budget and geographical scope. You will follow up this step by laying out an implementation timeline and determining what staff you will need to carry out your program.

Finally, you will need to create an M&E plan illustrated in Figure 47 that includes estimating the total number of targets you believe your program can reach. This plan should also include how you will count targets and how you will monitor progress and measure impact.

Figure 47—The Key Parts of an M&E Implementation Plan



These are not stand-alone components; in fact, they comprise the three parts of your implementation model: activities, costs, and targets. This model explains how you do your work, the inputs required, and the expected results; it is the basis of your entire program design.

As you design your model, the individual elements of activities, costs, and targets are intricately linked together. Changes in budget, for example, may affect your targets or force you to modify your activities.

Program design requires a wide range of talents, including technical experts, project managers, finance and budget experts, and people with regional experience. You may also need input from people who have experience with USG regulations and PEPFAR guidance as well as someone with good writing skills to bring everything together in a well-written technical description.

No matter how many—or how few—people are involved in designing a program, it is important that everyone understands the links among activities, costs, and targets.

The following sections provide tips and suggested resources on two key aspects of program design: [program guidance](#) (7.5.1) and [developing targets](#) (7.5.2). For tips on how to estimate an appropriate budget, review the section on [budgeting](#) (7.6).

### 7.5.1 PEPFAR and In-Country Programmatic Guidance

Programs proposed in response to PEPFAR-funded solicitations should comply with programmatic guidance issued by the Office of the U.S. Global AIDS Coordinator (OGAC) and/or the PEPFAR in-country team.

## PEPFAR Guidance

One of the important roles of OGAC is to help coordinate the technical approach to the HIV/AIDS responses PEPFAR supports. OGAC does this primarily through issuing guidance documents developed by teams of technical experts from different USG agencies and field missions that include input from implementing partners and other key experts. The purpose of these guidance documents is not to prescribe specific responses, but rather to set boundaries based on best practices, research, and experience.

OGAC posts all of its program guidelines to the guidance documents and update on the PEPFAR site (<http://www.pepfar.gov/guidance/>). Topics include:

- food and nutrition
- prevention
- OVC
- palliative care
- preventing mother-to-child transmission (PMTCT)

These documents give high-level direction on strategies and the appropriate use of PEPFAR funding. They also help ensure that all PEPFAR-funded programs use evidence-based best practices to guide their programs and are essential resources when proposing a new intervention or program.

## In-Country Guidance

In addition to OGAC's Guidance documents, in-country teams, in cooperation with host-government officials and other stakeholders, often issue in-country Guidance. If such documents exist, the solicitation may include information on where to find them.

Generally, in-country Guidance is much more specific and applies the OGAC Guidance to the situation in that country. Occasionally, the in-country and OGAC Guidance documents are contradictory. For example, the general OGAC definition of an OVC may be different from the OVC definition in a particular country. In most cases where there is a difference, the in-country Guidance takes precedence. Generally, the solicitation will outline which Guidance organizations should follow. If you are still unclear, there is usually a point of contact in a solicitation to whom you can address questions.

U.S. Missions hold regular partners meetings for organizations working on in-country HIV programs. These meetings are an opportunity for grantees to share what they are doing, learn about new activities and opportunities and network with other organizations. Grantees are encouraged to participate in these meetings.

### 7.5.2 Developing Targets

A key question you must answer when applying for funding is, "How many people will we serve?" Although trying to predict how many people you might reach can be very challenging, you can take steps to facilitate the process.

### 7.5.2.1 *Defining Indicators*

The first step in estimating the number of beneficiaries your program will reach is to define your indicators, which are signs of progress and change that result from your project's interventions. Indicators become the data that you track or monitor over time to evaluate the success of your program. PEPFAR has a common set of indicators on which programs must report. In addition, the in-country PEPFAR team and/or the host government often define additional indicators. Solicitations that require you to report on these additional indicators usually explain these requirements in the funding announcement.

As you list the required indicators, be sure to have a clear definition of what the indicator means to enable you to count someone as “reached” or “trained.” This definition is critical to helping you determine how many people you will reach with your program by clarifying the amount of time and resources it takes to reach that individual with a particular service or intervention.

Every PEPFAR indicator is defined in a document, called *The Next Generation Indicator Reference Guide* (<http://www.pepfar.gov/documents/organization/81097.pdf>).

### 7.5.2.2 *In-Country Demographic, Epidemiological, and Other Data*

The next step in selecting your targets is to gather demographic and epidemiological data for the geographic area you are targeting. These help you to estimate the total potential population in a particular area. In other words, if you know there are 1,000 people living with HIV/AIDS in the geographic area you are targeting, you will be better able to estimate the number of people you can reach with treatment services in that area.

If the solicitation to which you are responding does not specify a geographic area, you can also use demographic and epidemiological data to determine where needs are greatest. You can combine these data with research on existing PEPFAR-funded projects to determine where there are gaps in the existing program. (Information on existing PEPFAR-funded programs is available at <http://www.PEPFAR.gov>. Some countries also publish more detailed data, which list organizations, in what geographic areas they work, and what services they provide.)

Many host governments publish demographic, epidemiological, and existing program data on Web sites that you can use to develop your target estimates. Be sure to clearly document the source of the data and the process you used to develop your estimates.

### 7.5.2.3 *Past Program Data*

Data from past programs can be extremely valuable in helping you estimate targets, costs, and time parameters; however, getting such data can be difficult. Potential sources include a small-scale pilot project or similar program you are running in a nearby geographic area and/or your partners, who may have relevant data from similar projects that can help you design your program. If you are using data from another project, be aware that potential differences from one geographic area to the next may affect your project estimates.

### 7.5.2.4 *Linking Program Targets with Impact Indicators*

Another challenging aspect of developing an M&E strategy is determining how you will demonstrate impact—showing significant, sustainable changes after an intervention is put in place. Impact differs from measuring outputs, for example, counting the number of people trained, the number reached with certain interventions, etc. Impact also differs from looking at outcomes, the short- to medium-term observable behavioral, institutional, and societal effects of the intervention’s outputs. Impact indicators are about real change over time. They attempt to measure whether your work is having an effect on the quality of life of your program’s beneficiaries.

To measure change, you must have a starting point or baseline. Before launching your intervention, establish the baseline by gathering data on each of your indicators. By providing a before-and-after picture for each indicator, you can demonstrate impact. (For more on baseline assessments, [3.4.3.1](#))

Impact indicators relate to your objectives. For example, why are you trying to get people to take an HIV/AIDS test? The answer outlines the objectives you want your Voluntary Counseling and Testing (VCT) program to achieve:

- Those who are HIV-positive will seek treatment.
- Those who are HIV-positive will take steps to prevent the spread of HIV.
- Those who are HIV-negative will begin or continue to use prevention measures to protect themselves and remain negative.
- By helping people to know their status and how to remain healthy and productive, the program will help fight stigma and discrimination.

You can use these objectives to track impact indicators—for example, follow up with individuals who discovered they are HIV-positive and received counseling to learn how many:

- sought treatment,
- used condoms,
- retained their jobs, or
- reported suffering discrimination.

Linking impact indicators to the program targets helps you to monitor the amount of work your program is doing and the quality of your interventions. It can also help you improve your interventions and, thus, the lives of your beneficiaries.

## 7.6 **Budgeting**

### **Sizing Your Budget and Program**

The budget will determine the size and scope of your proposed project. You will obviously be expected to reach a lot more people with a US\$5 million project than you will with a US\$500,000 project.

Some solicitations do not give an exact funding amount, but they may provide a range or state the total available funding and the expected number of awards. For example, an [APS](#) (7.4.2.1) might announce it has an estimated US\$20 million available to fund between five and eight three-year projects. That would mean, on average, the USG expects to award

each organization between US\$800,000 and US\$1.3 million annually. Using this range as a starting point, you can estimate the geographic scope and/or number of beneficiaries you can expect to reach.

Be wary of coming in below or above this range. If you are below this range, consider adding subrecipients that may be able to cover additional areas and reach additional beneficiaries. If you are significantly above the range, consider reducing the scope of your project.

From the USG perspective, it takes almost the same effort to manage a US\$50,000 award as it does to manage a US\$5 million award, which means that managing dozens of small awards is impractical. Therefore, if your organization is too small to manage a large award, you may want to consider building a consortium of partners to jointly propose a single, larger program that fits within the estimated award size in the solicitation.

### Budget Analysis

During the application review process, evaluators will scrutinize your budget to see how you intend to spend the award funds and to make sure the items are allowable under USG rules.

There are no concrete rules, but generally it is best to avoid:

- ***Excessive headquarters costs***

Programs seeking to provide services to the field suffer when large proportions of the funding are spent at an organization's headquarters on items that have little impact in the field.

- ***Excessive international travel***

- ***Higher-than-expected costs per beneficiary***

While big budgets are sometimes justified—for example, when the particular beneficiary population is in a remote area and transportation costs to deliver goods and services are higher than normal—a program with high costs that reaches relatively few beneficiaries will be scrutinized. If your proposal has higher-than-normal costs, be sure to explain why in your application.

#### 7.6.1 Standard Budget Categories

During the application process, you may be required to use the Standard Form (SF)-424A—Budget Information—Non-Construction Programs. This form breaks down your budget into standard budget categories:

- personnel
- fringe benefits
- travel
- equipment
- supplies
- contractual
- construction
- other
- indirect costs

#### Find It Online

[SF-424A—Budget Information—  
Non-Construction Programs](#)

In some cases, the funding agency slightly modifies this list to better fit the program. For example, PEPFAR programs sometimes remove the “construction” category and add a category for “program costs.”

The following section defines each category and gives some examples of the costs included in each.

***Personnel***

Personnel includes salaries for staff dedicated to the project, including regular employees and long-term contract employees. Do not include consultants or staff of subrecipients. For staff working on your project part time, only include the portion of their salary relevant to the project and note the percentage of their time dedicated to the project. Do not include any fringe benefits in this section.

If you have someone on your project team who is under a contract, and you are not sure whether to list that person under personnel or contractual services, consider the following:

- Short-term contractor with a specific deliverable may fit better under “contractual services.”
- All personnel listed in this section must submit time sheets.
- All individuals proposed as Key Personnel should be listed under personnel.

***Fringe Benefits***

Fringe benefits include costs associated with providing health insurance, pensions, or other benefits to employees. Fringe benefits are sometimes budgeted at a set rate based on a percentage of salary, and an audit usually determines this rate. If the individual is employed outside of the United States, local laws may determine the fringe benefit rate or items required to be provided as benefits.

Fringe benefits for staff working on the program should be the same as for other staff in your organization.

***Travel***

The travel budget should be broken down into the following:

- local travel (travel that does not include any overnight accommodation);
- domestic travel (travel within the country that will likely include per diem rates and lodging); and
- international travel.

The travel budget should include the following:

- airfare
- per diem (lodging, meals and incidental expenses)
- vehicle rental
- taxis
- mileage or gas/petrol costs

The travel budget should not include:

- vehicles to be purchased
- maintenance of vehicles
- vehicle insurance or licensing fees

If you do not have exact travel plans, estimate the number of trips and budget based on historical costs. You should not go above standard USG mileage and per diem rates. For each planned trip, include the following:

- number of people traveling
- destination
- duration

Include a justification for each trip in your budget narrative. Please note that even if your international travel is included in your budget and your budget is approved, you will still need to get approval prior to each trip.

### ***Equipment***

You should list all equipment with an individual unit cost of US\$5,000 or more under this category. This includes vehicles. If a vehicle costs less than US\$5,000 (for example, a motorbike), list it under “other.” Regardless of cost or category, however, all vehicles require approval for purchase.

In addition, you should track equipment inventory in a fixed asset management system your organization maintains. If equipment costs less than US\$5,000, such as office equipment, list it under “supplies.”

### ***Supplies***

Include supplies, materials, and expendable equipment under US\$5,000 in this category unless you have a section for “program costs” and it is more appropriate to list the items there.

### ***Contractual***

This category may include individual consultants and subrecipients.

When applying for a contract, individual consultants should be listed with a daily rate and estimated number of days. It is a good idea to have a Contractor Employee Biographical Data Form for each consultant (Form AID 1420, <http://www.usaid.gov/forms/a1420-17-1.pdf>).

Other contracts, including subrecipients, should be included here. You should prepare separate detailed budgets following the same budget guidelines for prime partners for each subrecipient named in your proposal. (Programs that give numerous small, one-time grants to community-based organizations may list these costs under “program costs.”)

### ***Construction***

There are very strict regulations regarding the use of USG funds for construction. If construction costs are allowed, the solicitation will generally make that clear. Otherwise, this category should be US\$0.

In some cases, the funding agency will modify the standard form and replace this category with something more relevant, such as “program costs.”

**Other**

Other costs include all other operational and program direct costs attributable to the project. These may include publications, training, rent, insurance, maintenance, electricity, water, postage, telephone, and Internet expenses. However, if you have a NICRA (a Negotiated Indirect Cost Rate Agreement), do not include costs that are covered by your indirect cost rate. For example, if your NICRA includes office rent, do not include that here as well. Further, if you are using the “program costs” category, be sure to include any program-related costs in that category when appropriate. See below for more details on the program costs category.

**Indirect Costs (NICRA)**

Indirect or shared costs are costs that are required to carry out a project but are difficult to attribute to that one project, such as office rent, utilities, and administrative staff. Some organizations go through a process with USAID to establish a Negotiated Indirect Cost Agreement, or NICRA, and use that to address these kinds of costs. But most organizations do not have a NICRA (or only have a NICRA for headquarters expenses), so they need a method to determine how to allocate these kinds of costs.

**Program Costs**

Program costs is an optional category that PEPFAR programs often use. Program costs cover beneficiary-related items such as test kits; training materials; charges for renting training facilities; promotional materials; services for beneficiaries, including OVC and people living with HIV/AIDS; and expendable equipment under US\$5,000 that may be used in training or promotional events. You should include as much as you can in this category, as programs are encouraged to spend their funds on providing benefits to recipients.

**7.6.2 Direct versus Indirect Costs**

Costs that are easily attributable to a specific project, such as test kits for a VCT program or the salaries of individuals working directly on the project, are called “direct costs.” Shared costs are called “indirect costs.”

**7.6.3 Cost Share**

When you apply for an award, you may choose or be required to provide a share of the total cost of the project from other sources. This commitment is referred to as cost share, either in cash or other resources, and increases the overall project budget.

“Cost share” refers to all cases where non-USG contributions are committed to a program. While there was no requirement for recipients to be eligible to receive NPI agreements, many NPI partners committed to providing non-USG resources as a way to share project costs.

**Know Your Cost-Share Commitment**

USAID Partners: If applicable, your cost-share commitment typically is listed in the following sections:

- ▶ The end of your award letter in section A. General Item 5 - “Cost Sharing Amount (Non-Federal)”
- ▶ Attachment A to your award, the Schedule
- Part 4 - “Cooperative Agreement Budget”
- Part 9 - “Cost Sharing”

HRSA Partners: If applicable, your Notice of Award includes the amount of cost share.

Your cost share must be from non-USG sources or grants, such as private foundations or individual donations. You can also use noncash or in-kind resources toward your cost share, including volunteer time, donated equipment, buildings, etc. To count these resources toward your cost share, you must document their source and value.

### How Does this Help My Program?

The commitment of funds or other in-kind resources to share the costs of meeting the objectives of the project outlined in your grant or Cooperative Agreement can help your organization:

- Improve program sustainability by establishing secure and alternate funding mechanisms and sources.
- Facilitate greater commitment by other partners who have a stake in program outcomes.
- Build donor confidence in your organization's ability to help itself.

**NOTE:** Organizations may overlook potential sources of in-kind contributions at their fingertips. Volunteer hours that are tracked on time cards, for example, can be reported as in-kind contributions and count as cost share. While some organizations find the extra paperwork burdensome, the USG often considers organizations that leverage a lot of volunteer hours to be attractive partners. Also, tracking and reporting the equivalent value of those hours helps to demonstrate the value of your organization when you are seeking new funds.

### What Counts toward Cost Share

To be counted, a cost-share contribution must meet all of the following criteria:

- be included in the approved budget;
- be verifiable in the recipient's records (organizations should have a system in place, similar to their accounting system, that documents cost share);
- be necessary and reasonable to accomplish the project objectives properly and efficiently;
- be allowable under the applicable USG cost principles (including reasonableness of the cost or value of the donated goods and services);
- not be paid for by the USG under another award; and
- not be included as a contribution for any other USG-funded program.

**NOTE:** Certain regulations that apply to the use of USG funds, such as source/origin requirements and the restricted goods provision, may not apply to the use of non-USG cost-sharing resources. For example, if a Mercedes-Benz motor vehicle (non-USG source) was donated to be used on the project, it could be recognized as cost share because source and origin rules do not apply to cost share.

Although the solicitation may not require cost share, once you commit to a cost-share amount, you are obligated to provide it. Therefore, only commit to cost share that you know you can generate. If you are unable to fulfill your cost-share requirement, your AO/GMO may consider it sufficient reason to terminate the award or withhold funds at the end of your award. If your agreement has ended, the USG may require you to reimburse it for the unmet cost-share contribution. However, if you exceed your cost-share contribution, you will be commended for providing more than your obligation.

## Examples of Types of Cost Share, Valuation, and Documentation

### *Volunteer Services*

Volunteer services—provided by professional and technical personnel, consultants, and other skilled and unskilled labor—may count toward your cost-share obligation if the service is an integral and necessary part of an approved program. Rates for volunteers should be consistent with those your organization and the local labor market pay for similar work.

### *Donated Supplies*

Donated supplies may include expendable equipment, office supplies, laboratory supplies, software, utilities (electric, telephone, computer network, janitorial services), and workshop supplies. The value assigned to expendable personal property counted as cost share must be reasonable and must not exceed the market value of the property at the time of the donation. Bills, invoices, and vouchers are sufficient proof of valuation.

### *Cash Contributions (Project Co-Funding)*

Cash contributions may include funding from non-USG donors, such as international organizations, foreign governments and institutions, and private organizations or individuals. The grantee should get a letter from the donor clearly stating how much cash/funding was donated.

### *Donated Equipment, Buildings, and Land*

Equipment, buildings, and land may include donated or discounted office space, donated or loaned equipment, and the temporary use of donated space or facilities. The value of land and buildings should be established by an independent appraiser (e.g., certified real property appraiser) and certified by an official in your organization. For donated and loaned equipment and the use of space, the value should not exceed its fair market/rental value.

### Matching Funds

The term “matching funds,” often used interchangeably with cost share, is used when program recipients are required to provide a certain amount of non-USG monetary support to a project to be eligible for a USG award. For example, if a solicitation states that the recipient must provide a 10% match to be eligible to receive US\$1 million in funding, an organization would need to provide US\$100,000.

## Reporting Cost Share

To demonstrate that you are meeting your cost-share obligation, you must record the amount (or equivalent amount in the case of in-kind contributions) in your quarterly Federal Financial Report using the SF-425 form. These amounts must be verifiable in your organization’s records and are subject to auditing.

## Cost Share from Subrecipients

With the authorization of the Agreement Officer or Grants Management Officer, you may capture cost-share contributions from subrecipients (if any) on the project to meet your obligation. It is a good idea to require subrecipients to follow the same considerations that your organization did.

**Figure 48—Summary of Cost-Share Valuation and Documentation**

Type of Cost-Share Contribution	Valuation	Supporting Documentation
Volunteer services	<ul style="list-style-type: none"> <li>Rates must be consistent with those paid for similar work within the organization.</li> <li>If required skills are not found in grantee’s organization, then the rate should be consistent with those paid for similar work in the labor market.</li> </ul>	<ul style="list-style-type: none"> <li>Signed time sheet showing the hours worked</li> <li>A rate calculation of how the time should be valued</li> </ul>
Donated employee time by another organization	<ul style="list-style-type: none"> <li>Employee’s regular rate of pay</li> </ul>	<ul style="list-style-type: none"> <li>Signed time sheet showing the hours worked</li> <li>A rate calculation of how the time should be valued (e.g., pay stub)</li> </ul>
Donated supplies	<ul style="list-style-type: none"> <li>Fair market value of the supplies at the time of the donation</li> </ul>	<ul style="list-style-type: none"> <li>Letter of donation being made</li> <li>Valuation of the donated supplies from catalogue or Internet prices, bills/invoices, or quotes for same supplies</li> </ul>
Cash contributions	<ul style="list-style-type: none"> <li>Actual costs incurred</li> </ul>	<ul style="list-style-type: none"> <li>Letter from the donor documenting the amount of cash donated and the name of the project supported</li> <li>A bank statement showing the date and the amount the grantee received and spent</li> </ul>
Donated equipment, building, or land	<ul style="list-style-type: none"> <li>Normally, depreciation (in accordance with the organization’s policy) or use charges for equipment and buildings may be made.</li> <li>Full value of equipment or other capital assets and fair rental charges for land may be allowed provided that the AO or GMO has approved the charges.</li> </ul>	<ul style="list-style-type: none"> <li>Letter stating what was donated</li> <li>Accounting policy reflecting depreciation policy of organization</li> <li>Comparable catalogue or market survey prices</li> <li>Independent appraisal of the value of land</li> </ul>
Project co-funding	<ul style="list-style-type: none"> <li>Actual cost incurred</li> </ul>	<ul style="list-style-type: none"> <li>Letter from donor stating what was donated or copy of agreement or contract</li> <li>Copy of invoice paid by the other donor</li> </ul>

## 7.7 Eligibility Rules to Receive USG Funds

The pre-award survey is the first activity the USG will undertake to determine whether you are eligible to receive funding.

### *Eligibility for Specific Programs*

Each individual program may have additional eligibility guidelines in the announcement. Check each solicitation closely for program-specific eligibility criteria. The NPI program, for example, specifically targets organizations that have not received more than US\$5 million

in nonemergency assistance over the past five years as direct principal partners. The purpose of this special criterion is to make PEPFAR funding available to organizations that are either new to or have limited experience working with the USG.

### ***Special Eligibility Criteria for U.S. Small, Woman-, or Minority-Owned Businesses***

In some cases, the USG uses special optional criteria to encourage certain types of organizations to apply and increase their chances of success. One example is solicitations that give extra points to small, woman-, and minority-owned businesses. These usually only apply to U.S.-based private businesses. If you feel your organization might benefit from such a designation, be sure to check the specific process for certifying your status.

## **7.8 Partnerships**

Developing partnerships is an excellent way to broaden the number of funding opportunities that are relevant to your organization. In many cases, a particular funding opportunity is simply too large for any single organization to manage on its own. If your organization is able to handle most but not all of the work, then you may want to seek subrecipients to help with the additional tasks. If your organization cannot handle the majority of the work, but can contribute to an important part of the project, you may want to find a larger organization that is applying for funding and serve as a subrecipient on its application.

### **Types of Partnerships**

There are many different ways to build a team. The partnership model you propose to implement your program may take advantage of any combination of the following types of partner relationships:

1. *Implementing Subrecipient*—An implementing subrecipient is an organization that directly implements part of a program and probably has a subagreement with its prime.
2. *Contractor*—A contractor is a business or organization that provides a specific service to the project team and probably has a contract with its prime. For example, a contractor may provide training or consult on the development of an M&E system.
3. *Beneficiary Organization*—An organization that may be responsible for implementation, but acts more like a beneficiary than an implementer. In this case, the primary goal of the program is to build the capacity of that organization. Small community-based organizations are examples of beneficiary organizations. One probably uses a subgrant agreement or a Memorandum of Understanding (MOU) with such an organization.

While there is no formula for determining the right mix of partnership types for a particular program, here are a few things to consider:

- Each subrecipient requires oversight. You may want to limit the total number of partners to a number you can reasonably manage.
- A successful partnership has a lead organization. Without a leader, every decision is reached by consensus, and sign-offs on day-to-day decisions take a lot of time. A lead organization should empower subrecipients to contribute to the overall program, but should be able to manage the day-to-day administrative tasks and help drive decisionmaking in a timely fashion.

- A subrecipient relationship should be collaborative. The prime partner would be well served to seek input from the sub and must work together with the sub. The subrecipient, in turn, must respect the deadlines and other requirements the prime partner sets.
- All partnership models should have clear lines of communication, roles, and responsibilities and regular processes for sharing experiences and working through challenges. Even partnerships with strong, experienced organizations can fall apart because of simple misunderstandings that could have been avoided through better communication.

### Subagreements, Subcontracts, Subgrants, and MOUs

When you enter into a partnership, there is usually some form of contract document that clarifies the purpose of the relationship, expectations, and the details of what funding and/or services are required.

At the application stage, an MOU is probably all that is necessary, since there is no guarantee of funding yet. However, once an award is made, it is important to establish more formal contracts and agreements. Though there are many different types of agreements, the following terms are common in agreements between NGOs:

- **Agreement or Subagreement**—This generally outlines a collaborative relationship. This document is much like a Cooperative Agreement between the USG and the prime partner and should outline the subrecipient's program, time frame, budget, reporting, and other requirements.
- **Contract or Subcontract**—This is usually used to purchase a good or a service. At a minimum, the document outlines the specific goods or services being purchased, the price, when the goods or services are to be delivered, how payment will be made, and any other relevant terms. The emphasis of a contract is more on deliverables than on how the partnership will work.
- **Grant or Subgrant**—The grant agreement should specify how the grantee is to use the money and what obligations it has for accounting or reporting in the future.
- **Memorandum of Understanding (MOU)**—An MOU is often used when no direct transfer of money takes place, but there is an expectation of other goods or services changing hands between organizations. For example, an MOU describes a relationship where a prime partner provides training, support, or commodities to a community organization to carry out its programs.

#### 7.8.1 Seeking Subrecipients

Subrecipients can fill in gaps in your proposal and make it stronger, and they can give you on-the-ground presence in communities where you have not worked before. They can also bring expertise in certain technical areas where yours may be limited. Subrecipients can help implement, or they can provide technical assistance and training. They do not need to be smaller organizations—in fact, often indigenous NGOs bring in large international NGOs to provide technical support on a project.

During the proposal process, if you feel there is a gap that a subrecipient might fill, consider the following options:

- If you know of an appropriate organization and have an existing relationship with it, name it in your application. This is the strongest option, especially if you have worked with this organization successfully in the past or you want it to take on a major implementation role.
- If you know of an organization but do not have experience working with it or are unsure of its capabilities, mention it as a possible partner, but suggest that you will finalize the partner selection after the award is made. This gives you an opportunity to compete out the subaward or to conduct an assessment of the potential partner before establishing an agreement with it. If this is the case, it may still be a good idea to sign an MOU with the potential partner and clarify the post-award process you are planning to use to finalize the subaward.

If you do not know of an organization or are unsure about potential partners you have met with, it may be best to explain in your application that you will name subrecipients later and then outline the process you will use for subrecipient selection.

Before searching for a subrecipient, outline the criteria it must meet. Perhaps it needs to have experience or presence in a certain geographical area, or perhaps it needs to have implemented a similar-size program in the past. You may rank these criteria in order of importance, so they can help you evaluate objectively which organizations are the best fits for you.

Strategies for finding good subrecipients include working with NGO networks and asking other organizations with which they have worked in the past. It may take a lot of time meeting with organizations and reviewing their work, so be sure to get started on your subrecipient search early.

## 7.8.2 Seeking Funds as a Subrecipient

Monitor funding announcements and look for funding opportunities to which you may be able to contribute as a subrecipient. Once you find an appropriate opportunity, find organizations that are planning or willing to apply for the award. This process is all about networking. Try to determine whether there are NGOs that are particularly well situated to respond to the award. Perhaps there is an in-country organization that is already doing similar work and may be interested in expanding. Call the director to ask whether the organization is thinking about applying and suggest how you might be well situated to contribute as a sub. One of the additional benefits of seeking funds as a subrecipient is that the prime applicant may have more resources to commit to proposal development. The prime may ask you to contribute your portion of the program description and a budget. Do not hesitate to ask the prime applicant for guidance in developing targets and budgets.

If the lead organization you are working with is not successful, your chance to participate in the program is not over yet. As soon as the award is announced, try contacting the successful applicant and/or the USG and let either know how you hope to contribute to the program. The successful applicant may not have named all of its subrecipients yet and will add you to its team before the program starts.

## 7.9 Summary and References

Fundraising is a challenging task, but with a thoughtful strategy, program design, and budget, and solid partnerships, you will increase your chances of success. However, good fundraising alone will not sustain your organization for long. Chapter 8 discusses how to build a truly sustainable organization.

### References

- Indicator Reference Guide  
<http://www.pepfar.gov/documents/organization/81097.pdf>
- PEPFAR Guidance  
<http://www.pepfar.gov/guidance/>

### Forms

- SF-424A—Budget Information—Non-Construction Programs  
<http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf>

### Fundraising

- Know How Nonprofit: a place for nonprofit people to learn and share what they have learned with others  
<http://www.knowhownonprofit.org/funding>
- The Community Tool Box: Soliciting contributions and in-kind support  
[http://ctb.ku.edu/en/tablecontents/sub\\_section\\_main\\_1340.htm](http://ctb.ku.edu/en/tablecontents/sub_section_main_1340.htm)
- Network for Good: Information and tools for online fundraising  
<http://www.fundraising123.org/fundraising>
- Selecting Fundraising Software  
<http://www.techsoup.org/learningcenter/software/archives/page9939.cfm>