



The Essential NGO Guide to Managing Your USAID Award



USAID
FROM THE AMERICAN PEOPLE





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About the Capable Partners Program

The Capable Partners Program (CAP) works across technical sectors to strengthen the organizational and technical capacities of non-governmental organizations (NGOs), community-based organizations (CBOs), faith-based organizations (FBOs), intermediary support organizations (ISOs), and NGO networks.

CAP provides technical assistance, training, and grants management to USAID Missions and operating units to support:

- Strengthening operational and technical capacity of local NGOs, networks, and ISOs;
- Building and supporting linkages among local organizations (NGOs, cooperatives, networks, governments, and businesses);
- Increasing capacity of NGOs, networks, and ISOs to engage in advocacy for key policies or programs; and
- Disseminating tested innovations, best practices, and lessons learned.

The Essential NGO Guide to Managing Your USAID Award is one aspect of CAP's technical assistance (TA) to help NGOs effectively manage U.S. Government funds. Through this *Guide* as well as trainings, skills-building activities, and www.NGOConnect.Net, a resource and information exchange for international development practitioners, CAP works to enhance NGO performance and build community ownership.

Acknowledgments

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The electronic version of the *Guide*, posted on www.NGOConnect.Net, will be updated periodically to reflect changes in policy and practice that affect USAID awardees.

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From the Editors

The Essential NGO Guide to Managing Your USAID Award is designed to assist NGOs to more effectively administer resources from the U.S. Agency for International Development (USAID).

The *Guide* aims to help USAID awardees (also referred to as grantees and/or recipients) clarify specific requirements, regulations, and compliance issues mandated by their agreements. In preparing this *Guide*, we sought to minimize the use of unnecessarily complicated legalistic terminology and jargon and introduce simple definitions of commonly used terms.

USAID requirements can serve as a basis for establishing good business practices essential to implementing effective programs and responsible management of funds irrespective of whether your organization is a USAID recipient. Obviously, the success of your NGO will also depend on the capacity to respond to the needs of beneficiaries, develop close ties with community leaders, liaise with government officials at the local, regional, and national levels, build partnership networks comprised of businesses, donors, government agencies, and other NGOs, and engage in the never-ending quest for creative and innovative solutions to meet development challenges.

Strengthening your capacity may seem a daunting task for an NGO. Any such efforts must be directed toward improved performance and service delivery as their end result. This *Guide* is designed to serve as an essential tool, not only for administering individual USAID awards but, in the larger context, for strengthening the capacity of NGOs to better respond to the needs of beneficiaries who depend on the organization's services.

If you have comments, please write to the editors at NGOConnect@fhi360.org.

Abbreviations and Acronyms

ADS	Automated Directives System
AO	Agreement Officer
AOTR	Agreement Officer's Technical Representative
APR	Annual Performance Report
APS	Annual Program Statement
AUSAID	Australian Agency for International Development
CA	Cooperative Agreement
CAP	Capable Partners Program
CBO	Community-Based Organization
CCM	Country Coordinating Mechanism
CFR	U.S. Code of Federal Regulations
CIDA	Canadian International Development Agency
CMP	Cash Management and Payment Division
COTR	Contracting Officer's Technical Representative
CTO	Cognizant Technical Officer
DEC	Development Experience Clearinghouse
DFID	Department for International Development
EIN	Employer Identification Number
EU	European Union
FAC	Federal Audit Clearinghouse
FAR	U.S. Federal Acquisition Regulations
FBO	Faith-Based Organization
FM	Office of Financial Management
FMO	Financial Management Officer
FRBNY	Federal Reserve Bank of New York
GAAP	Generally Accepted Accounting Principles
GMO	Grants Management Officer
HR	Human Resources
HQ	Headquarters
IFRS	International Financial Reporting Standards
LOE	Level of Effort
M&E	Monitoring and Evaluation
M&IE	Meals and Incidental Expenses
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
NICRA	Negotiated Indirect Cost Rate Agreement
OAA	Office of Acquisition and Assistance
OD	Organizational Development
OMB	U.S. Office of Management and Budget
OVC	Orphans and Vulnerable Children
PVO	Private Voluntary Organization
QPR	Quarterly Performance Report
RFA	Request for Applications
RFP	Request for Proposals
RFQ	Request for Quotations
SAPR	Semi-Annual Performance Report
SF	Standard Form
SO	Strategic Objective
SOW	Scope of Work
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TA	Technical Assistance
TBD	To Be Determined
UNAIDS	United Nations Programme on HIV/AIDS
UNICEF	United Nations Children's Fund
USAID	U. S. Agency for International Development
USC	United States Code
USG	United States Government
VAT	Value-Added Tax
WB	World Bank

1 Introduction



Introduction

1.1 Why This *Guide*?

1.2 Who Is the *Guide* For?

1.3 How Is the *Guide* Organized?

1.4 How to Use This *Guide*

1.5 Ties to Organizational Development

1.1 Why This Guide?

The Essential NGO Guide to Managing Your USAID Award is designed as both a capacity-building tool and desktop reference. In preparing this *Guide*, the authors consulted the U.S. Code of Federal Regulations (CFR) as well as a range of documents issued by the U.S. Agency for International Development (USAID).

Above all, this *Guide* is intended to serve as an engaging and informative resource to strengthen your NGO's capacity-building efforts as well as to be a handy resource for understanding and complying with USAID rules and regulations.

Please note

This *Guide* focuses specifically on USAID regulations, not those of other U.S. Government agencies. It is intended only to help USAID awardees. The regulations themselves and your agreement with USAID are the definitive sources.

1.2 Who Is the Guide For?

The *Guide* is not just for the leaders of USAID partner organizations; it is for all staff members who play a role in managing or implementing a USAID award. Many topics addressed by this *Guide* apply to both prime partners receiving funds directly from USAID as well as organizations receiving subawards from them.

The *Guide* presents rules, regulations, and processes organizations need to address in every phase of project management—from award, start-up, and implementation through monitoring, evaluation, reporting, and close out.

Non-governmental organizations (NGOs) seeking resources for their programs may also find the recommendations in this *Guide* useful to becoming stronger organizations and, therefore, more competitive in their efforts to pursue USAID funding and opportunities from a diverse range of donors. Whether an organization is focused on health, education, civil society, microenterprise, agriculture, women's empowerment, or other technical areas, the same USAID regulations as well as the same capacity-building tools generally apply.

1.3 How Is the Guide Organized?

Part One of the *Guide* leads you through four phases of managing your award: [chapter 2](#) covers the Award Phase; [chapter 3](#) discusses the Start-Up Phase; [chapters 4–5](#) address the Implementation Phase and [chapter 6](#) guides you through the Close-Out Phase.

Part Two covers topics essential to getting your project off to a good start and maintaining the ability to deliver results, including NGO capacity building ([chapter 7](#)), developing a strategic plan ([chapter 8](#)), and tips for seeking future funding ([chapter 9](#)).

Each chapter provides links to useful tools to help you implement your work and references to documents and Web sites to obtain more detailed information on a particular subject.

1.4 How to Use This Guide

The *Guide* is designed to be read like a book or consulted as a desktop reference. The table of contents at the beginning and the index at the end can help you quickly find the specific information you need. Many of the sections provide detailed, step-by-step instructions for meeting certain USAID requirements.

Online Tips

Online readers will be able to skip from one page in the *Guide* to another whenever a word or phrase is [in green and underlined](#). These are active links, meaning that, when clicked, a new page will appear that contains more information on that particular subject. A highlighted box at the start of each chapter provides active links to let you “skip ahead” to a specific topic rather than scrolling through the document page by page.

To avoid duplicating information that is provided in depth elsewhere, when you click on a word or phrase underlined in green you will go to a Web site that we believe is safe and useful. You can tell where you are by looking at the Web site “address” at the top of your Web browser “window.”

1.5 Ties to Organizational Development

The Capable Partners Program's approach to NGO institutional strengthening reflects seven capacity-building domains: compliance,

external relations, financial management, governance, human resources, monitoring and evaluation, and program management. While the *Guide* is organized according to the life cycle stages of an award, the chart below offers a handy way to reference its resources by capacity-building domain.

The *Guide* as Seen through an Organizational Development Lens

Compliance

- ▶ Cooperative Agreement Basics (Ch. 2)
- ▶ Procurement Policy Standards (Ch. 3)
- ▶ Reporting (Ch. 5)
- ▶ Close Out (Ch. 6)

Governance

- ▶ Assessing Strengths and Weaknesses (Ch. 7)
- ▶ Governance and Management (Ch. 7)
- ▶ Strategic Planning (Ch. 8)

External Relations

- ▶ Marking and Branding (Ch. 3)
- ▶ Communication Planning (Ch. 3)

Financial Management

- ▶ Financial Systems: Minimum Requirements (Ch. 3)
- ▶ Financial Management (Ch. 4)

Human Resources

- ▶ Key Personnel (Ch. 2)
- ▶ Human Resources Policies (Ch. 3)

Monitoring and Evaluation (M&E)

- ▶ Starting your M&E System (Ch. 3)
- ▶ Baseline Surveys (Ch. 3)
- ▶ M&E Progress (Ch. 4)
- ▶ Demonstrating Impact/Telling Your Story (Ch. 3)

Program/Project Management

- ▶ Workplanning (Ch. 3)
- ▶ Technical Program Management (Ch. 4)
- ▶ Learning and Sharing (Ch. 4)

2 Your Award



Your Award

2.1 Overview

2.2 Getting Started

- 2.2.1 Preparing for the Award Phase
- 2.2.2 Award Phase Timeline and Task List

2.3 Pre-Award Phase

- 2.3.1 Pre-Award Survey
- 2.3.2 Pre-Award Assurances

2.4 Negotiation Phase

- 2.4.1 Negotiating Changes to Your Program
- 2.4.2 Addressing Pre-Award Survey Findings

2.5 Other Pre-Award-Related Activities

- 2.5.1 Designating Key Personnel and Requesting Changes
- 2.5.2 Recovering Indirect Costs
- 2.5.3 Subagreements and Subrecipients
- 2.5.4 Subrecipient Requirements

2.6 Understanding Your Cooperative Agreement

- 2.6.1 Cooperative Agreement Basics
- 2.6.2 USAID Cooperative Agreement

2.7 Summary and References

2.1 Overview

This chapter covers the key steps in finalizing your award. You should review it in conjunction with chapter 3, which covers the start-up phase of your program.

Upon receiving notice that your organization is a finalist for an award from the U.S. Agency for International Development (USAID), you must finalize the award details and prepare to start your program. There are numerous concepts to grasp. Many may be unfamiliar, especially if you are new to working with USAID.

Objectives

- Understand important award-related concepts and the basics of your agreement.
- Learn the key tasks necessary to finalize your award.
- Learn what you need to have in place before starting your program.

Skip Ahead

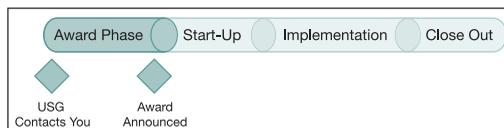
- ▶ Award Phase: Tasks
- ▶ Pre-Award Survey
- ▶ Pre-Award Assurances
- ▶ Pre-Award Survey Findings
- ▶ Designating Key Personnel
- ▶ Indirect Costs
- ▶ Subagreements and Subrecipients
- ▶ Cooperative Agreement Basics

Key Terms and Acronyms

- **Accrual Accounting System**—An accounting method that records financial events based on economic activity rather than financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received.
- **ADS**—The Automated Directives System (ADS, <http://www.usaid.gov/policy/ads/>) encompasses the totality of USAID's regulatory body. Additionally, it includes suggested but not mandatory procedures and links to examples of best practices.
- **Allocable Cost**—A cost incurred specifically to support or advance an award.
- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **AO**—Agreement Officer, the USAID official with the authority to enter into, administer, terminate, and/or close out assistance agreements and make determinations and findings on behalf of USAID.
- **AOTR**—Agreement Officer's Technical Representative (formerly referred to as the Cognizant Technical Officer. Under a **contract**, this position is referred to as the Contracting Officer's Technical Representative), the USAID official responsible for monitoring a grantee's progress toward achieving the agreement's purpose and for serving as technical liaison between the grantee and the Agreement Officer (AO). The AO will name and delegate authority for specific responsibilities to the AOTR named in a Cooperative Agreement.
- **Award Amount (or Award)**—The total amount that is anticipated to be spent over the life of the project.
- **Cash-Basis Accounting System**—A method of bookkeeping that records financial events based on cash flow and cash position. Income is recorded when cash is received, and expense is recognized when cash is paid out. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, or pre-paid or accrued expenses. This system is simpler for individuals and organizations that do not have significant numbers of these transactions, or when the time lag between initiation of the transaction and the cash flow is very short.
- **Cost Objective**—The cost limit of an activity within budget limits. A project cannot exceed the cost objective that has been set for it.
- **Cost Share**—The portion of project or program costs the USG does not cover. 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.
- **EIN**—Employer Identification Number (also known as a U.S. Federal identification number that identifies a business or nonprofit entity); USAID uses it to facilitate payment for an award.
- **Finding**—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.

- **Generally Accepted Accounting Principles (GAAP)**—A standard framework of guidelines for accounting and financial reporting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. Many countries use the International Financial Reporting Standards (IFRS, http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards), established and maintained by the International Accounting Standards Board (http://en.wikipedia.org/wiki/International_Accounting_Standards_Board), which also provides a framework of accounting standards and financial reporting.
- **Indirect Costs**—Costs that are required to carry out a project but are not attributable to a specific project, such as electricity or administrative support staff.
- **In-Kind Contribution**—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.
- **Key Personnel**—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a Cooperative Agreement as Key Personnel are those leadership slots considered essential to successful implementation of the overall project.
- **Mandatory Standard Provisions**—The set of rules and regulations that must be followed by recipients of USAID funds. (For more information, go to <http://www.usaid.gov/policy/ads/300/303mab.pdf>.)
- **MOU**—Memorandum of Understanding, a document that may be used as a confirmation of agreed-upon terms when an oral agreement has not been captured in a formal contract. It may also set forth the basic principles and guidelines under which parties will work together to accomplish their goals. This should not be used if a transfer of funds is involved.
- **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID's *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **Obligated Amount or Obligation**—The amount USAID has committed to the program. There is no guarantee that USAID will reimburse the recipient for any spending above the obligated amount.
- **Program Income**—Funds earned by the program for the benefit of the program itself. For example, program income comes from charging fees for services or from the sale of commodities. It is also earned by selling equipment purchased with program funds that is no longer needed. **Note:** Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.
- **Substantial Involvement**—The right that the USG retains to provide input into 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. The Cooperative Agreement specifies the areas of substantial involvement.
- **Unallowable Costs**—Costs that cannot be reimbursed either because of regulations or because they are not reasonable or appropriate.

2.2 Getting Started



The award phase begins when USAID notifies you that your organization has been selected as a finalist to receive an award. Generally, the notification comes to the individual designated on your application from a person in USAID's acquisitions office. This begins a series of events that may include a pre-award survey (2.3.1), negotiations (2.4), and finalizing your award. Some tasks initiated during this phase must be completed before the award is signed. Other tasks may continue into the start-up phase, such as addressing pre-award survey findings/conditions (2.4.2), but all award-phase tasks typically must be completed before implementation can begin.

Keep in mind that this notification from USAID regarding your application for funding is preliminary in nature and not a guarantee that you will receive funding. Rather, it means that the review of all the application materials is complete and your application was selected as a finalist. USAID may then further assess whether your organization has the capacity (i.e., systems, procedures, internal controls, and policies) to achieve the objectives of the program you proposed in your application and to satisfactorily meet USAID compliance requirements. This assessment is called the pre-award survey (2.3.1).

Further, USAID may be interested in funding your organization only if you commit to making certain changes to your proposal. This is an opportunity to negotiate the specific terms of your agreement with USAID.

If your organization has completed a pre-award survey and you have reached agreement regarding the program, budget, and targets, USAID will make a final award decision based on funding availability and its priorities. If your program addresses a USAID priority and funding is available, USAID will offer you the award. USAID can decide not to fund your program at any point during this process, however. Reasons for rejecting an award at this stage may include one or more of the following:

- Results of the pre-award survey lead USAID to conclude that your organization does not have systems, procedures, internal controls, or policies in place to properly manage USAID resources or to achieve the objectives of the proposed program.
- Your organization and USAID cannot reach agreement on specific aspects of the award, such as budget, geographic area to be served, program design, or targets.
- Other proposal(s) were deemed to be a higher priority or better value to USAID.
- Available USAID funding was reduced or reallocated.
- Your organization's name appears on the [Excluded Parties](#) list maintained by the Department of Treasury's Office of Foreign Assets Control, the [U.S. Department of Treasury's Designated Nationals List](#), or the [UN Consolidated List](#).

It is important to approach the pre-award phase carefully and fully address each of the tasks (2.2.2) required to finalize your award. This phase can be quick or can involve long delays. Your organization stands a reasonable chance of receiving an award if you make it this far, but beware of allowing expectations to run too high. Note that you may also choose to withdraw from the negotiations at any time. Though nothing is yet signed, your partnership with USAID begins at this stage. You will want to work diligently to provide the information needed so that USAID can make a final decision in your favor. At the same time, you must ensure your organization is not promising something it cannot deliver. If USAID asks you to take on additional work or modify your program, it is your responsibility to evaluate that request and determine whether you are capable of fulfilling it. If you feel the request requires more funding or affects targets, be sure to discuss this with your USAID counterparts. An organization that meets its commitments gains credibility and improves its prospects for obtaining additional funding in the future.

2.2.1 Preparing for the Award Phase

1. *Be Aware of the Differences between Award and Obligation.*

An award has two significant numbers: the award amount and the obligated amount. The award amount is the estimated total amount that is intended to be spent over the life of the project. The obligated amount is the amount of money USAID has committed to the project which may be the full amount of the award or a portion of the award amount. In other words, it is the amount available to your organization to spend on the project at any particular time. USAID will provide (obligate) additional funds as needed and as funds become available to it, assuming your program is progressing satisfactorily. It is important to note that USAID may not obligate the total award amount.

Figure 1—Sample Obligation Timeline

The following is an example of a schedule of when an organization might receive obligations over a three-year period based on a US\$1 million award.

	Date	Amount
Initial Obligation	1-Dec-06	US\$100,000
Obligation after Workplan Approval	1-Jun-07	US\$400,000
Year 2 Obligation	1-Jun-08	US\$300,000
Year 3 Obligation	1-Jun-09	US\$200,000
Total Award Amount		US\$1,000,000

Throughout the period of performance, it is important to track actual expenditures against your obligated amount to make sure you do not exceed that amount. It is recommended that you notify USAID when you have spent approximately 75% of your obligated amount so that USAID can obligate additional funds. Any spending your organization does above the obligated amount is at your own risk! USAID will not reimburse amounts spent in excess of the obligated amount under any circumstances.

Another reason why it is important to track funds is because USAID obligates funds using a “forward funding system.” This is defined as the availability of funds to support future expenditures for a specified period. USAID typically will not forward fund obligations for more than 12 months beyond the end of the fiscal year in which the obligation takes place. Therefore, spending an annual obligation in less than 12 months means your organization would need to stop program activities or spend above the obligated amount at its own risk. (For more information, visit <http://www.usaid.gov/policy/ads/600/602.pdf>.)

2. Take Note of *Substantial Involvement*.

USAID has various methods through which it funds organizations to carry out their strategic objectives. One mechanism is a Cooperative Agreement, which gives USAID the right to be substantially involved in overseeing implementation of certain aspects of your program. The purpose of the Substantial Involvement clause in CAs is to assist you to achieve the objectives of the agreement. ADS 303.3.11 describes substantial involvement as limited to: a) Approval of the Recipient’s Implementation Plan, b) Approval of Specified Key

Personnel, monitoring and evaluation (M&E) plans, and any subrecipients, c) Agency and Recipient Collaboration or Joint Participation, and d) Agency authority to immediately halt a construction activity. The intention is to allow USAID the ability to ensure that award activities remain consistent with its overall strategic objectives while, at the same time, providing your organization sufficient flexibility to implement and innovate within the boundaries of those strategic objectives. During the early stages of the award phase, you must be clear regarding the amount of flexibility provided by the Cooperative Agreement and what specific items require USAID review and approval. (For more information on substantial involvement, visit <http://www.usaid.gov/policy/ads/300/303.pdf>.)

3. Address Pre-Award Survey Conditions.

During the pre-award phase, if the USG uncovers any deficiencies, these have to be corrected in accordance with the terms of the award. Some findings may be simple to correct, such as the need to introduce time sheets for staff. Others may be much more complex and time-consuming, such as the need to install a better financial management system. Consult with your AOTR if you have questions about what is expected.

4. Carefully Review the Cooperative Agreement.

There is always a push to have a signed agreement—both from people in your organization who want to have the agreement finalized and sometimes from USAID personnel. USAID may request changes to certain aspects of your program, which may affect targets, budget, or other key aspects. Think through these changes and document them. These should be incorporated into the program description of your Cooperative Agreement before signing.

5. Do Not Start Implementing Yet!

A signed award does not mean “Go!” Several key planning tasks and approvals may still need to take place, and costs incurred before the start date will not be reimbursed. [Chapter 3](#) covers the start-up phase in detail. Review that chapter, and be sure to manage the expectations of your partners and potential beneficiaries during the award and start-up phases.

2.2.2 Award Phase Timeline and Task List

Figure 2—Award Phase Timeline and Task List

Event/Task	Description	Timeline	Reference
◇USAID informs you that your organization has been selected as a finalist via a notification of consideration for funding	The USAID acquisitions office will contact you about your application for funding and inform you that your organization is selected as a finalist. However, USAID has made no funding commitment at this time.	Will begin sometime after the final application deadline	Section 2.3
Pre-award survey	An auditor or other USAID-approved official will review your organization's systems, policies, and capabilities to determine whether you meet the minimum standards to successfully administer USAID funding.	Immediately, must complete prior to award	Section 2.3.1
Pre-award assurances	Pre-award assurances are various promises your organization must make to be eligible for USAID funding. These are forms that are usually included in your application process. USAID will make sure these are completed prior to award.	Must complete prior to award	Section 2.3.2
Negotiate program details	USAID may request geographic, technical, target, budget, or other changes to your proposal to better align it with USAID priorities and strategic objectives. You are expected to review these proposed changes and make sure your organization can still complete the project within the budget, targets, and time frame.	Must complete prior to award	Section 2.4
Begin addressing pre-award conditions	If your pre-award survey resulted in any findings, USAID will ask you to address these.	Immediately or within time frame specified by USAID	Section 2.4.2
Designate Key Personnel	Key personnel are individuals specifically listed in your agreement. Key Personnel require AO approval.	Individuals critical to the start-up phase should be designated by the time the award is signed if possible	Section 2.5.1
Final USG review and award decision	USAID will take one last look at its budget, priorities, and the other finalists for the award and then make final decisions.	Timeline will depend on USAID workload and priorities	Chapter 2
◇Sign and announce award	Successful organizations are notified, and a final version of the agreement is sent for signature. Read it carefully and make sure you understand and are in full agreement with all terms and conditions before signing.	Following the steps above	Section 2.6
Start-up phase begins	Upon receipt of the finalized agreement, you are expected to begin the planning tasks for the start-up of your award. These tasks are outlined in chapter 3 .	Upon signature of the final agreement document	Chapter 3
Establish agreements with partners	Agreements with partners should be established using the appropriate mechanism, such as a contract, an MOU, etc.	Must begin prior to implementation of a joint activity	Section 2.5.3

2.3 Pre-Award Phase

When your organization is notified that it is a finalist for an award, it must still complete several tasks before USAID makes a final decision on whether to fund the program. Being selected as a finalist is a very good sign, but as mentioned above, it does not mean your organization has actually won an award.

Before the specifics of an award are discussed, USAID will likely conduct a pre-award survey and ask you to sign pre-award assurances, steps USAID takes to make sure your organization is capable of managing the resources for the program you have designed in your application, and it helps to ensure USAID that your organization is willing and able to comply with USAID regulations.

2.3.1 Pre-Award Survey

A pre-award survey assesses your organization's policies, systems, procedures, and capabilities to manage USAID resources. Although such a survey may cover a variety of issues, including your organization's structure, management, and governance, the focus is typically on internal financial procedures, policies, and controls. The reason for this emphasis is simple: regardless of the strengths your organization may have, USAID will not execute an award with an organization that cannot demonstrate the capacity to administer funds in full compliance with USAID rules and regulations.

If the Agreement Officer (AO) determines that a pre-award survey is called for, the AO will assemble a team with appropriate expertise to conduct it. A team might consist of:

- an Assistance Objective Team (AOT) member;
- the AO or designate;
- the Financial Officer (Bureau for Management, Office of the Chief Financial Officer [M/CFO], or Mission or Regional Controller's Office) or designate; and
- one or more representatives of the Bureau for Management, Office of Acquisition and Assistance, Contract Audit and Support Division, Contract Audit Management Branch (OAA/CAM), or the cognizant Regional Inspector General for Audit, if appropriate.

The survey team will review the applicant's systems against standards (<http://www.usaid.gov/policy/ads/300/303.pdf>) contained in the ADS and submit its findings to the AO for review and consideration. The AO makes the final determination of the applicant's suitability for receipt of an award.

Pre-Award Survey of Accounting System Adequacy

The Pre-Award Survey for Nonprofit Organizations form is used as the basis for assessing financial management capacity. This form contains a list of criteria for determining whether your accounting system meets the minimum standards to be eligible for USG funding.

These standards include appropriate accounting software and written financial management policies and accounting procedures. The pre-awarded survey will involve assessing the extent to which these are in place within your organization and being actively implemented. Refer to Standard Form 1408, "Pre-award Survey of Prospective Contractor Accounting System" (often referred to as SF-1408) online at <http://www.acquisition.gov/far/current/html/FormsStandard41.html>.

Following are the 15 questions on the form. In evaluating each item, the surveyor will answer "Yes" or "No." If your system only partially meets the criteria for a particular question, the answer will most likely be "No," and the surveyor may further indicate in a report the need for accounting personnel, procurement, internal controls, or other policies and procedures essential for demonstrating the existence of good financial/administrative practices.

1. *Is the accounting system in accordance with generally accepted accounting principles applicable in the circumstances?*

Generally Accepted Accounting Principles (GAAP) are a framework of guidelines for accounting and financial reporting. They include the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. The surveyor will determine whether your overall system "passes" or "fails" when compared to these accepted practices.

2. Does the accounting system provide for:

- *2a—Proper segregation of direct costs from indirect costs.*

Your accounting system and procedures must identify and record direct and indirect costs separately. When a cost is directly attributable to a specific project, it is considered a “direct cost.” If you have multiple projects and have costs that are not specifically attributable to a single project, these are considered “indirect costs.” Your accounting system must have the ability to categorize costs in this way, and your organization must clearly define which costs are considered direct and indirect. (For tips on how to allocate shared project or indirect costs, see [section 4.3.1.6.](#))

- *2b—Identification and accumulation of direct costs by contract.*

For those direct costs that are attributable to a specific program, your system should be able to report on what those costs are and the total expenditures to date.

- *2c—A logical and consistent method for allocation of indirect costs to intermediate and final cost objectives. (A contract is a final cost objective.)*

- *2d—Accumulation of costs under general ledger control.*

Your system should be able to report on all costs incurred across your organization. These include non-project costs and indirect costs as well as direct costs.

- *2e—A timekeeping system that identifies employees’ labor by intermediate or final cost objectives.*

Your system must include a timekeeping component that connects an employee’s hours to a specific project or activity under a project. This is not just an attribute of your accounting system. Your organization must have a process for employees to complete time sheets and note which hours are attributed to different activities or projects. Even if your accounting system can do this, the surveyor may not give you a passing grade unless your organization has a written policy and is actively using this process to track employee time.

- *2f—A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.*

Similar to 2e, above, but in addition to recording the time, your system must be able to charge these costs to different projects. This also includes indirect costs. For example, if you have a secretary who provides administrative support to staff working on multiple projects, but his or her time is not easily attributable to one project, this individual’s time may be part of your indirect costs.

- *2g—Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account.*

The surveyor will assess your policies, procedures, and historical records to determine whether you are reconciling your books of accounts on at least a monthly basis.

- *2h—Exclusion from costs charged to government contracts of amounts which are not allowable in OMB A-122, Attachment B, or other contract provisions.*

The surveyor will examine your procurement policies to determine how unallowable costs —those items USAID will not cover—are defined and identified. The reporting system must exclude these costs from being charged to USAID; policies should be developed to prevent those items from being purchased in the first place. (For more on allowable costs, see [section 4.3.2.2.](#))

- *2i—Identification of costs by contract line item and by units (as if each unit or line item were a separate contract) if required by the proposed contract/grant.*

Your accounting system should be able to link the original budget (the budget in your Cooperative Agreement) with individual transactions. For example, if your budget includes the purchase of 300 units at US\$2 each, the accounting system needs to be able to show the actual cost and quantity purchased as part of the process of recording the transaction.

3. Does the accounting system provide financial information:

- 3a—Required by OMB A-110, *Standards of Financial Management Systems*.

This question seeks to determine whether your system will yield reports in compliance with the terms of your agreement—especially in terms of reporting on costs and managing the process for disbursing funds properly. (For more on the reporting requirements of your award, see [chapter 5](#).)

- 3b—Required to support requests for reimbursement payments.
- 3c—Required to support requests for advance payments.

When you request advances or reimbursements for your program, you must report the status of your spending of funds received to date and the projected funding needs for the upcoming period (one to three months or more, depending on the amount of advanced funds USAID authorizes). This criterion evaluates whether your systems are able to report accurately on recent spending and forecast upcoming costs.

4. Is the accounting system designed, and are the records maintained, in such a manner that adequate, reliable data are developed for use in pricing follow-on acquisitions?

Your system should be more than a system for tracking your current accounts. The history of cost data your system stores can be an excellent resource for you to estimate costs for taking on additional work. For example, if your project provides health services in a certain district, and USAID is interested in having your organization expand its work into an additional district, you may extract historical data from your system that can help provide reliable cost estimates for that additional work.

5. Is the accounting system currently in full operation? If not, describe in Section I Narrative which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) nonexistent.

If you are in the process of upgrading your system when the survey occurs, this is the opportunity for the surveyor to note the progress you are making and the estimated timeline for completing the upgrade.

Pre-Award Survey Results

The surveyor will provide USAID with a report of the pre-award survey results, based on which USAID will write a letter to the applicant regarding any deficiencies or weaknesses. The applicant will then have an opportunity to respond and clarify any issues. USAID will take the audit into account as one aspect of its final funding decision. A more detailed explanation of how you may want to respond to the pre-award survey results is included in the section on addressing pre-award survey findings/conditions ([2.4.2](#)).

2.3.2 Pre-Award Assurances

Pre-award certifications, assurances, and other statements are promises your organization makes prior to receiving a USAID award.

Find It Online

SF-424B Assurance of Compliance
<http://apply07.grants.gov/apply/forms/sample/SF424B-V1.1.pdf>

These statements are usually included as part of a form, Standard Form-424B, that is signed by your executive director or responsible senior officer at your organization and states that your organization:

- will comply with the necessary USAID regulations and requirements;
- has the capacity to successfully complete the program; and
- is willing to comply with USAID requirements to monitor your program.

In many cases, you must submit this form when you apply for the award. If it was not completed with your application, USAID may ask that it be signed during the award phase.

Specifically, these assurances include statements that your organization:

- has the funds or resources necessary to meet any cost-share or matching commitment you agreed to meet;
- authorizes USAID to access and examine all records, books, papers, or documents related to the award;

- has or will establish a proper accounting system;
- has or will establish safeguards to prohibit employees from using their positions for purposes that constitute or present the appearance of personal or organizational conflict of interest or personal gain;
- will comply with U.S. laws relating to nondiscrimination on the basis of sex, race, religion, color, or national origin, among others;
- will comply with USAID audit requirements; and
- will open a separate bank account for the project (no comingling of funds).

USAID requires that certain standard provisions be included in subagreements but does not require assurance forms from your subrecipients. However, good business practice dictates that these assurances should flow down to subagreements despite the fact forms may not be required by USAID.

2.4 Negotiation Phase

Prior to finalizing the award, your organization will have the chance to negotiate with USAID the terms and conditions of the award agreement, including how your organization will receive funding and what administrative issues your organization must address to be eligible to receive the award.

This section discusses these issues and gives you some sense of what to expect. Each negotiation is different, so be prepared to be flexible. Also, keep in mind that successfully coming to an agreement with USAID does not necessarily mean you will receive funding. As mentioned, USAID reserves the right of final selection based on USAID priorities and availability of resources.

2.4.1 Negotiating Changes to Your Program

The application submitted by your organization will be thoroughly reviewed and evaluated by USAID technical experts. USAID may also invite host-country officials and other outside experts to participate in the review process in order to ensure consistency with host-country development priorities and a wider and more

relevant perspective. These experts may provide suggestions and recommendations to improve your proposed program. During the negotiation phase, USAID may ask you to change certain aspects of your program based on these reviews.

Examples of changes USAID might request include:

- Modify performance targets.
- Add, reduce, or change targeted geographic areas.
- Reconsider subrecipient selection (reasons for this could include past performance record with the proposed subrecipient on other USAID-funded grants).
- Change proposed key personnel (for example, if a proposed individual does not have the necessary qualifications).
- Remove budget items that are unallowable under USAID regulations or reduce others deemed excessive.
- Change targeted beneficiary group(s).
- Select a specific program design or training/ education curriculum (for example, if there is one the host government prefers).
- Add, remove, or otherwise modify specific activities.
- Redesign activities and/or strategies in a manner more closely reflecting approved or accepted in-country practices.
- Reduce your budget or specific budget line items to lower costs.
- Add strategies that take into account specific cross-cutting considerations such as gender, environment, etc.

During this negotiation phase, you must carefully review changes you have been asked to make and consider the following:

- Does the proposed change affect targets?
- Does it affect the budget?
- Does it affect operations?
- Does it affect the implementation time frame?
- Will it require different subrecipients?
- Will it require personnel changes?
- Is your organization able to implement the requested changes?

For example, let us assume you propose to implement your program in a specific village where you are already carrying out similar activities, but on a smaller scale. In the

feedback on your proposal, USAID states that it already has an existing partner in the area you proposed, but has identified a gap in another district and asks that you implement your program there instead.

Before agreeing to any changes and signing an award, your organization should research the new area to determine whether it has similar demographics. A larger population, for example, or other factors might provide the opportunity to reach higher targets, whereas a smaller population may mean it will be a struggle to reach the originally proposed targets. Also, your organization may need to find a subrecipient in the new area. Depending on the location, when compared to the one originally proposed, you may need to increase or decrease transportation or other costs of operation.

In some cases, there may be a number of unknowns that make it difficult to respond in the time frame USAID requested. If this is the case, talk to your USAID contact. She or he may have data that can help, or, if you must meet a deadline to finalize the award that does not provide sufficient time to gather the necessary information, your USAID contact may be willing to allow you to address your concerns through a modification to the program description after the award is made.

USAID's goal is simple—to reach agreement on a program that both meets USAID's priorities and is something that can realistically be achieved given the budget and time frame of the award. Your role is to incorporate the requested changes into your program description, ensuring they are appropriate and achievable.

2.4.2 Addressing Pre-Award Survey Findings

Your organization typically will receive the results of the pre-award survey in a letter that details any “findings” or “deficiencies” with its systems. **Your agreement states under the “Special Award Conditions” section that you must address these deficiencies within a certain time after the agreement start date to continue to receive funding, and sometime the findings are specified in the agreement. It is possible, however, for the AO or AOTR to grant you additional time to address these deficiencies.** As mentioned earlier, some findings may be simple to address, but more expensive and time-consuming to complete. This is an

important consideration during the negotiation phase. If USAID lists a particular finding that will require your organization to incur additional expenses, you may ask that the award be adjusted to cover part or all of the cost. For example, if USAID requires a major upgrade to your accounting system, you may be able to include part of that expense as an indirect cost and have the award cover a share of that cost.

Keep in mind that until you and USAID actually sign the award, there is always a chance the award may not happen. Therefore, if you take on major expenses prior to signing the award, such as overhauling your accounting system or hiring consultants to implement new systems, you do so at your own risk.

Once the award is finalized and signed, your organization must address the findings as quickly as possible. Not properly addressing pre-award survey findings in the allotted time can result in termination of your award.

At that time, USAID may 1) conduct a follow-up, project-specific review or 2) ask that you include a review of your corrections in your next annual report. To do this, you must furnish the pre-award survey report and details of your corrections to the auditor before she or he conducts the regular annual audit. Your auditor can then include a statement in the final audit report explaining whether the pre-award findings were resolved. (For more information on conducting an annual audit, see [chapter 5](#).)

2.5 Other Pre-Award-Related Activities

Under a Cooperative Agreement, USAID has clearly defined responsibilities for review and approval of certain aspects of your program. Referred to as “substantial involvement,” these may include:

- approval of Implementation Plan;
- approval of Specified Key Personnel;
- approval of the Monitoring and Evaluation (M&E) Plan;
- agency and Recipient Collaboration or Joint Participation; and
- agency authority to immediately halt a construction activity.

Each of these areas is discussed in detail in this chapter.

2.5.1 Designating Key Personnel and Requesting Changes

In a solicitation, USAID may designate certain positions on the project team as “Key Personnel.” These positions, identified as leadership roles, are considered essential to successful implementation of the overall project. It is important to note that the term Key Personnel often is used to refer both to project positions as well as the individuals who fill the particular slots.

In Your Agreement

The Key Personnel clause typically is found under the Substantial Involvement section of Schedule A. The clause contains both the terms of the requirement and the list of Key Personnel named in your agreement.

Typically, an organization will identify and propose individuals to fill these Key Personnel positions in its application for funding. If no one is identified at the time of application, you may designate this unfilled slot as “to be determined” (TBD). In this case, you can continue to recruit for the position. Once you identify the individual, you must request approval. If an individual named in your proposal is no longer available when the award phase begins, an alternative candidate will need to be recruited and submitted to the AO for approval. Similarly, any proposed changes to Key Personnel named in your Cooperative Agreement must be approved by the AO.

Note: The AO approves all Key Personnel changes, unless authority has been delegated to the AOTR in writing.

When a change in Key Personnel occurs (for example, when an individual identified as Key Personnel in the Cooperative Agreement resigns, is terminated, or is otherwise unavailable), notify your AOTR immediately. In the case of termination, be sure you have followed your organization’s human resources (HR) procedures.

The next step is to conduct a fair and open competition to recruit a replacement. Be sure to follow your HR policies and document the process thoroughly. When you have selected a candidate, you may extend a conditional job offer that states the AO must approve the

selection. Your AOTR may want to meet the candidate and may even want to participate in final interviews. Submit a request for approval in writing to your AO and copy your AOTR; be sure to include the CV of the individual you wish to hire as well as an explanation of why he or she is suited for the position. You may choose to use Standard Form-1420 to summarize the information, but it is not required.

Find It Online

Form 1420-17—Contractor employee Biographical Data Sheet
<http://www.usaid.gov/forms/AID142017.doc>
 (opens as a WORD document with macros)

Your AOTR will review your selection and forward it to the AO with a recommendation to approve or deny the change. If your AOTR has concerns, he or she may want to discuss them with you before seeking final approval from the AO. Your AOTR is not questioning why you recommend one person and not another, but rather ensuring the new candidate meets the established qualifications criteria for the particular Key Personnel position. Your AOTR may also want to make sure that the hiring process was fair and in line with in-country standards and practices.

Finally, the AOTR must submit a request to the AO to modify your agreement to formally document the change in Key Personnel. This formal modification may come at a later date.

2.5.2 Recovering Indirect Costs

An organization with more than one project incurs three categories of expenses:

- **Direct project costs**—Costs that can be clearly attributed to a specific project, such as a dedicated staff person, office space used by project staff, or specific equipment and supplies used only by a single project.
- **Indirect or shared project costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as utilities or administrative support staff shared with other projects.
- **Non-project costs**—Legitimate organizational expenses, but costs not related to any specific project or costs that are not “allowable.”

Many project costs easily fall into the direct cost category, while non-project costs are usually self-evident. Allocating indirect project costs, however, requires a method for apportioning them fairly.

One approach to allocating indirect or shared project costs is to use a percentage based on the number of employees on one project versus the total number of employees. Another way to do this is by allocating dedicated office space. To do this, first figure out what parts of your office are dedicated to a specific project, such as space for dedicated project staff, and what parts are shared, such as meeting rooms or the reception area. Of the areas that are dedicated to specific projects, calculate the area allocated to each project. You can even divide the office space of an individual who splits time based on the percentage she or he allocates to each project. Calculate the area dedicated to each project as well as the percentage of overall area dedicated to each project.

For example, let's say an office of 1,000 square meters houses two projects; eight hundred sq. meters of office space are dedicated to the individual projects, while the rest is shared. Of the dedicated space, 600 sq. meters are for one project, while 200 are for the other project. This means 75% of the overall space is charged to the first project (750 square meters), and 25% for the second (250 square meters). These percentages may also be used as the basis for allocating costs for other shared expenses.

There is no single correct method for allocating shared costs, but how your organization calculates these costs should be clearly documented. This helps to ensure that project resources are used wisely and that costs are distributed in a reasonable manner. Of course, as projects and funding streams change, these formulas need to be adjusted accordingly. [Chapter 4](#) addresses this point in more detail.

Set—and Keep Up to Date—Policies for Calculating Shared or Indirect Costs
With these guidelines in mind, establish policies that define the following:

- what specific costs and resources are considered “shared”;
- how your organization will divide shared costs among different projects; and
- under what circumstances these policies will be revised.

Establishing a NICRA

Another way some organizations address indirect costs is by establishing a Negotiated Indirect Cost Rate Agreement (NICRA) with USAID. A NICRA lays out a formula that establishes how your organization can recover the shared or indirect project costs it accrues in carrying out its USAID-funded agreements.

USAID will allow organizations to establish a NICRA based on a number of considerations, including the nature and purpose of the award and the justification for the need to establish a NICRA. If USAID is willing to support your request for a NICRA, you must have the supporting data available on which to establish a NICRA formula. Your accounting system must also be capable of separating and identifying indirect and direct project costs.

In some cases, USAID will allow an organization to set up a provisional NICRA that will be revisited after a year to establish a final rate. Once a final rate is established, it can be used as your indirect cost rate for other USAID awards. In other words, you would not need to establish a new NICRA for each award. NICRAs are then reviewed and adjusted annually.

Your AO can advise you on whether or how to pursue establishing a NICRA. USAID-funded non-U.S.-based organizations may need to consult individual missions to establish a NICRA. If an organization does not establish a NICRA during the negotiation phase, it can request one at a later date.

Note: A NICRA can simplify how you are reimbursed for your overhead costs in certain USAID-funded projects. However, if your organization has projects funded by other donors, or if your NICRA only covers headquarters' expenses, or if you want to verify that your NICRA is accurately covering your shared expenses, you will still need to allocate your shared costs. Thus, regardless of whether you have a NICRA, it is a good management practice to establish a policy for allocating shared project expenses.

2.5.3 Subagreements and Subrecipients

During the award phase, you will want to begin the process of establishing and/or formalizing your relationships with subrecipients. Similar to Key Personnel, USAID approval is required prior to entering into subagreements with subrecipients. If your subrecipients are named in your approved proposal and budget, then you can proceed with executing subagreements. If they are not named, then you will need to specifically request approval from the AO for each subrecipient.

A subrecipient is any organization to which you provide financial assistance in the form of money or property under your USAID-funded award. A subgrantee would be a subrecipient, as would an organization you bring on to help you implement your project.

However, the following examples would not be considered subrecipients and would not require USAID approval:

- a company from which you buy office supplies;
- payments for school fees for orphans and vulnerable children; or
- a beneficiary organization/community NGO to which you will be providing capacity-building support.

While only subrecipients need USAID approval, terrorism searches must be conducted on both potential subrecipients and potential vendors. To document that you have checked that none is ineligible, you must check several different sources:

- 1) U.S. Department of Treasury List of Specially Designated Nationals and Blocked Persons—<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>;
- 2) United Nations Al-Qaida and Taliban Consolidated List—<http://www.un.org/sc/committees/1267/consolist.shtml>;
- 3) Excluded Parties List—<http://www.epls.gov>; and
- 4) any supplemental information concerning prohibited individuals or entities that USAID may provide to the grantee.

Remember

For vendors, whether supplying a good or service, a purchase order or agreement is necessary, and vendors must be selected through a competitive process according to the process and procedures established by your organization and detailed in your procurement manual.

2.5.4 Subrecipient Requirements

There are special requirements with which you must comply when part of your USAID award goes to a subrecipient.

USAID has a contractual relationship with the prime recipient. Under the agreement, the prime must abide by various requirements and provisions that are specified or referenced in the agreement.

Items Required in Agreements with Subrecipients on USAID-Funded Projects

USAID publishes two important documents that are helpful in putting together subagreements:

- ▶ Mandatory Standard Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)
- ▶ Mandatory Standard Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)

1. Choose the relevant document based on whether your subrecipient is U.S.-based or non-U.S. based. Whether your organization is U.S.-based does not matter; it is possible that your subs have a different set of requirements from yours.
2. Include all of the “mandatory” provisions in the first section of the document.
3. Include all those sections listed under “Required as Applicable” that are relevant to your sub. Each provision explains when the provision is applicable.

The subrecipient has a similar relationship with a prime as the prime has with USAID. As USAID does not have a direct relationship with the sub, the prime is responsible for

ensuring that all mandatory provisions and important clauses in the award flow down to the sub. The easiest way to do this is through a subagreement that specifies and/or references the requirements and practices by which the subrecipient must abide.

The following are major areas a prime partner must address when selecting and managing a subrecipient.

Subrecipient Selection Process

- **Selection Process**—A prime will need to use an established selection process and properly document all selection decisions. Suggested practices for selecting subrecipients include issuing a Request for Applications (RFA) or soliciting bids directly from organizations that have the skills you are looking for.
- **Pre-Award Assessment**—Prior to making a final selection, evaluate a prospective subrecipient's financial and management systems and its ability to implement activities and deliver desired results. If possible, visit the finalists to further verify their suitability.
- **USAID Approval**—USAID must approve a subrecipient before it can receive funding. If you named a sub in your original proposal and budget, then it typically is approved in your agreement; AO approval is required if the subrecipient is not included in the Cooperative Agreement.
- **Agreement**—When making a subaward, a Standard Grant Agreement, Fixed-Obligation Grant Agreement, or subcontract is appropriate when a legally binding mechanism is needed. An MOU or other less formal agreement is not an appropriate means of engaging a subrecipient because it is not legally binding. Prior to entering into a contractual relationship, ensure that all parties understand the legal obligations involved.

Planning and Implementation

- **Requirements and Regulations**—Check your award to see what provisions also apply to subs, and review with them the requirements and USAID regulations related to the type of subagreement you use with them. Examples:
 - **Procurement**—Ensure that subs are aware of cost principles for allowable costs and that there are mechanisms for properly documenting procurement actions.

- **Marking and Branding**—Ensure that subs understand marking and branding requirements.
- **Cost Share**—Any cost share a subrecipient contributes may be aggregated and applied toward your cost-share contribution, if any. Therefore, you should work with your subs to record items such as volunteer hours and other in-kind contributions.

Reporting

- **Timelines**—Develop a calendar for submission of all required reports. Give your subs deadlines that allow you to receive reports early enough so you can review and consolidate your own reports for submission to USAID.
- **Audits**—Determine whether subs will need to have an outside audit. The expenditure threshold for which audits are required for foreign NGOs is spending US\$300,000 or more in a given year. The threshold for U.S.-based NGOs is spending US\$500,000. This threshold amount includes total funding from the USG—not just the funding subs receive from your organization under your award.

Post-Award

- **Close Out**—Subs must close out financially, complete all required deliverables, and clarify disposition plans for any equipment or inventory purchased with USAID funds. Therefore, you will want to end subrecipient activities early.
- **Records**—Ensure that subs are aware of the documentation they must maintain and for how long (typically three years after submission of the final report).

2.6 Understanding Your Cooperative Agreement

The award phase ends when an agreement is formally executed (signed) by both USAID and your organization. This document contains the expectations and regulations that govern your award.

This section of the *Guide* focuses on Cooperative Agreements, the kind of agreement USAID typically uses. Some Missions routinely require a post-award conference to go over

your Cooperative Agreement with you. If that is not the case, you may request one.

Take the time to review your agreement as soon as you receive it and keep a copy on hand, so you can refer to the terms regularly. In fact, everyone on your project management team should read it thoroughly.

2.6.1 Cooperative Agreement Basics

When you enter into a Cooperative Agreement with USAID, your organization becomes legally obligated to follow its rules and regulations. Some of these are clearly spelled out, whereas others may be incorporated by reference. You must comply with both kinds and may be penalized if you do not—even if noncompliance was unintentional.

At the same time, the Cooperative Agreement protects you, too. For example, some clauses prohibit USAID from putting unreasonable reporting burdens on your organization; others state that your organization cannot be compelled to implement programs against its will. Thus, knowing your rights under your Cooperative Agreement is as important as knowing your obligations.

What is in a Cooperative Agreement?

Your agreement delineates the relationship between your organization and USAID and outlines the following:

1. how much funding USAID plans to provide to your organization;
2. what you are expected to accomplish with the funding, and how you plan to do it;
3. the time frame in which USAID plans to provide support to your program;
4. who in your organization is primarily responsible for the program's success;
5. who at USAID is responsible for assisting and overseeing your program;
6. what you must do to request and receive funds;
7. what role USAID may play in executing your program;
8. what obligations you have to USAID during the life of the program;

9. what obligations you have to USAID after the program is completed;
10. specific protections and rights your organization retains;
11. procedures for various interactions between your organization and USAID; and
12. consequences and contingencies if your organization fails to meet its obligations, or if your organization wishes to withdraw from the agreement, or if USAID terminates the program.

Each Cooperative Agreement will be slightly different. The following sections of the Cooperative Agreement are intended for general reference. However, note that what is specifically stated in your Cooperative Agreement is the organization's legal obligation to USAID.

2.6.2 USAID Cooperative Agreement

The USAID Cooperative Agreement has four primary sections:

1. [Award Letter](#)
2. [Attachment A](#)—Schedule
3. [Attachment B](#)—Program Description
4. [Attachment C](#)—Standard Provisions

While Cooperative Agreements vary with each award, the following outline describes the general contents of each of the above sections. Important differences between agreements with U.S.- and non-U.S.-based organizations are contained in the Standard Provisions section. These differences are discussed here briefly, and Common USAID Standard Provisions are included in [Annex 2](#).

Find It Online

- ▶ USAID ADS Chapter 303—Grants and Cooperative Agreements to NGOs (<http://www.usaid.gov/policy/ads/300/303.pdf>)
- ▶ Standard Mandatory Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)
- ▶ Standard Mandatory Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)

Award Letter

The award letter contains the following information about your award:

- **Cooperative Agreement Number**—This number should be referenced in key documents, correspondence, and reports.
 - **Award Amount**—This figure represents the total amount USAID estimates it will provide for the life of your Cooperative Agreement.
 - **Obligated Amount**—This is the amount of funding made readily available for an awardee. The initial obligated amount is stated in this letter. The award letter often contains a statement such as, “USAID will not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.” The letter will then list the obligated amount under “Amount Obligated to This Action.” Each future obligation increase will be documented in a modification from your AO specifying the new total obligated amount. You will receive copies of these modifications, which can help you track your current obligated amount. Modifications to a Cooperative Agreement reflecting an increase in the obligated amount do not require counter-signature by your organization. USAID is only authorized to reimburse your organization up to the obligated amount and is not responsible for any expenses you incur over that amount.
 - **Agreement Dates**—The effective date, or start date, of the Cooperative Agreement is the date the letter is transmitted, unless stated otherwise. The end date is usually stated in the body of the letter.
 - **Cost Share**—The letter also lists “Cost-Sharing Amount (Non-Federal).” This amount is the cost-share contribution the recipient organization has agreed to provide for this program, if any. Whether the cost share is an in-kind or cash contribution, or other funding, your organization will be held responsible for meeting its cost-share obligation. Therefore, cost-share accumulations must be tracked accurately throughout the period of performance.
 - **Agreement Officer**—The AO, the legal representative of the USG, signs the letter to make the award.
 - **Payment Office**—The payment office is your key contact for financial status reporting.
- **A.1: The Purpose of Cooperative Agreement**—This explicitly ties funding to the program described in your Program Description (Attachment B).
 - **A.2: Period of Cooperative Agreement**—Contains two sets of dates: the start and end dates for the entire award and the date of the initial obligation of funds.
 - **A.3: Amount of Cooperative Agreement and Payment**—Presents the total award amount, the obligation amount, and how payments are to be made. This section also contains an important caveat to your program’s continued funding:
 - Incremental funds up to the total amount of the agreement may be obligated by USAID subject to the availability of funds, satisfactory progress of the program and continued relevance of the program objectives.
 - **A.4: Cooperative Agreement Budget**—A summary of the total project budget, including the cost-share amount, if any.
 - **A.5: Reporting and Evaluation**—A list of the various reporting requirements for which you are responsible during the life of the Cooperative Agreement.
 - **Financial**—quarterly financial status reports (SF-425)
 - **Program reporting**—quarterly performance reports and annual workplans
 - **Final report**—the final report to be submitted at the end of the project
 - **A.6: Indirect Cost Rate (if applicable)**—Details on the Negotiated Indirect Cost Rate (or NICRA) for your agreement, including how it is to be calculated and whether it is a provisional or final rate (this clause may not be included if no NICRA has been established).
 - **A.7: Title to Property**—Property purchased under your agreement, such as vehicles, computer equipment, etc., that may remain with your organization or elsewhere.
 - **A.8: Authorized Geographic Code**—USAID’s procurement regulations differ based on the specific geographic area where the project will be implemented. The geographic code in the Cooperative Agreement defines which set of procurement rules will apply to this project, that is, source requirements (the purchase point of items to be procured) and origin requirements (the country of manufacture of the items to be procured).

Attachment A—Schedule

Attachment A is the Schedule. Each element is explained below with links provided to additional details elsewhere in this document.

- **A.9: Cost Share**—This is the amount your organization has committed to contribute from non-USG sources. If your organization has committed to a cost-share contribution toward implementation of your project, you are required to report accumulated cost-share contributions in the quarterly financial status reports.

Find It Online

- ▶ 22 CFR 228—Rules on Source, Origin and Nationality for Commodities and Services Financed by USAID
(<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=f410ee9353f69d2edc3205ce8572be2b;rgn=div5;view=text;node=22%3A1.0.2.22.27;idno=22;cc=ecfr>)
- ▶ ADS Chapter 310—Source, Origin and Nationality
(<http://www.usaid.gov/policy/ads/300/310.pdf>)

- **A.10: Substantial Involvement**—USAID has a clearly defined role in reviewing and approving certain aspects of your program, which may include the following:
 - **Approval of Your Implementation Plan**—The implementation or workplan describes how your organization will implement its program to reach the objectives contained in the Cooperative Agreement. Upon submission, USAID will review the workplan and provide you with feedback. You cannot begin implementing your program until you receive official approval of your workplan. Typically, workplans are required annually for awards covering multiple years; the submission dates will be stated in your agreement.
 - **Approval of Specified Key Personnel**—Several positions on your project may be listed in this section as Key Personnel (2.5.1), along with the names of the individuals who currently hold each position. USAID may designate as Key Personnel only those positions that are essential to the successful implementation of an award. USAID’s policy limits this to a reasonable number of positions, generally no more than five positions or 5% of recipient employees working under the award, whichever is greater.
 - **Approval of Grantee Collaboration or Joint Participation**—If your project would benefit from USAID’s technical knowledge, the AO may authorize the

collaboration or joint participation of USAID and the grantee on the program. There should be sufficient reason for Agency involvement, and the involvement should be specifically tailored to support identified elements in the program description. When these conditions are met, the AO may include appropriate levels of substantial involvement such as the following:

1. Collaborative involvement in the selection of advisory committee members, if the program establishes such a committee to deal with programmatic or technical issues and not routine administrative matters.
2. Approval of and concurrence on subawards. Grantees must get the AO’s prior approval for the subaward, transfer, or contracting out of any work under their award. If all subrecipients were identified at the outset, and they are listed in the agreement, additional approvals are needed only if these subrecipients are changed or new ones added. While this involvement is generally limited to approving work by a third party, USAID reserves any further approval rights for subawards or contracts and must clearly spell out such Agency involvement in the substantial involvement provision of the agreement.
3. Approval of the recipient’s monitoring and evaluation plans. The AO (unless otherwise delegated to the AOTR) must approve any change to your proposed targets or other aspects of your M&E plan. For example, if the in-country team suggests you work in a different geographic area, and, as a result, you understand that your targets will change, be sure to get written approval before moving forward.
4. Authorization of specified kinds of direction or redirection because of interrelationships with other projects. All such activities must be included in the program description, negotiated in the budget, and made part of the award.

Note: Some Missions may also include the following substantial involvement provision when appropriate:

Agency Authority to Immediately Halt a Construction Activity—The AO may immediately halt a construction activity if identified specifications are not met. In such cases, the AO must also attach the identified specifications to the award when it is being executed. Any material changes to the specifications must be treated as an amendment to the award.

- **A.11: Program Income**—This is the gross income earned by your organization that is directly generated by a supported activity or earned as a result of the award. Program income includes fees for trainings or other services, funds earned from selling equipment purchased with USAID funds, interest earned on micro-loans, etc. Funds raised by selling equipment even after the agreement has ended are still subject to these regulations. Please refer to the language on equipment in [chapter 4](#) (Procurement) of this *Guide* to review regulations related to the sale of items purchased with USAID funds. Income-generating activities are not program income if the income generated goes directly to the beneficiaries, not the project.
- **A.12: Special Provisions**—These include:
 - **A.12.1: Disability**—USAID requires that your organization take steps to ensure that people with disabilities are not discriminated against.
 - **A.12.2: Terrorism Financing**—Your organization must comply with U.S. laws against providing resources to organizations associated with terrorism. This provision also applies to subagreements made under your agreement.
 - **A.12.3: Special Award Condition**—If the pre-award survey resulted in any findings or deficiencies, your agreement will state how long you have to resolve those issues. If you do not resolve these issues satisfactorily, it could jeopardize your agreement.

Attachment B—Program Description

The Program Description is the heart and soul of the Cooperative Agreement. Its contents might include some or all of the following information: the purpose of the award, expected project results and outcomes, target populations, geographic focus, strategic emphasis, specific activities, and monitoring and evaluation approach. The Program Description is based on the technical application submitted during the funding competition. If any concerns were raised during the technical review, and you were asked to address them during negotiations, these issues will be included in your revised Program Description. You should clearly document any significant changes arising from the results of the technical review, including changes to targets, budgets, or technical

approach, and have the AO approve them in writing before you act on these changes.

Attachment C—Standard Provisions

Standard provisions are a variety of laws, regulations, and requirements that apply to entities receiving USAID funding. Though they are “standard,” the actual provisions you find in your Cooperative Agreement vary based on two things:

- U.S.- versus non-U.S.-based recipients have different standard provisions, with some overlap.
- Some standard provisions must be included in all Cooperative Agreements (“mandatory standard provisions”); others are only involved if they pertain to your specific program (“required as applicable standard provisions”).

2.7 Summary and References

During the award phase, you will begin to build a relationship with USAID and finalize the critical agreement details that will govern the rest of your award.

This chapter introduced important award-related concepts and the basics of your agreement, described the key tasks necessary to finalize your award, and outlined what you need to have in place before getting started with your program.

The following chapter proceeds with the start-up phase of your program, to begin as soon as USAID and your organization sign the Cooperative Agreement.

References

- USAID ADS Chapter 303—Grants and Cooperative Agreements to NGOs (<http://www.usaid.gov/policy/ads/300/303.pdf>)
- USAID Standard Mandatory Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)
- USAID Standard Mandatory Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)

3 Program Start-Up



Program Start-Up

3.1 Overview

3.2 Getting Started

- 3.2.1 Five Tips for Managing a Successful Start-Up
- 3.2.2 Start-up Timeline and Checklist
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 - 3.4.1.2 Activity Descriptions
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 - 3.4.1.5 Workplan Review and Approval
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- 3.5.1 Developing a Communication Plan
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 - 3.5.2.1 How Do I Develop a Level 2 Brand for My Program?
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 - 3.5.3.1 Creating a Marking Plan
 - 3.5.3.2 Marking Program Deliverables
 - 3.5.3.3 Subrecipient Requirements
 - 3.5.3.4 Special Requirements
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 - 3.5.4.1 Telling Your Story
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3.6 Summary and References

3.1 Overview

The start-up period is one of the most critical phases of your program. While some managers feel compelled to begin implementing as soon as possible, the more attention you give to establishing a solid foundation (by establishing management policies and systems and developing specific implementation plans), the smoother your program implementation will be.

Skip Ahead

- ▶ Start-Up Timeline and Checklist
- ▶ Financial Systems
- ▶ Procurement Process
- ▶ HR Policies
- ▶ M&E Start-Up
- ▶ Workplanning
- ▶ Communication Plan
- ▶ Demonstrating Impact

This chapter introduces the major tasks that you need to accomplish between finalizing your award and starting implementation of your program. The first part, “Getting Started” (3.2), offers tips for ensuring a successful start-up and includes a timeline and checklist (3.2.2). This section also introduces the USAID team (3.2.3) to help you understand their roles and responsibilities. Finally, this section looks at the practical matters of requesting and spending money (3.2.4) during the start-up phase.

“Management Policies and Systems” (3.3) discusses requirements for financial (3.3.1), procurement (3.3.2), and human resources (3.3.3) systems and policies.

The section on “Planning” (3.4) covers developing a workplan (3.4.1) and setting up your monitoring and evaluation (M&E) system, and the final section includes information on developing a branding and marking plan (3.5.3.1).

Objectives

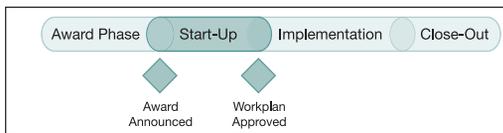
- Understand what you need to accomplish during the start-up phase.
- Learn the minimum requirements for key management systems.
- Walk through the initial workplanning process.

Key Terms and Acronyms

- **Accrual Accounting System**—An accounting method that records financial events based on economic activity rather than financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received.
- **AO**—Agreement Officer, the USAID official with the authority to enter into, administer, terminate, and/or close out assistance agreements and make determinations and findings on behalf of USAID.
- **AOTR**—Agreement Officer’s Technical Representative (formerly referred to as the Cognizant Technical Officer. Under a contract, this position is referred to as the Contracting Officer’s Technical Representative), the USAID official responsible for monitoring a grantee’s progress toward achieving the agreement’s purpose and for serving as technical liaison between the grantee and the Agreement Officer (AO). The AO will name and delegate authority for specific responsibilities to the AOTR named in a Cooperative Agreement.
- **Brand**—A visual representation of a product or service, such as a logo or graphic that is easily recognizable. It is a project’s “signature.”
- **Branding**—The process of developing an identity for a product or service using images and words to evoke positive emotional responses in beneficiaries, which are influenced by their interactions with the implementation of the brand (promotion, customer service, other customers, etc.).

- **Cash-Basis Accounting System**—A method of bookkeeping that records financial events based on cash flows and cash position. Income is recorded when cash is received, and expense is recognized when cash is paid out. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, or pre-paid or accrued expenses. This system is simpler for individuals and organizations that do not have significant numbers of these transactions, or when the time lag between initiation of the transaction and the cash flow is very short.
- **Communication**—The process of transmitting ideas and information about the nature of an organization and the issues with which it deals; an ongoing, core activity that is key to sustaining an organization.
- **Cost Share**—The portion of project or program costs the USG does not cover. This may be in the form of cash or in-kind contributions.
- **FM (or FMO)**—USAID’s Financial Management Office.
- **HR Policies**—A set of rules, values, or guiding principles that define how an organization addresses human resources-related matters. Human resources policies should reflect sound practice, be written down, be communicated across the organization, and be reviewed and modified periodically to reflect changing circumstances.
- **In-Kind Contribution**—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.
- **Key Personnel**—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a Cooperative Agreement as Key Personnel are those leadership slots considered essential to successful implementation of the overall project.
- **M&E**—Monitoring and Evaluation, the process of collecting and analyzing data and information for the purpose of identifying and measuring a project’s impact.
- **Marketing**—The processes and activities that contribute to an organization’s public image that, when developed effectively—and reinforced by the good work of staff—help earn the trust and confidence of beneficiaries, local leaders, and donors.
- **Marking**—Applying graphic identities or logos to program materials or project signage to visibly acknowledge contributors; identifies organizations supporting the work.
- **Matching Funds**—A percentage or fixed amount of non-USG resources that USAID requires recipients to provide for a project to be eligible to receive funds.
- **Micro-Purchase Threshold**—The amount an organization sets under which a procurement process may be simplified. For example, if your micro-purchase threshold is \$1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount.
- **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID’s *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **SF-1420**—Standard Form-1420, Contractor Employee Biographical Data Sheet, used during the hiring process to gather relevant information, including salary history.
- **Standard Budget Categories**—Standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Consultants, Travel/Transportation, Equipment, Supplies, Contractual Services (subcontractors), Program Costs (sometimes replaced with “construction costs”), Other Expenses, and Indirect Costs.
- **Workplan**—A document that lays out a program’s planned activities, associated resources, and targets.

3.2 Getting Started



3.2.1 Five Tips for Managing a Successful Start-Up

1. *Communicate Progress to All Stakeholders*—The news of your award is likely to energize everyone, including project staff, subrecipients, beneficiaries, USAID, and the government officials and community members in your project implementation area. However, excitement can quickly turn into frustration if nothing seems to happen for weeks or even months. Be sure to keep everyone informed and involved during the start-up phase to maintain momentum and enthusiasm.
2. *Involve Staff, Subrecipients, and Communities in the Planning Process*—The easiest way to sustain enthusiasm is to involve staff, subrecipients, and community members in the workplanning process. Resist the temptation to write a workplan based solely on your understanding of the situation because you think that involving a broader group might be too time-consuming and would delay implementation. The extra time invested in the beginning can foster broad ownership of the process and the project.
3. *Learn What USAID Requires*—In effect, compliance begins before the start date of your award. Why? Because notification of an award signals the start of a series of events that may include a pre-award survey, negotiations, and finalizing your award. Learning what USAID requires and when will help you get off on the right foot.

4. *Begin Building Strong Relationships with your USAID Counterparts (both technical and contracting staff)*—You will meet new counterparts in the United States and/or Missions all working toward the same goal of getting your program ready for implementation. Establishing good relationships with all of these people will help build trust and confidence and make the whole process easier for everyone.

5. *Build Implementer-Friendly Processes and Systems*—Start-up involves establishing core management processes, including M&E and financial management systems. It may be tempting to impose automated, highly technical systems. However, before doing so, consider the impact: How much training will be necessary? Are costs involved? Will costs be excessive? Is there adequate infrastructure to support high-tech solutions? Do staff have the time and capacity to learn and maintain these systems? Does using these systems prohibit subrecipients from participating in the M&E process? Be sure to test new systems in the field to ensure they are practical, affordable, and sustainable.

3.2.2 Start-Up Timeline and Checklist

The start-up phase of a project begins when the award is executed and continues until your workplan is approved and you receive funding designated for implementation. There may be some overlap between this phase and some activities in the award phase, such as addressing pre-award conditions. Some activities begun in the start-up phase may continue through the initial implementation phase. Figure 3 provides a list of the key tasks to be completed during start-up.

Figure 3—Key Start-Up Tasks

Event/Task	Description	Timeline	Reference
Award finalized	Begin the start-up phase with delivery of the signed award to the partner.		Chapter 2
Outstanding pre-award tasks	Attend to any aspects of the award phase that are still pending (such as pre-award conditions).	Continues from award phase	Chapter 2
Request funding to cover start-up	Request funds from your funding agency to cover the costs for staff and systems development that are necessary to complete your start-up objectives. Note: <i>This funding may not be used to start implementation.</i>	As needed	Section 3.2.4
Workplan	Develop a detailed workplan for the first year of the project based on your Cooperative Agreement. USAID may provide a template. Do a workplan-budget comparison to ensure that planned activities are consistent with amounts budgeted.	Start after project planning	Section 3.4.1
Financial systems	Make sure your financial manager understands the financial reporting requirements of the award and has everything necessary to meet the minimum requirements. Open a new bank account exclusively dedicated to the project and acquire accounting software applications, if needed.	Must complete certain aspects before receiving funds	Section 3.3.1
Procurement policies and procedures	Establish an effective procurement process to ensure that all procurements made under your award meet USAID requirements and reflect good business practices.	Must complete prior to making purchases	Section 3.3.2 , chapter 4
HR policies	Develop any required HR policies in compliance with local labor laws and communicate them to your staff. Human resource policies, at a minimum, should include the following sections: equal opportunity and non-discrimination, drug-free workplace, disability, anti-human trafficking, HIV workplace policy.	Systems for tracking hours required immediately; other policies may be less time-sensitive	Section 3.3.3
M&E system	Develop indicator definitions, data-gathering processes, and tools. Communicate the importance of data quality to staff and train them to gather and record data properly.	Coordinate with development of workplan	Section 3.4.2
Baseline assessment	Conduct or review results from a program-specific baseline assessment and look for any major baseline data that may already be available.	Coordinate with development of M&E system	Section 3.4.2.1
Workplan review	Be responsive as USAID reviews your workplan. Adjust your program, if necessary, and notify your AOTR immediately if any of the changes affect your budget or targets.	Timing varies	Section 3.4.1.5
Marking/communications plan	Develop a marking/communication plan and review your USAID marking and branding plan.	Complete prior to implementation	Section 3.5.3.1
Workplan approved	Receive notification when your AOTR approves your workplan. (If you are operating on a reimbursement basis rather than an advance basis, you may begin implementing at this time.)		Section 3.4.1.5
Funding for implementation	1. If not already obligated, request funds to cover initial implementation costs. Be aware that USAID's process for obligating funds may sometimes take several weeks, so be sure to plan accordingly. 2. Receive funding from USAID. Organizations operating on an advance-funding basis may begin implementing once the first installment of implementation funds is received.	As long as one month to obligate additional funds, plus as long as two weeks to disburse funds	Chapter 4

3.2.3 Your Team and the USAID Team

During start-up, it is important to manage the expectations of the entire project team as well as beneficiary stakeholders by engaging them in planning and keeping them informed of the project’s status. This will get things done more quickly and will help staff cultivate trust, expertise and leadership skills, which will be critical for solving problems and achieving goals going forward.

During implementation, team members will be working with host-government officials at the local and national levels as well as the in-country USAID Mission and/or Washington, DC-based personnel (and, in some cases, both). During the life of your award, you will deal with three primary USAID offices: the agreement office, financial office, and technical office.

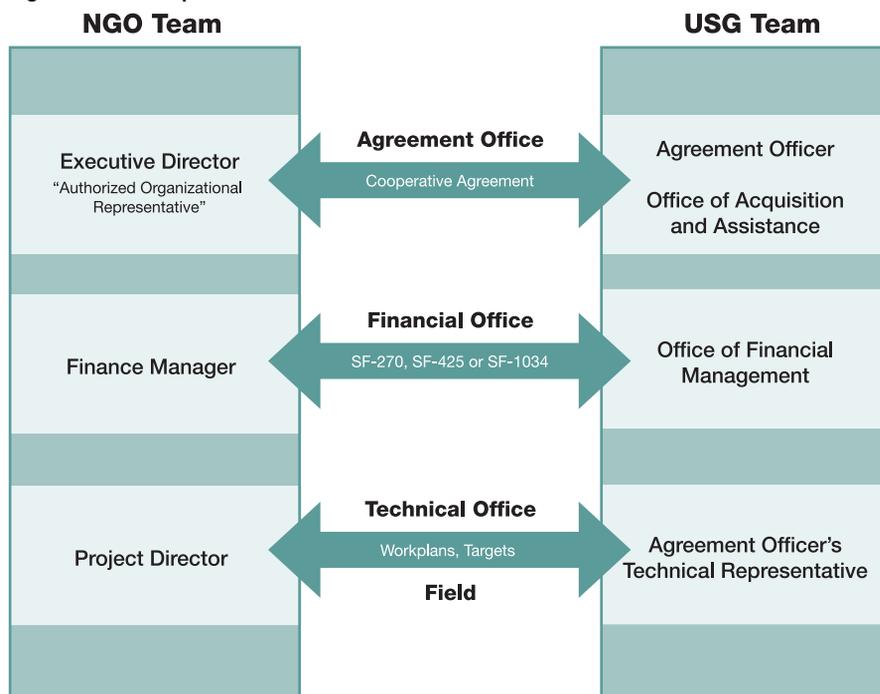
The USAID agreement office is where you applied for funding and negotiated and received your award. The agreement office manages issues related to compliance with the terms

of your agreement. The title of the key USAID individual with whom you will interact in this office is the Agreement Officer (AO). The AO is responsible for approval of formal actions (unless delegated) and award modifications. The AO counterpart in your organization will likely be the Executive Director or someone in a similar leadership role with the authority to enter into legal agreements on behalf of the organization.

At USAID, the finance office is the Cash Management and Payment Division (CMP), but is often simply referred to as “FM,” short for Office of Financial Management.

In most cases, the technical office will be your primary, day-to-day point of contact. The technical office deals with all of the programmatic aspects of your award. USAID agreements identify the Agreement Officer’s Technical Representative (AOTR) as the primary point of contact in the technical office (named in your Cooperative Agreement or subsequently by the AO). A letter of designation from the AO will articulate the responsibilities of the AOTR.

Figure 4—Counterpart Contacts on the NGO and USAID Teams



3.2.4 Requesting Funds during Program Start-Up

Start-up costs should be identified and accounted for in the budget submitted with your proposal. Once approved, you are free to move forward spending those funds for program start-up. Request funds by completing the Standard Form-270 (SF-270) (<http://www.whitehouse.gov/omb/grants/sf270.pdf>). While advances are generally provided on a quarterly basis, you may be restricted to requesting funds for one month at a time. (For more on completing the SF-270 form and requesting and disbursing USAID funds, see [chapter 4](#).)

You must budget and spend your start-up funds carefully in case there are delays in getting your workplan approved. It is not unreasonable to expect the start-up phase to last three months or more.

The funding you receive during the start-up phase is part of your total award amount. You may use it to cover budgeted start-up costs only. If you spend more than you budgeted during this phase, it must be subtracted from

the funding available to implement your award and could hinder your ability to meet your targets. Also, any funds remaining from your start-up obligation will be available to spend during implementation.

Before USAID approves your workplan, it may ask you to make changes. Thus, it is important to wait for written approval before you begin to deliver services. Note that numerous activities contribute to your ability to deliver services that do not necessarily count as implementation—for example, training subrecipients on your M&E system, recruiting personnel, and planning for purchases. Be creative and use this time wisely to prepare your organization and any partners and subs for action once the workplan is approved.

Note: The limitation on implementation during the workplan review process applies only during approval of your initial workplan. Subsequent USAID workplan reviews will not effect implementation of ongoing activities, but approval will be required to expand activities.

Figure 5 lists examples of how you may and may not spend start-up funds.

Figure 5—Appropriate Uses of Start-Up Funds

YES—May Fund during Start-Up	NO—May NOT Fund during Start-Up
<ul style="list-style-type: none"> Addressing pre-award survey findings 	
<ul style="list-style-type: none"> Salaries, or a portion of salaries, for personnel contributing to start-up tasks, such as workplanning, setting up financial systems, or building the M&E system Advertising for project-specific positions, recruiting, and even making a job offer contingent on workplan approval Deposits for rent and utilities; be sure to accurately record as advances or accruals in your accounting system and not as expenses until they are actually incurred 	<ul style="list-style-type: none"> Salaries of personnel who work only on implementation (for example, service delivery)
<ul style="list-style-type: none"> Training staff and subrecipients named in your Cooperative Agreement 	<ul style="list-style-type: none"> Training unapproved subrecipients or conducting trainings at the community level
<ul style="list-style-type: none"> Purchasing items necessary to complete your start-up tasks, such as office equipment and supplies 	<ul style="list-style-type: none"> Purchasing items for implementation, such as test kits, or printing implementation-specific materials

3.3 Management Policies and Systems

Several management systems are required to implement your program successfully and to ensure compliance with the regulations governing your award.

This section outlines important factors and minimum requirements for each of these systems, including:

- Financial System Minimum Requirements (3.3.1)
- Procurement Policy Standards (3.3.2)
- Human Resources Policies (3.3.3)
- Monitoring and Evaluation (3.4.2)
- Baseline Assessments (3.4.2.1)

3.3.1 Financial System Minimum Requirements

The U.S. Code of Federal Regulations (CFR) contains a set of minimum requirements that your financial system must meet in order for your organization to receive USAID funds. The requirements are designed to ensure that USAID funds are administered appropriately and used for their intended purpose, and that you document the use of the funds so that an auditor can review them (when appropriate).

Financial System Minimum Requirements Key Points

Applies to: All recipients of USG funds subject to annual audits

Required for: Financial reports, funding requests, and audits

Verified by: Annual Audit

Governed by: Code of Federal Regulations “Financial Systems Minimum Requirements”

(<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=b3c3841e5bbf2cb2e94dc6312c427ef2&rgn=div8&view=text&node=22:1.0.2.22.25.3.54.2&idno=22>)

How does this help my program?

The importance of sound financial management cannot be stressed enough. If evidence of financial mismanagement is found at your organization, it will tarnish your organization’s reputation and make it challenging for you to get funding in the future.

Pre-Award Survey of Your Financial System

If USAID conducted a pre-award survey (see chapter 2), the auditor checked whether your system met the minimum requirements. If your system fell short, you will have received a report on the deficiencies.

You must set up your financial systems and policies to comply with the financial requirements of your award. These requirements include ensuring that costs are properly categorized, tracked, and charged and that financial information is reported accurately.

The following section outlines some of the minimum requirements for financial management related to your award. This does not replace having a good accountant or financial manager on staff and does not cover all general NGO financial management needs.

Regulation Specifics

Good financial management requires:

- accounting software;
- written financial policies that are well understood by your staff; and
- trained professional staff.

The minimum requirements below refer to both software features and financial policies, and you must incorporate all of these into your staff training.

USAID requires that your financial system must:

- Relate financial data to performance data to develop unit cost data whenever practical.
- Maintain records that identify the source and application of funds for USAID-sponsored activities. These records must contain information pertaining to all USG awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- Demonstrate effective control over and accountability for all funds, property, and other assets. Your system must adequately safeguard all assets and ensure that they are used solely for authorized purposes.
- Compare outlays with budget amounts (for each award, when applicable).
- Have written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable USAID cost principles

and the terms and conditions of the award (see [section 3.3.2](#) on Procurement Policy Standards below).

- Maintain accounting records, including cost accounting records, supported by source documentation.
- Keep your USAID funds in a separate, dedicated, interest-bearing account separate from other all other funds, even separate from other USAID funds. The only exceptions are if your organization (or one of your subrecipients) receives less than US\$120,000 per year or if the interest-bearing account requires a minimum balance that is too high to make it practical to use.
 - You must remit interest earned on the account in excess of US\$250 per year to USAID. (You may keep up to US\$250 to cover administrative costs.) If you are a subrecipient, you will remit the excess interest to the prime recipient who in turn will submit the interest to USAID.
 - Payment shall be deposited in US dollars (\$) to the USAID Account at the Federal Reserve Board New York (FRBNY) via wire transfer.
 - The following information is required on each wire transfer to ensure proper receipt, acceptance, and crediting of funds by the FRBNY:

A	Federal Reserve Bank New York (FRBNY) 33 Liberty Street New York, New York 10045 TREAS/NYC FUNDS TRANSFER DIVISION ABA # 0210-3000-4 (Also known as RI Receiver Financial Institution)
B	USAID ALC = 72000001 (Represents the USAID Account)
C	Type / Subtype Code— 10 U.S. Fedwire Participant Commercial Bank 15 Foreign Central Bank with FRB Account
D	USD Amount
E	Sender FI Financial Institution (Foreign Central Bank or U.S. Fedwire Participant)
F	Instructed Amount (USD or Foreign Currency) Exchange Rate (if applicable)
G	Beneficiary Information (Intermediary Institution)
H	Originator/FI: Identifier, Name, Address
I	Originator to Beneficiary Information (purpose)

- Accurately produce data necessary to complete the financial reporting requirements, including the SF-425. (For details on financial reporting requirements, see [chapter 5](#).)

- **Accrual versus Cash-Basis Reporting—** USAID allows either cash-basis or accrual accounting systems. If your organization maintains its records on a cash basis, you do not need to establish an accrual accounting system. Please note that cash accounting is not GAAP-compliant and is not recognized by the International Financial Reporting Standards. An accrual accounting system is highly recommended.

Accrual Accounting System

An accounting method that records financial events based on economic activity rather than financial activity. For example, under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received.

Cash-Basis Accounting System

A method of bookkeeping that records financial events based on cash flows and cash position. This system recognizes revenue when cash is received and expense when cash is paid. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, and pre-paid or accrued expenses. This is simpler for individuals and organizations that do not have significant numbers of these transactions, or when the time lag between initiation of the transaction and the cash flow is very short.

In addition, USAID may require fidelity bond coverage if your organization lacks sufficient coverage to protect USAID's interest. (A fidelity bond is a form of protection that covers an organization for losses that it incurs as a result of fraudulent acts. It usually insures a business for losses caused by the dishonest acts of its employees.) If such a bond is required, be sure to obtain it from a company that meets USAID standards.

Procurement Policy Standards Key Points

Applies to: All USG-funded partners and subrecipients

Required for: Annual Audit

Verified by: Annual Audit

Governed by: A combination of U.S. law, USAID regulations, and the terms of your award

3.3.2 Procurement Policy Standards

USAID has procurement regulations that dictate what you can buy, from where, how you must purchase and ship items, what taxes are applicable, and what documentation is required. The specific regulations are discussed in [chapter 4](#), but this section discusses the procurement policies needed to govern your purchasing process.

How does this help my program?

Because you are a steward of USAID funds, one of your goals is to make sure your organization uses this money appropriately and effectively to deliver needed services to beneficiaries. The procurement regulations are meant to ensure that funds are not mismanaged or used to purchase dangerous or low-quality goods that could cause more harm than good. Establishing an appropriate procurement process helps protect your organization and your beneficiaries, promotes transparency and accountability, and helps ensure that funds are used efficiently to deliver needed services.

Regulation Basics

- **Standards of Conduct**—Develop written standards of conduct for the employees and officers in your organization who are involved in selecting goods, services, and consultants and overseeing procurement. The code of conduct is for all staff because staff are involved in procurement in one way or another, including:
 - **Conflict of Interest**—Employees should not be involved in selecting or overseeing procurement if there is a real or perceived conflict of interest. This includes situations where the employee, any member of the employee’s immediate family, or the employee’s partner has a financial or other interest in the firm selected for an award. This includes any organization that employs or is about to employ the employee, employee’s family member, or the employee’s partner.
 - **Gratuities**—Employees must not request or accept gratuities, gifts, favors, or anything of monetary value from subagreement contractors or subawardees. However, you may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- **Disciplinary Actions**—The standards of conduct must outline the disciplinary actions to be applied to employees for violating these rules.
- **Free and Open Competition**—Encourage free and open competition to the maximum extent possible.
 - **Unfair Competitive Advantage**—Vendors who help you develop statements of work should be barred from bidding on that work.
 - **Clear Evaluation Criteria**—Solicitations should clarify the criteria your organization will use to evaluate bids.
- **General Procurement Procedures**—In your procurement policy:
 - Avoid purchasing unnecessary items.
 - Consider both lease and purchase alternatives, where appropriate.
 - Include in your solicitations such elements as:
 - description of technical requirements;
 - criteria to be used in evaluating bids;
 - minimum acceptable performance standards;
 - specific features of required items;
 - preference for products and services that use the metric system of measurement; and
 - preference for energy-efficient items and products that conserve natural resources.
- **U.S. Small, Minority-, and Women-Owned Businesses**—When working in the United States, U.S.-based recipients should give preferential treatment to U.S. small businesses, including [HUBZone](http://www.sba.gov/hubzone/aboutus/index.html) (<http://www.sba.gov/hubzone/aboutus/index.html>), veteran-owned, service-disabled veteran-owned, and minority- and women-owned firms. To achieve this, your policies should:
 - Consider whether a firm intends to subcontract with small, minority-, or women-owned businesses in your evaluation process.
 - Encourage contracting with consortiums of small, minority- or women-owned businesses when a contract is too large for any single firm to handle individually.
 - Use the services of various USG agencies and organizations, such as the Small Business Administration and the Department of Commerce’s Minority Business Development Agency, in your solicitation process.

- **Procurement Instruments**—Specify when to use various procurement instruments, such as fixed-price contracts, cost-reimbursable contracts, purchase orders, and incentive contracts. Your policies should prohibit the use of “cost-plus-a-percentage-of-cost” or “percentage-of-construction-cost” methods of contracting.
- **USAID Pre-Award Review**—If your organization does not have a procurement policy in place that meets the minimum standards listed above (for example, if your organization had pre-award survey findings to this effect), USAID may impose increased monitoring of your award procurements by, for example, requiring a review of various documents (for example, solicitation, cost estimates, etc.) for any procurements of US\$10,000 or more.

Micro-Purchase Threshold

The amount your organization sets, under which your procurement process may be simplified. For example, if your micro-purchase threshold is US\$1,000, you may have to have a minimum of three bids on items above that amount, but not on items equal to or below that amount. There is no USG requirement regarding what that amount should be.

- **Contractor Evaluation**—Clearly state that you will only enter into contracts with vendors that you believe can successfully complete the work required. Your policies should consider contractor integrity, record of past performance, financial and technical resources, or accessibility to other necessary resources. Your policies should also include a process for ensuring that suppliers are not listed on the Excluded Parties List (www.epls.gov), the UN Consolidated List (<http://www.un.org/sc/committees/1267/consolist.shtml>), and the U.S. Department of Treasury’s Designated Nationals list (<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>). (For more information on ineligible suppliers, see [4.3.2.4](#)).
- **Documentation Procedure**—Record price or cost analysis in connection with every procurement action. The cost analysis should include the allowability test (see [4.3.2.1](#)).
- **Records for Large Purchases**—At a minimum, keep records with the following information on all procurements that exceed your micro-purchase threshold:
 - the basis for selection;
 - justification for lack of competition when competitive bids were not obtained;
 - documentation on terrorism search; and
 - basis for award cost or price.
- **Contract Administration System**—You should also have a process for evaluating contractor performance that documents whether the contractor met the terms, conditions, and specifications of the contract.

It is important for you to adhere strictly to your organization’s procurement policy (that meets USAID requirements). Not adhering to your organization’s own procurement policy is a common audit finding. For example, if your organization requires a minimum of three bids for any purchase over \$1,000, it is essential to get the three or more quotes in writing or to document a valid reason why three quotes could not be obtained.

3.3.3 Human Resources Policies

There are a number of USAID regulations that touch on human resources (HR)-related issues. (See Standards of Conduct regarding conflict of interest, gratuities, and disciplinary actions in section [3.3.2](#) on Procurement Policy Standards.)

How Do HR Policies Help My Program?

People are your organization’s most valuable asset. Establishing a set of HR policies does not restrict your staff and volunteers—rather, it helps guide and protect them, so they may contribute to the best of their abilities.

Some HR policies are required by local law, U.S. law, or your funding agency, while others are practical or necessary for managing an effective organization. Regardless of the source, establishing clear, well-developed HR policies will not only enhance communication between managers and employees, clarify expectations, and ensure that all staff are treated equitably, but they can also protect your organization against grievances and lawsuits if they arise.

It is a good idea to review your HR policies with regard to meeting USAID requirements. This process will allow you to identify and resolve any gaps or conflicts. Your organization should compile an employee handbook to share with your staff.

Policy Essentials

- **Local Labor Laws and Regulations**— Organizations must comply with local labor laws where they employ staff. For example, there may be regulations preventing hiring discrimination or requiring certain benefits. It is also important for both organizations and employees to be clear from the beginning about the process for discipline/termination, the rights of the employee and employer, and grounds for discipline/termination.
 - **Standards of Conduct**— Standards of conduct are established to address the behaviors and professional conduct that affect the employee’s ability to perform his or her job and represent the organization. Those related to procurement (3.3.2) are described above, but you may want to broaden them to include reporting to work on time, performing assigned duties, and supporting a safe and healthy work environment and common workplace standards, such as prohibiting sexual harassment or discrimination.
 - **Time Sheet Tracking**— Time sheets are required for your annual audit for all personnel who are paid with USAID funds, including contractors and part-time staff. In addition, it is helpful to have volunteers fill out simplified time sheets, so you can track their hours and count their contribution toward your cost-share contribution (if you have one).
 - **Due Diligence in Hiring Decisions**— You are required to have a summary of a candidate’s academic and work history (a curriculum vitae or CV) for every employee hired under your award to verify his or her employment and salary history. The Cooperative Agreement does not require use of the SF-1420—The “Contractor Employee Biographical Data Sheet” (form AID-1420-17, <http://www.usaid.gov/forms/AID1420-17.doc>), the standard form used to document the salary history of employees and contractors. However, the “1420” bio data form is often used during the hiring process because it is an easy way to capture the relevant information. Note that, although this form may not be required, USAID often asks for it to help justify salaries.
 - **Faith-Based Organization Hiring Protections**— Under U.S. Equal Employment Opportunity laws, a faith-based organization (FBO) implementing a USAID program has the right to hire people who share the organization’s faith to carry out its activities. If you choose to do this, make sure your HR policies are clear on this point.
 - **Drug-Free Workplace Policy**— Your Cooperative Agreement requires you, and any of your organization’s subgrantees, to issue a drug-free workplace statement. This policy statement must be signed by every staff member in your organization. A good way to address the signature requirement for this policy is to include it in two documents: first, in the HR manual and, second, as a separate one-page policy document that is signed by each employee and placed in personnel files.
- According to USG Mandatory Standard Provisions, the Drug-Free Workplace Policy statement must include:
- a declaration that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited;
 - specific actions your organization will take against employees who violate that prohibition; and
 - conditions of employment under any award that state that an employee must:
 - abide by the terms of the statement, and
 - notify you in writing if he or she is convicted of violating of a criminal drug statute occurring in the workplace no later than five calendar days after the conviction.
- In addition, your organization is required to establish an ongoing drug-free awareness program to inform employees about:
- the dangers of drug abuse in the workplace;
 - your drug-free workplace policy;
 - any available drug counseling, rehabilitation, and employee assistance programs; and
 - the penalties you may enforce for drug-abuse violations in the workplace.

This policy statement and program must be in place no later than 30 days after the effective date of your award.

You are required to notify USAID immediately if an employee is convicted of a drug violation in the workplace. You must send such notification in writing within 10 calendar days after the conviction and identify the employee's position title and the number of each award on which the employee worked.

Within 30 days of an employee's conviction, you must either:

- take appropriate personnel action against the employee, up to and including termination (as appropriate with your organization's HR policies and applicable labor laws), or
- require the employee to participate satisfactorily in a drug-abuse assistance or rehabilitation program approved by a national, state, or local health, law enforcement, or other appropriate agency.

In the event that local laws prevent you from following the mandates of the USG drug-free workplace policy in full, notify your AO or AOTR and seek his or her guidance.

- **HIV/AIDS Policy**—An HIV/AIDS policy defines an organization's stance on the employment of persons living with HIV or AIDS and the expected treatment of persons living with HIV or AIDS in the workplace. Although an HIV/AIDS policy is not required, it is considered best practice for any organization, particularly those working within the field of HIV/AIDS. An HIV/AIDS policy formalizes the organization's commitment to addressing HIV/AIDS and supporting staff living with HIV or AIDS, including benefits for care or treatment, adjustments in working assignments where possible, and job security. The development of a comprehensive HIV/AIDS policy can enable the organization to keep and benefit from talented staff.

Ensure that your organization is in compliance with national and local labor laws regarding the employment of persons living with HIV/AIDS. In some cases, your organizational policy may exceed what is legally required, particularly in countries with no laws regarding the employment of persons living with HIV.

Creating an Employee Handbook

Once you have developed and reviewed your organization's HR policies, print and assemble them in an employee handbook to share with your staff. Ensure that staff sign a statement that they have received and reviewed it, and understand their obligation to adhere to your organizational policy. Also, include a personnel policy review in your orientation process.

3.4 Planning

The most important deliverable and implementation tool you are required to develop during the start-up phase is your workplan. A good workplan synthesizes all of the technical, organizational, and financial planning for your program. It takes the program description approved in the Cooperative Agreement and translates it into a specific one-year implementation plan that USAID must approve before you can start working.

This section begins by discussing workplanning, which covers what you want to achieve, and how and by when you intend to achieve it. Monitoring and evaluation is then introduced as an essential consideration. The chapter concludes with a discussion of another important deliverable required by USAID—the branding and marking plan (3.5.2).

3.4.1 The Workplan

Your workplan is a detailed narrative outlining exactly how you plan to implement the first year of your program. Although your award may have a period of performance of several years, you generally create and submit workplans annually to allow for year-to-year program adjustments. Workplans are based on the program description in your Cooperative Agreement. While the Program Description expresses what you plan to accomplish over the entire life of the award, your workplan provides the details and specifics.

The workplan is a key component of both your annual responsibility to USAID and your own internal project-management process. The workplan is a tool for you to communicate to USAID how you will execute your program. In addition, the workplan is an excellent tool for you to use internally to better plan and manage your activities.

3.4.1.1 Workplan Sections

Sometimes USAID may require you to use a specific format, but often you will be on your own to develop your workplan. Below are five major sections that workplans may include:

- I. [Executive Summary](#)
- II. [Implementation Plan](#)
 - a. [Workplan Logic Matrix](#)
- III. [Monitoring and Evaluation Plan](#)
- IV. [Budget](#)
- V. [Management and Staffing](#)

In addition, workplans often include [appendices](#) with supporting material and other information about your program.

I. Executive Summary

The executive summary, typically no more than two pages in length, provides a general description of your project and how it is to be implemented. It includes the total budget required for the year broken down by major activities and a summary table of targets you plan to reach during the year. If you are implementing a project in multiple countries, include a general overview and then a country-by-country overview. If you are in the middle of executing a multiple-year program, you may want to include a short summary of project progress to date as it relates to the current workplan. For example, you may explain how a slow start-up in the first year affected original plans and that your second-year workplan includes adjustments to stay on target. However, refrain from getting into a detailed discussion of progress; save that for your quarterly performance reports. Also, resist getting overly detailed about how you are adjusting each activity; include that detail in the activity descriptions in the implementation plan.

II. Implementation Plan

The implementation plan, the heart of your workplan, contains detailed descriptions of each activity. You can take different approaches to organizing this section, based on the number of countries and the structure of activities in your program.

Some partners start with headquarters-level activities—for example, development of training materials. Programs are then broken down into strategic objectives (SO), broad, long-term goals that link directly to the Program Description in your Cooperative Agreement. Your activity descriptions then fall under your strategic objectives as shown in Figure 6. Generally, your activities should align closely with your targets. Be sure to explain all targets that you have committed to achieve.

If you plan to report on a target, there must be an activity description explaining how it will be achieved (see section [3.4.1.2](#) on Activity Descriptions).

a. *Workplan Logic Matrix*

Your implementation plan may include a Workplan Logic Matrix; this matrix links activities, timelines, and targets. Generally, the Workplan Logic Matrix will be similar to the chart in Figure 7, laid out in the same order as your workplan (Strategic Objectives and Activities). For each activity, 3-month, 6-month, 9-month, and 12-month outputs are listed. The 12-month outputs will be cumulative. The Workplan Logic Matrix also shows your targets, subrecipients, and geographic location for each activity.

Figure 6—Workplan Implementation

Agreement	Year 1	Year 2
Program Descriptions Multi-Year Project		
Strategic Objective 1	Strategic Objective 1 Activity A Timeline/Targets...	Strategic Objective 1 Activity A Timeline/Targets...
Strategic Objective 2	Activity B Timeline/Targets...	Activity B Timeline/Targets...
Strategic Objective 3		
	Strategic Objective 2 Activity C Timeline/Targets...	Strategic Objective 2 Activity C Timeline/Targets...
		Strategic Objective 3 Activity D Timeline/Targets... Activity E Timeline/Targets... Activity F Timeline/Targets...

Figure 7—Sample Workplan Logic Matrix for a Women’s Micro-Enterprise Program at 3, 6, 9, and 12 Months

Activity	Outputs 3 Month	Outputs 6 Month	Outputs 9 Month	Outputs 12 Month	Target	Indicators	Sub- recipients	Location
Kenya								
Strategic Objective 1: Empower women through income-generating associations.								
Activity 1: Formation of Women’s Associations	Establish 3 associations of 10 women each	Add 3 associations (total 6) of 10 women each	Add 3 associations (total 9) of 10 women each	Add 3 associations (total 12) of 10 women each	Engage 120 women through community outreach to form 12 income- generating associations	# of women engaged	Nairobi Youth Alliance	Nairobi
Activity 2: Best Business Practices Leaders	Train 10 female community leaders	Train +10 female community leaders	Train +10 female community leaders	Train +10 female community leaders (total 40)	Train 40 women in effective business practices and vocational skills	# of women trained	Global Grassroots	Nairobi

III. Monitoring and Evaluation Plan

Monitoring and evaluation plans contain the following elements (see section 3.4.2):

- indicators broken down by locality/geographical area and activity;
- additional USAID in-country indicators broken down by locality and activity;
- additional indicators you plan to use to monitor your programs, broken down by geographical area and activity;
- detailed narrative that describes your M&E process; and
- precise definitions for measuring targets.

The narrative should include information on:

- how data are gathered;
- how they are entered into your M&E system;
- frequency with which data are gathered and entered;
- what controls or measures are in place to ensure accuracy and data quality;
- how you will use the data for program improvements; and
- overview of the training you give to staff involved in gathering data.

Finally, you should include precise definitions for all indicators. For example, when you count someone as “trained,” is there a test or are there a certain number of classes the individual must attend? Are there government standards and certifications to which you must adhere?

IV. Budget

The budget section includes a budget narrative and refers to an attached budget. The budget spreadsheet and the budget narrative should break down the budget into standard USAID budget categories.

The narrative should have a one- or two-paragraph overview on overall spending. Is the program on track from a spending perspective? If not, why? Do you plan to shift, slow down, or speed up spending?

In addition, if you foresee the need for rebudgeting, determine whether these changes will meet the 10% significant rebudgeting threshold requiring USAID approval. Explain

your reasons for rebudgeting, and how you will make up shortfalls in areas where you shift money out.

V. Management and Staffing

The management and staffing section includes an organization chart that shows the reporting structure and identifies personnel. In addition, a narrative may explain staffing strategies, such as volunteer recruitment and retention plans, training, and in-country or subrecipient management strategies.

For multiple-year agreements, workplans after the first year may focus on any recent or future changes to the project’s staffing structure and their impact on plans for the upcoming year. Keep in mind that your focus should always be on the impact on implementation for the upcoming year.

Appendices

The inclusion of appendices to your workplan varies widely from partner to partner and program to program. Examples of documents you may wish to attach in an appendix include:

- documents in other formats that are difficult to integrate into the main document (for example, a workplan budget created using Microsoft Office Excel);
- graphical documents, such as organizational charts;
- supplementary information that provides additional details on your program, such as curricula summaries or training agendas; and
- further information on subrecipients, including MOUs.

While appendices can be helpful, be wary of putting too much in an appendix. If you find your workplan doubling in length after including the appendices, consider whether they are really helpful to your AOTR.

An alternative is to attach a summary list of materials that your program uses with a table of contents or short synopsis of each item. This list may include data-gathering forms, training manuals, information pamphlets, handouts, etc. Include details about the language in which something is written, the number of pages, who developed the document, and when it was last revised. Your AOTR then may request a copy of a full document later if needed.

3.4.1.2 Activity Descriptions

Activity descriptions are a central part of your workplan, so it is a good practice to start writing your activity descriptions first, and then build the rest of the workplan around them.

The first step is to break down your planned work into “activities” and “objectives.”

Activities and Objectives

Workplans group activities under objectives. An objective is a high-level goal that your activities work together to achieve. It ties back to the program description in your Cooperative Agreement. The activities that work toward that goal will fall under that objective.

An activity is a series of tasks with one or two primary outputs. The output(s) should tie directly to your targets. If you have a number of different targets for an activity, try breaking them down. Are the tasks under an activity closely related, and do they all build toward the same goal? If not, consider reorganizing your activities.

If an activity does not fit easily under one objective, try to determine what the primary outcome is. For example, perhaps an event you are sponsoring promotes mediation, raises awareness about indigenous forms of dispute resolution, encourages active listening, and provides information on interpersonal reconciliation, but the primary goal is mediation. If you have other strategic objectives for local forms of dispute resolution, active listening, and interpersonal reconciliation, you can always mention how this activity links to those other strategic objectives in your activity description.

Writing Activity Descriptions

A good activity description will be able to convey the following:

- what you plan to do;
- how you plan to do it;
- how long it will take;
- who will be doing it;
- who you will be doing it to and/or with;
- where the activity will be undertaken (multiple locations or single location);
- how the activity links to other activities, either within this project or other partner projects (including referral networks);

- major costs associated with doing this work; and
- outputs and outcomes you expect and how you plan to measure these.

The primary purpose of activity descriptions is to lay out the technical details and timelines, which you should cover in depth. Other areas (staffing, budget, and M&E) do not need to be as comprehensive, since the reader will refer to those sections in your workplan. However, it is very helpful to discuss how a particular activity relates to those sections.

Within each activity description, refer to partners, materials, or curricula that you plan to work with or use. Put details about your subrecipients or the curricula you propose to use in an annex to avoid straying too far from discussing implementation.

Activity Description Outline and Example

The following is an activity description outline:

- activity name
- type of program/program activity area
- geographic scope of activity;
- technical description of project; and
- current status of the activity (is it a new or continuing activity?).
 - If it is a new activity, what steps do you need to take to get started? How long will start-up take?
 - If it is continuing, are there any changes/expansions this year?
- Include any other specific steps that are necessary to reach this year’s targets, such as the need to identify locations, hire or recruit volunteers, develop materials, complete major procurements (vehicles), etc., as well as estimated timelines for completion.
- Major costs associated with the activity.
- Who will do the work—staff, volunteers, or subrecipients.
- Targets estimated for the activity.
- Indicators you will monitor to measure impact and quality.
- Linkages with other programs and any additional effects the program may have.

Figure 8—Sample Activity Description: Community Home-Based Care

Community Home-Based Care

The Community Home-Based Care activity is a home-based palliative care program set up and maintained by volunteers from the local community. This activity is aimed at 20 rural communities in the Southern Nations, Nationalities, and People's Region (SNNPR) in Ethiopia.

This program uses the "Home-Based Care in Ethiopia" training materials developed by XYZ NGO and approved for use by the Ethiopian Government. The materials have been translated into the local language most widely spoken in SNNPR.

This activity will start up as soon as the workplan is approved. Our Training Manager, Almez Hailu, a registered nurse with five years of HBC experience, completed training in the curriculum in August. She will travel to SNNPR within one month to set up and conduct the first training of trainers. We have partnered with the SNNPR Regional Health Bureau to provide 10 trainers who are familiar with local language and Amharic. The training consists of a two-week course and two weeks of "hands-on" supervised home interventions. After the trainers have completed their training, they will be dispatched to the 20 villages in 5 groups of 2. They will spend approximately one month in each village. Over the course of the year, they will go to each village once.

Once in the villages, they will work with the local communities to identify individuals needing care and will establish home-based care committees, starting with the families of people living with HIV/AIDS (PLWHA). They will work with the committees to train volunteers and identify additional needs, such as nutrition, treatment, and testing. Since the trainers are from the regional health office, they will draw on local resources for referrals.

Once the 10 individuals are trained, we expect each of them to reach out and train at least 10 additional volunteers in each village, bringing the total trained to 210. Based on the current prevalence data, we estimate there are, on average, 25 PLWHA in each village. Our goal is to provide at least weekly visits to each of those PLWHA after we have identified them and trained the volunteers. That would mean we would reach an estimated 500 individuals with home-based palliative care.

The community care committees will learn basic recordkeeping and will receive simple forms to complete during each visit. Our M&E Field Staff will travel once a month to each village to gather the data and to take oral reports from the committees on the status of their programs. These staff members will also be able to resupply home-based care kits and answer any questions the volunteers may have. The Field Staff will stay in each village for one week and will visit multiple homes during their visits to ensure quality control.

We will also be working with the Regional Health Bureau office to monitor effects through referrals to other treatment, testing, and orphans and vulnerable children programs.

3.4.1.3 Workplan Budget

Your workplan budget should include six elements:

- summary budget spreadsheet;
- detailed budget spreadsheet;
- budget narrative;
- identification of international travel;
- identification of items that will require waivers or approvals; and
- cost-share/matching details.

The budget spreadsheets—both the summary and detail—should be in Microsoft Office Excel® format, and it is best to put them in one file with separate worksheet tabs. Ideally, the summary tab will total automatically from the detail.

Summary Budget Spreadsheet

The summary budget will show the totals for each of the USAID standard budget categories. The spreadsheet should also show the cost share or matching funds where appropriate. The standard budget categories are incorporated into the sample summary budget spreadsheet in Figure 9.

Figure 9—Sample Summary Budget

Summary Budget for My NGO		Year 1	Year 2	Year 3	Total	Cost Share (if applicable)	Total Project Costs
		Year 1	Year 2	Year 3	Total	3 Years	3 Years
A.	Personnel	45,000	47,250	49,612	141,862	50,000	191,862
B.	Fringe Benefits	9,000	9,450	9,922	28,372	5,000	33,372
C.	Consultants	10,000	10,500	11,025	31,525		31,325
D.	Travel, Transportation	22,000	23,100	24,255	69,355		69,355
E.	Equipment	40,000	0	0	40,000	6,535	46,798
F.	Supplies	4,990	882	926	6,798		6,798
G.	Contractual Services (subcontracts)	135,000	141,750	148,837	425,587		425,587
H.	Program Costs	75,000	78,750	82,688	236,438	143,634	380,072
I.	Other Expenses (e.g., audit)	25,000	26,250	27,563	78,813		78,813
J.	Indirect Costs	0	0	0	0		0
TOTAL		365,990	337,932	354,828	1,058,750	205,169	1,263,919

Figure 10—Sample Detailed Budget

Year 1 Detailed Budget (Jan 1, 2010 to Dec 31, 2010)					
A.	Personnel	Position	Rate per Month	Number of Months LOE*	Year 1 Total
1.	Darlene Director	Project Director	\$1,000	12	\$12,000
2.	Frank Finance	Finance Manager	\$900	12	\$10,800
3.	Paul Program	Program Officer	\$800	12	\$9,600
4.	Patience Program Assistant	Program Assistant	\$650	12	\$7,800
5.	Robby Receptionist	Receptionist	\$400	6	\$2,400
6.	David Driver	Driver	\$400	6	\$2,400
SUBTOTAL					\$45,000

* LOE - Level of Effort

Detailed Budget Spreadsheet

The detailed budget breaks down the costs further, and each line item should include a unit cost as well.

Ideally, totals in the detailed budget spreadsheet will be calculated based on specific formulas,

which are linked directly back to the summary spreadsheet. This will help significantly if you need to rebudget.

Figure 10 is a sample of one section—A. Personnel—of the detailed budget spreadsheet for My NGO.

Budget Narrative

A budget narrative should reference both the summary and detailed budget spreadsheets. It should start by going through each of the standard budget categories and giving a short description of the primary costs that will be incurred. Certain budget categories require further explanation, as follows:

- **Personnel**—Identify Key Personnel and the percentage of their time dedicated to the project.
- **Fringe Benefits**—It is important to identify separately the fringe benefits that your staff are entitled so that USAID can understand how your HR policy relates to the budget. (Remember also that if it is your organization’s policy to pay a severance to your staff at the end of the contract, this should also be reflected in your budget and budget notes.) Remember to keep track of accruals in your accounting system if it is cash-based.
- **Contracts**—This may include the name of your subrecipients that you intend to use on the project. Include all projected costs of your subrecipients under this line item (and then their detailed budget and budget notes as appendices) as opposed to including their budgeted line items (such as salaries, fringe benefits, travel, etc.) with your organization’s own line items. For consultants, remember to include the rate justification (such as the daily rate based on their established and verified salary history or SF-1420 form) and the unit justification (such as the number of days, etc.).
- **Travel**—Identify international travel and provide justification for it.
- **Equipment**—Identify equipment that will require waivers or approvals, including vehicles, and provide a justification. Also, identify procedures you will follow in procurement (getting multiple bids, for example).
- **Other Direct Costs**—Identify other expenses directly attributable to the project that are not included in the line items presented above. These will vary from organization to organization and may include costs such as rent, utilities, supplies, expendable equipment, etc. Unit costs for these types of items may be based on the organization’s prior experience implementing projects of a similar scope and size.
- **Subawards**—Identify partners and include a short description of the activities you will implement with them or have them implement.

- **Indirect Costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as utilities, rent, or administrative support staff. If a [NICRA](#) 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, see section [4.3.1.6](#). For more on establishing a NICRA, see section [2.5.2](#).)

The narrative should also discuss the status of the program’s overall spending. Is the program on track from a spending perspective? If not, what do you plan to shift, slow down, or speed up.

Identification of Items that Will Require Waivers or Approvals

Include a list of restricted commodities such as vehicles, pharmaceuticals, and other items that require [waivers and/or approvals](#).

Cost Share/Matching

Provide a brief narrative describing your organization’s contributions to the project that apply to your cost-share or matching obligation, if any.

Cost Share versus Matching Funds

The term “matching funds” is used when program recipients are required to provide a certain amount of non-USG funds to a project in order to be eligible to receive USG funds. Cost share refers to all other cases where non-USG contributions are committed to a program.

Carefully consider the amount of cost share or matching funds your organization will be able to contribute. Once cost share or matching funds are proposed and approved, either is legally binding, and your organization will be held to contributing that amount.

Clarifying which currency will be used for local expenditures is also important. When proposing a cost-share amount, pay close attention to whether it is in U.S. dollars or local currency.

3.4.1.4 What Makes a Good Workplan

The following are the three characteristics of a good workplan:

1. The workplan describes activities thoroughly and completely, so that someone who is unfamiliar with the project will be able to understand it.

2. The different sections of the workplan are connected. For example, if the activity description says that 50 people will be reached, then the M&E section will describe how it will determine whether 50 people have been reached, the budget section will account for the cost of reaching 50 people, and the staffing section will show how the organization will hire and train someone to reach those 50 people.
3. The proposed activities, time frame, and budget are realistic and achievable.

3.4.1.5 Workplan Review and Approval

Once you complete your draft workplan, submit it in accordance with the instructions in your Cooperative Agreement. Typically, this means submitting it electronically to your AOTR. Your AOTR will then coordinate a technical review with various USAID experts. You may be asked to make changes to your program, ranging from minor fixes to major program reorganization. Again, major changes are generally requested only if your proposed activities are inconsistent with USAID guidance or host-country plans. If these changes affect your targets or budget, be sure to alert your AOTR. Major changes that require rebudgeting or changes in scope or targets may require a modification to your agreement.

Generally, the review process for the first year will take longer and involve more revisions than will subsequent reviews.

Once you have made all requested changes, your AOTR will do a final review and issue a formal workplan approval. At this point, if you are planning to operate on a reimbursement basis, you can begin implementing. If you are operating on an advance-funding basis, then your AOTR will arrange for you to receive an additional obligation on which you can begin to draw. The obligation may take as long as one month, with an additional two weeks for funds to get to your bank account. Be sure to plan accordingly and manage the expectations of project stakeholders.

There is one important consideration to note: if your organization still has outstanding pre-award conditions that you have not met by the time you are ready to implement, USAID may not clear your organization to receive funding. (For more information about pre-award conditions, see [chapter 2](#).)

3.4.2 Starting Your Monitoring and Evaluation (M&E) System

Experience shows that it is good practice to consider M&E from the start. While many people have heard of evaluations that take place at the end of the project, you must conduct one at the beginning of the project to serve as a starting point or baseline against which to measure change. This means collecting data before the intervention starts.

Although often mentioned in the same breath, monitoring and evaluation are, in fact, two distinct activities, related but not identical. What they have in common is that they seek to learn from what you are doing and how you are doing it.

Monitoring involves tracking your project's progress, which means systematically gathering and analyzing information about what you are doing, whom you are reaching, and whether activities are being implemented according to plan. It provides the basis for evaluation. Evaluation is the comparison of actual project impact against agreed-on plans. It looks at what you set out to do, what you have accomplished, and how you accomplished it.

Your M&E system gathers information on dozens of data points throughout your program so you can track progress and analyze the effectiveness of each activity.

M&E System Setup Key Points

Applies to: All recipients

Required for: Performance Reporting

Verified by: Data Quality Assessments

Governed by: Your Cooperative Agreement and USAID regulations

How Does This Help My Program?

Setting up an M&E system is more than just building a spreadsheet or database. You must also understand your overall objectives and figure out how to track activities and progress to make sure you are achieving goals.

By carefully designing an M&E system that is user-friendly and responsive to the challenges of operating in the field, you will have a powerful tool at your disposal to track the progress and impact of your program as well as data to guide its refinement.

3.4.2.1 Setting Up an M&E System

The following section outlines several important considerations to keep in mind as you set up your M&E system. Numerous free M&E resources are available on the Internet, a number of which are listed in the reference section, for further reading. In addition, a special section on baseline assessments (see the box on [Baseline Assessments](#)) can help you start gathering baseline data.

1. Plan Your M&E Timeline.

What key deliverables does your M&E system contribute to, and when are they due? For example:

- When are M&E-related reports due (see [chapter 5](#) on reporting requirements)?
 - host-government reporting requirements;
 - USAID performance reporting requirements; and
 - final report.
- How else will you be using the data for internal program management?
 - to feed into annual budgeting and work planning;
 - mid-term evaluation;
 - final evaluation;
 - other regular program monitoring; and
 - as a tool for decisionmaking.

Long-term programmatic goals and objectives should be based on performance and feedback from the field, including feedback from intended beneficiaries. Over and above USAID reporting requirements (in line with strategic plans), M&E plans should include indicators to track progress toward long-term sustainability. Map these items on a timeline to that ensure your system is prepared to deliver the data you need on time.

2. Use Your Program's Objectives to Define Indicators.

A program may have required indicators that will define a portion of the data you collect. The host government may also require programs to report against country-specific indicators.

In addition, you will want to select some of your own indicators, which you will use to measure the impact of your program activities. You should align these program-specific indicators with your objectives, and they should help measure your success at meeting them.

Baseline Assessments

A baseline assessment gives a snapshot of the community or targeted beneficiary group prior to the start of a project. It may include data on communities, households, and/or individuals, depending on the specific goals of the project.

These data may be used prior to implementation to refine the project design. The assessment is repeated during the project to track progress and help make adjustments, and at the end of the project to measure the overall impact of the project. The baseline assessment is a critical component of your M&E system.

Data from in-country sources may contribute to your baseline. In addition, other NGOs/CSOs operating in the same country where you are working may have data they are willing to share.

However, these are a supplement to your survey of the communities where you intend to work. This aspect of the assessment should focus specifically on collecting data relevant to your project.

You can contract baseline assessments to an independent evaluator, especially if your M&E staff is not in place from the start. Be sure to save all documentation of your baseline assessment, including all tools and forms, for evaluators to use later to conduct mid-term and final evaluations.

3. Choose Appropriate Data Collection Methods.

A strong M&E plan will provide a sense of the number of beneficiaries receiving project support as well as what changes this support brings about in their lives. Different data-collection methods gather information that answers both of these questions, and it is important to make careful decisions about the types of data collection methods to use to tell the story of your project results.

Data collection methods should match the indicators developed for the program, be appropriate to the context, and be easy to use.

Consider systems that allow for community-level participation and ensure that all analysis is shared with the implementers in the field, so everyone can learn from the data.

4. *Design a Paper Process First.*

When staff visit beneficiaries, what data will they need to capture? How will they collect these data? How will they record the data? How will you consolidate and analyze the data for reporting?

Design your process step by step with paper-based forms first. Later, you may choose to automate or computerize certain components.

5. *Take an Implementation-Friendly Approach.*

What challenges does your program face in the field? Is travel to sites in rural areas expensive and time-consuming? Is there electricity or solar-energy-powered equipment? Do you have good Internet access? What sort of literacy rates can you expect from volunteers or field staff, including computer literacy?

If you take into account the realities faced by your partners in the field, you can use simple techniques to make your system more field-friendly. For example, use pictures and icons rather than words if there is limited literacy; have paper forms that match computer forms to help data entry; and set up a paper-based, backup system in case a computer is unavailable for a time.

6. *Streamline and Automate Processes Where Appropriate.*

Once you have an overview of your system, you will want to streamline and automate processes where appropriate. For some projects, USAID may have an automated system or Web interface you must use to capture and/or submit data; others have spreadsheet templates. Ensure that your system is compatible and you can input data directly into these systems if such an option is available.

7. *Design Training and/or Reference Materials for Data Collection.*

Once your system is designed, create training and reference materials for the staff. Understand the particular challenges

field staff may face and provide guidance to help them. One particularly helpful item is a list of clear definitions of your indicators and guidance on exactly what and how to count. Then, train and provide mentorship of subrecipients that are gathering information to feed into your M&E system.

8. *Test Your System.*

A practice run of your system, from beginning to end, can spot data-capturing issues and technical problems, so they can be addressed before actual implementation.

9. *“Push Down” Analysis Opportunities and Incorporate Feedback.*

Too often, M&E systems feed data up the reporting chain, from communities to program offices where analysis and learning takes place, but they do not push it back down to the community level. Communities and implementing subrecipients benefit greatly from receiving feedback and from learning how to use the data to perform their own program analysis. These systems do not need to include complicated data tools. A small community group can use something as simple as a flip chart with activities and beneficiaries to see which clients are receiving what services each month.

3.4.2.2 Linking Program Targets with Impact Indicators

Another important consideration is determining how you will demonstrate impact—showing significant, sustainable changes in a target population or community after an intervention is completed. Impact differs from measuring outputs, for example, counting the number of people trained, the number reached with certain interventions, etc.

Impact (<http://www.outcomemapping.ca/resource/resource.php?id=189>) also differs from looking at outcomes, which are 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.

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.

Impact indicators relate to your objectives. For example, if you are running an HIV/AIDS voluntary counseling and testing (VCT) program, why are you trying to get people tested for the disease? The answer outlines the objectives you want your 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 beneficiaries.

3.5 Communication

Communication is a key component of any program. Not only does it help build relationships with donors, beneficiaries, and other stakeholders, but it also alerts people to the great work you do and is critical to meeting the needs of your donors. Over the long term,

an effective communication strategy can mean strengthening support among local leaders and beneficiaries, developing partnerships, and receiving additional donor funding.

While the different activities involved in communication cut across many phases of your award and continue throughout your program, it is best to begin planning them during start-up. The earlier you prepare and start implementing your communication plan, the more people you are likely to reach and the more people your program will benefit.

Often when we think of “communication,” we think of advertising products for sale or sending out a press release, but it is much more than that. Anytime you are trying to transmit messages to a group of people outside the organization, it can be considered communication. This includes:

- informing potential beneficiaries about the services you offer;
- appealing to potential volunteers to contribute time to your program;
- sharing your success stories with the NGO community and potential partners; and
- informing the public about your work, including crediting your donors.

The following section discusses several key concepts, including communication planning (3.5.1), branding (3.5.2), marking requirements (3.5.3), demonstrating impact (3.5.4), and communication ethics (3.5.5). Each of these topics is a component of your communication strategy and can contribute to your organization’s ability to sustain its activities.

How does this help my program?

Communication includes a variety of channels, methods, and strategies, ranging from putting up signs and applying logos to hosting events and building a Web site. Together, these add up to your organization’s public image which, when developed effectively (and reinforced by the good work of your staff), will help you earn the trust and confidence of beneficiaries, local leaders, and donors.

3.5.1 Developing a Communication Plan

To communicate effectively, it helps to plan what you want from your communication, and what you need to do to get it. Such a plan provides direction on how to shape your image, create demand for your services and build relationships with key target audiences.

Developing a written communication plan takes effort. However, once in place, a written plan will make everything easier, help set priorities, relieve you of last-minute stress, and bring order and focus to activities that can otherwise be hit or miss.

The process of developing a communication plan is similar to that used to develop a workplan or a strategic plan ([chapter 8](#)). Like them, a communication plan includes:

1. strategic objectives;
2. activities or tactics to achieve these objectives;
3. how these objectives and activities are supported; and
4. expected outcomes (“targets”) against which you can measure the success of each activity.

A communication plan may also include policies particular to communication, including ethical guidelines ([3.5.5](#)), discussed later in this chapter.

Five Steps to Improved Communication

1. Create a Communication Planning Team.

To get buy-in and improve the chances that the plan will not gather dust, involve the people who will be responsible for implementing the plan. If the organization has a communication manager, he or she should lead the process. If not, choose someone on staff with the relevant expertise to guide a team through the process.

2. Define a scope of work and allot time to the process.

Be clear about the roles each participant will play. Allow for three to five days—in one go or spread over time—the first time you do it.

It is important to separate the work you *can* do from what you must do. Set goals that focus on what must be done and make sure these goals are achievable.

3. Conduct a communication audit.

Take stock of what you are doing and saying now to your various audiences, including beneficiaries, donors, other NGOs, and potential volunteers. To get started, collect any news stories as well as samples of all existing materials such as letterhead, fliers, brochures, and so on. Also, take a look at what is being communicated in the external environment about your sector/issue and by any competition.

As with any planning process, it also means answering some basic questions:

- Why do we want to communicate with groups outside of our organization (goals)?
- What do we hope to achieve (outcomes)?
- To whom do we want to communicate it (audience)?
- What do we want to communicate (message)?
 - the services we offer;
 - why they need these services (that is, how they will benefit from them); and
 - who is making this work possible (that is, giving credit to the donor and or host government).
- Who will communicate the message (messengers)?
- How do we want to communicate it (channels)?
 - What language(s) do they speak?
 - Where and how can you communicate with them—in other words, what is the best way to “get in front of them” with our message?
 - What cultural considerations should we be aware of?

A sample of a more comprehensive set of questions follows in [Figure 11](#).

Figure 11 – Communication Audit Template

GOAL(S)	<p>Why do we want to communicate with groups outside of our organization (goals)? What do we hope to achieve (outcomes)? What are our priorities?</p>														
AUDIENCE(S)	<p>Who are our target audiences—be specific? (Choose from a list.)</p> <p><input type="checkbox"/> Beneficiaries</p> <p><input type="checkbox"/> Donors</p> <p><input type="checkbox"/> Opinion leaders</p> <p><input type="checkbox"/> Media</p> <p><input type="checkbox"/> General public</p> <p><input type="checkbox"/> Legislators/other Government entities _____</p> <p><input type="checkbox"/> Other stakeholders (describe _____)</p> <p>What is the profile of each?</p> <ul style="list-style-type: none"> • What language(s) do they speak? _____ • What cultural considerations should we be aware of? 														
IMPLEMENTATION	<p>Tactics</p> <p>Which of the following methods (tactics) have we used to promote the organization and its core messages in the past 12 months? Do we have examples?</p> <table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> Brochures</td> <td><input type="checkbox"/> Newsletter</td> </tr> <tr> <td><input type="checkbox"/> Fliers</td> <td><input type="checkbox"/> Events</td> </tr> <tr> <td><input type="checkbox"/> Posters</td> <td><input type="checkbox"/> Local newspaper advertising</td> </tr> <tr> <td><input type="checkbox"/> Billboards</td> <td><input type="checkbox"/> Local radio advertising</td> </tr> <tr> <td><input type="checkbox"/> Press releases</td> <td><input type="checkbox"/> Business cards</td> </tr> <tr> <td><input type="checkbox"/> Web site</td> <td><input type="checkbox"/> E-mail</td> </tr> <tr> <td><input type="checkbox"/> Presentations</td> <td><input type="checkbox"/> Other _____</td> </tr> </table> <p>What are the best methods (tactics) to reach our target audience(s)—in other words, what is the best way to “get in front of them” with our message? (Match audiences with effective tactics above.)</p> <p><input type="checkbox"/> Beneficiaries</p> <p><input type="checkbox"/> Donors</p> <p><input type="checkbox"/> Opinion leaders</p> <p><input type="checkbox"/> Media</p> <p><input type="checkbox"/> General public</p> <p><input type="checkbox"/> Legislators/other Government entities</p> <p><input type="checkbox"/> Stakeholders (describe _____)</p> <p>What do we want to communicate to each audience (message)?</p> <ul style="list-style-type: none"> • the services we offer; • why they need these services (that is, how they will benefit from them); and • who is making this work possible (that is, giving credit to the donor and or host government). 	<input type="checkbox"/> Brochures	<input type="checkbox"/> Newsletter	<input type="checkbox"/> Fliers	<input type="checkbox"/> Events	<input type="checkbox"/> Posters	<input type="checkbox"/> Local newspaper advertising	<input type="checkbox"/> Billboards	<input type="checkbox"/> Local radio advertising	<input type="checkbox"/> Press releases	<input type="checkbox"/> Business cards	<input type="checkbox"/> Web site	<input type="checkbox"/> E-mail	<input type="checkbox"/> Presentations	<input type="checkbox"/> Other _____
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<input type="checkbox"/> Posters	<input type="checkbox"/> Local newspaper advertising														
<input type="checkbox"/> Billboards	<input type="checkbox"/> Local radio advertising														
<input type="checkbox"/> Press releases	<input type="checkbox"/> Business cards														
<input type="checkbox"/> Web site	<input type="checkbox"/> E-mail														
<input type="checkbox"/> Presentations	<input type="checkbox"/> Other _____														

Figure 11—Communication Audit Template *(continued)*

IMPLEMENTATION <i>(continued)</i>	<p>Who will communicate the message (messengers)?</p> <p>How do we want to communicate it (methods/tactics)?</p> <p>What resources do we have available now for implementation?</p> <p>How are those resources being allocated?</p> <p>What resources do we lack? Time, materials, money?</p> <p>What works?</p> <p>What does not work?</p> <p>Are there skills/abilities we believe would help us do our job better?</p> <ul style="list-style-type: none"> • If yes, what are they? • How can we get them? <p>Review</p> <p>Who must review and sign off on any external communication product/material?</p>
MONITORING & EVALUATION	<p>How do we monitor success (for example, survey and clip newspapers)?</p> <p>What have been our most effective communication tactics?</p> <p>How do we measure the impact of our efforts?</p> <p>What are the biggest obstacles in effectively reaching the target audience(s) with our messages?</p> <p>Name one thing that the organization could do to improve communication immediately.</p>
GENERAL	<p>What is the biggest communication challenge the organization faced in the last 12 months?</p> <p>What do we think are the greatest challenges for the organization over the next year?</p>

4. *Develop communication action plan and timeline.*

The answers to the audit questions become the basis of your action plan. Try to design “SMART” communication activities—Specific, Measurable, Achievable, Realistic, and Time-Bound ([chapter 8](#)). Do not forget to include as part of your communications plan budget considerations and sufficient staff to implement the intended activities.

5. *Implement the plan.*

Based on what you’ve learned, you are ready to develop materials and disseminate your message(s). Be sure to monitor and evaluate your efforts. Revisit your plan every few months and adjust your approach as needed.

If getting started is overwhelming, take on a few simple tasks first. The momentum from a small amount of progress can help energize the organization to take on bigger challenges.

3.5.2 Branding

Branding is the process of using images and words, such as logos and slogans, to identify a product or service. The goal of branding is to establish a recognizable identity, which helps you gain the trust of your beneficiaries and helps them associate certain ideas and values with your brand. Developing a brand identity for your organization and your programs is the foundation of NGO marketing.

Traditionally, we think of brands and branding as something exclusive to the realm of commercial producers. But, increasingly, NGOs are realizing that adapting branding techniques to their programs can have enormous benefits, such as:

- **Making a Brand Promise**—Logos and slogans can help tell beneficiaries what they can expect from your program’s services, such as quality, confidentiality, and compassionate care.

- **Establishing a Brand Identity**—Through consistent branding, beneficiaries who become familiar with and develop trust in one aspect of your program can easily identify your other service outlets and will seek out your services in the future. You can take this a step further by branding a network of services.
- **Building Brand Value**—As recognition of your brand grows and you gain the trust of local leaders, donors, and beneficiaries, you increase the value of your brand. A valued brand leads to improved program sustainability and helps meet the donor's own branding objectives. For example, if you hand over a project with a strong brand value to a local implementer, it can build on your outreach to beneficiaries and donors, giving them a head start on renewing funding.

You can apply branding principles to your organization's name (Level 1) as well as to individual programs (Level 2), much like a manufacturer does with separate brands for different product lines and, as Figure 12 illustrates, the Nature Conservancy has for its program components. Since most organizations have already developed brands for their organizational identity, the following section focuses primarily on program-level (Level 2) branding.

3.5.2.1 How Do I Develop a Level 2 Brand for My Program?

The first step is to ask yourself the following questions:

- Who are the primary beneficiaries of our program? What language, cultural, and other concerns might they have in relation to seeking our services?
- What is the primary objective of our program?
- How do we want beneficiaries to feel about our program? What values and ideas do we want them to associate with our services?

A. Who are your beneficiaries?

When listing your beneficiary groups, note any special cultural, language, or literacy considerations. Larger programs implementing in multiple areas should list all of the different subgroups they may be targeting, such as women, children, high-risk groups, groups in different areas, or groups with different religious, education, traditions, or socioeconomic backgrounds.

Figure 12—Analysis of a Brand Hierarchy

	Level	Brand Name	Brand Promise	Tag Line
1	Parent or Master Brand: Organization Name	The Nature Conservancy	The leader in protecting ecologically important lands and waters for nature and people around the world.	Protecting Nature. Preserving Life™
2	Child or Sub-brand: Program/Project/Service	Nature Rocks™	Partner initiative that gives busy parents and caregivers the tools, instructions, and tips (http://www.naturerocks.org/getting-started.aspx) for quick, easy, inexpensive (or free) activities, so they can enjoy quality family time in nature.	Let's Go Explore™
3	Consumer Brand: Stands-alone components	2009 Summer Nature Planning Guide	A specific tool to help parents and caregivers.	Fun for the whole family

Note any special concerns your beneficiaries might have about seeking your services, such as maintaining confidentiality or avoiding stigma and discrimination. For example, a potential beneficiary might not want to walk openly into an office that has a sign that reads, “HIV/AIDS Services for High-Risk Individuals.”

B. What are your program objectives?

Next, summarize your program’s mission in one sentence by trying to capture its primary objective. For example:

The ____ project seeks to improve the lives of people in the XYZ region by providing them with the necessary knowledge and skills to improve access to clean water.

C. How do you want your beneficiaries to view your program?

Look at your program from the point of view of your beneficiaries. How do you want them to feel about your program? Examples may be “safe, trustworthy, confidential, helpful, culturally responsive, makes me feel better,” etc.

- Avoid excessively long names. Your program name should be something people can remember easily.
- Do an Internet search of your proposed name to see whether another program already uses it. If you do find a program with the same name, consider changing yours.
- Do not include “foundation” in your name unless you plan to distribute funds to other organizations. The term “foundation” implies the availability of funds, so donors may not believe you need funds.
- Avoid potentially offensive or alienating names (cultural, religious, and social considerations depending on the locality where you intend to work).

Program Logo

Creating a logo for your program is often the most intimidating aspect of branding, especially for those who are not artists or do not consider themselves particularly creative.

Your logo may derive from your program name or popular local images that you may be able to adapt. Is there a particular local flower, tree, or animal that symbolizes what you are trying to represent?

Have fun. If you cannot come up with anything, consider a simple logo using the name of your program in a nice font. If a logo idea comes to you later, you can always add it.

Taglines, Additional Images, Etc.

You may want to express more than just a program name and logo, especially for new programs that people may not know much about. Consider putting an additional phrase, slogan, or images alongside your logo.

For example, a program offering health, education, and psychosocial support services may want to put a tagline (short phrase next to its program name such as, “Healthy, Smart, and Happy Children.”

Also consider the branding requirements of your donor, which often wants to have its logo displayed alongside your program name.

3.5.2.2 What Are the Elements of My Program’s Brand?

Your answers to the questions above form the foundation of building your brand. The next step is to consider the key elements of your brand’s image, and synthesize the program objective and the feelings you want your beneficiaries to have about your program, all the while keeping in mind the language, culture, and other important considerations of your beneficiaries.

Program Name

Naming your program is the first step in developing your brand. It can be a simple name or an acronym. It may be in English or the native language where you are implementing. Some program naming tips:

Be careful not to add too many words and images. Your brand should be as clear and concise as possible.

Next Steps

Test your brand, especially if you are using a language and culture different from your native tongue. Share your logo and program name with native speakers and ask for their feedback. You never know what cultural symbols may be taboo or what language nuances may lead to misinterpretation. Once you develop the basic branding for your program, you will want to integrate your brand into your public communication and apply the logo to your program deliverables.

3.5.3 Marking and Donor Requirements

While developing your brand, do not forget to take into consideration the branding requirements and objectives of your donors and partner organizations. Applying logos to program deliverables, called “marking,” identifies your program and acknowledges who funds, supports, and implements it. Proper marking strengthens relationships between implementing partners and credits donors for making the program possible.

Not only is marking a good idea, but USAID agreements include specific marking requirements.

3.5.3.1 Creating a Marking Plan

The best way to ensure that you are meeting USAID’s requirements is to create a marking plan specifying what will be marked, and when, where, and how you will mark program deliverables, sites, and events.

USAID requires that you submit a branding strategy and marking plan to your AO that describes how you will implement the marking requirements in your program. The AO must review and approve your plan before executing your award.

A good marking plan describes the following:

- What you will mark—all sites, documents, events and commodities you procure or produce as a part of the Cooperative Agreement (for example, banners at events, stickers on equipment, etc.).
- How you will mark—the type of marking (feature USAID and grantee logo on banner; insert jpeg of logos on notebook cover template).
- When you will mark—in the event that you might not mark an item permanently right away (for example, a project site that is being constructed), describe any temporary marking and plans for final marking.
- Where you will mark—describe the size and placement of the USAID logo and any accompanying logos.

Figure 13—Sample Brand Identity



3.5.3.2 Marking Program Deliverables

You should mark program deliverables to identify and give credit to both USAID and implementers. However, you will not mark all deliverables the same way. High-profile deliverables, such as a clinic, may be marked with the logos of all implementing partners and donors. Conversely, you may only need to mark smaller commodities procured for the program, such as computers or office equipment, with the USAID identity.

Your marking plan should specify the approach for different deliverables and, at a minimum, should cover all donor requirements. The following are examples of program deliverables that should be marked with USAID's logo:

- project sites;
- electronic and printed documents, such as informational and promotional materials, audiovisual presentations, public service announcements, Web sites, etc.;
- events, such as training courses, workshops, press conferences; and
- commodities, including equipment, supplies, and other materials.

Marking Exceptions

There are some situations when applying logos does not make sense. You may not want to apply logos when their use would:

- impair the functionality of an item;
- incur substantial costs or be impractical;
- offend local cultural and social norms or be considered inappropriate;
- cause increased security risk for volunteers, staff or beneficiaries; or
- result in increased stigma and discrimination for the recipients.

Include any anticipated exceptions in your marking plan. If an unforeseen circumstance arises, you must request a waiver from your AO.

3.5.3.3 Subrecipient Requirements

Marking requirements also apply to subrecipients. It is a good practice (and in many cases it is required) to include language in your subawards requiring that the donor's logo (and perhaps your logo as well) be included on program deliverables.

3.5.3.4 Special Requirements

The AO may require a pre-production review of USAID-funded public communications and program materials for compliance with the approved marking plan. Contact your AOTR before printing to ask whether USAID would like to review the final product.

Any public communication funded by USAID, where the content has not been approved by USAID, must contain the following disclaimer:

This study/report/audio/visual/other information/media product [specify] is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of [insert your organization's name] and do not necessarily reflect the views of USAID or the United States Government.

You also must give your AOTR copies of all program and communication materials produced under the award.

Figure 14—Sample Implementation of Branding and Marking



Web page for www.ngoconnect.net

Banner

- A.** Tagline for product—“Sharing Resources and Knowledge Among the Global NGO Community”
- B.** Product name and logo (Level 3)—NGOConnect.Net
- C.** Program brand and logo (Level 2)—Capable Partners Program

Footer:

- D.** Donor disclaimer
- E.** Prime and sub logos/brands (Level 1)—FHI 360, MSI
- F.** Donor brand/logo—USAID.

3.5.4 Demonstrating Impact

While developing your marketing and communications strategies, be sure you retain the focus of your organization—to have a positive impact on the lives of beneficiaries in the communities you serve. This is your story, and this is the story that donors want to support.

Demonstrating impact is very powerful when done objectively by using statistics from your project’s M&E system. For example, rather than saying, “Our programs enable more girls to attend school,” you should use the data comparing

your baseline assessment and your most recent project data to show what percentage of girls attended school prior to your intervention versus what percentage attends now.

Impact also goes beyond just measuring the number of people reached. There are numerous ways to highlight the results of your program. For example, beyond looking at the percentage of girls attending school, you can explore the impact schooling has had on the girls’ lives as a whole. Are the girls healthier? Do they make better decisions in social situations? Has access to education increased their self-esteem? By developing posters, brochures, or a Web site, and using select photos, statistics, and stories from the community, you can communicate your impact and show how your program positively affects community members. Ultimately, a marketing strategy that focuses on beneficiaries helps drive your communication activities.

3.5.4.1 Telling Your Story

Telling your story should be an important part of your organization’s communication and marketing plan. Why? Because stories and photographs are a powerful way to educate donors, prospective partners, and the public about your programs and demonstrate their positive impact on your community. In the process, telling your story lets you give credit to donors and reach a wider audience of potential supporters. Consider developing and disseminating at least one or two success stories about each program you implement.

There are many different types of success stories. The most common highlight the impact of a program by communicating how it has made a difference in people’s lives. However, success stories may also highlight a specific event or discuss an innovative tool or approach a program has implemented. Success stories may expand on information provided in your performance reports, repackaged for a wider audience.

The key to a good success story is the ability to turn data that provide evidence of your program’s results into an engaging personal story that everyday readers will care about and understand. For example, Kenya’s Wema Centre illustrates its approach to rescuing street children through the story of the transformation of a teenage boy (<http://www.ngoconnect.net/wema>). The story puts a human face on the statistical evidence of the program’s impact.

Find it online

For inspiration, sample the ways other NGOs have shared their success stories at these Web sites:

- ▶ NGOConnect.Net
<http://www.ngoconnect.net/success>
- ▶ One Shared World
<http://onesharedworld.org/success/index.html>
- ▶ PEPFAR Stories of Hope
<http://www.pepfar.gov/press/c19597.htm>
- ▶ USAID Telling Our Story
<http://www.usaid.gov/stories/about.html>

Finding a Good Story

A success story summarizes the work you do by telling a specific story of how that effort has improved the lives of the beneficiaries you serve. Stories often surface throughout implementation, and it is a good practice to jot them down as they arise and keep a file you can come back to later to write them up.

Some ideas for developing a good story include:

- Ask your staff and subrecipients to suggest beneficiaries of your program whom you might include in a success story.
- Document an innovative approach your program uses that allowed you to reach new people or address a need that was previously unmet.
- Discuss an event that allowed you to reach out to new people.
- Build on pieces of good news about your program that are passed around your office and that energized staff.
- Elaborate on a story you often tell colleagues or donors that grabs their attention.

Writing the Story

While there is no precise formula for writing a success story, the following are some common strategies and tools you may want to consider to make your story interesting:

- *Use quotations and photos:* using the words and pictures of the people in your story can make it much more personal and engaging to the reader. Note, however, that while people are usually very happy to tell their stories, it is important to respect the privacy of the

individuals in your story. Tell them exactly how you intend to use the story and request their written permission by having them sign a release form authorizing you to use their names and photos. This makes sure they know how you intend to use the story, such as posting it on the Internet, or sharing it with media, donors, or others (See 3.5.5).

- *Talk about the before, after, and future:* A great way to demonstrate impact is to explain the problem your program hoped to address by giving a glimpse of what life was like before your program came along. Your story then shows how you addressed that challenge, by describing what happened after your program was in place. You may also want to talk about the future—plans to expand or sustain your program.
- *Do not forget the data:* Though these stories often focus on an individual or group of people for the “human face” of the work, do not leave out the bigger picture that your data show. Consider using a graph or a chart to make your data more engaging for the reader.
- *Give credit:* Be sure to give credit to those who have supported your program. Identify key staff, partners, and donors. This can be done in the narrative or by putting the logos of donors and other organizations involved on a printed or electronic presentation of the story.
- *Provide contact information:* Success stories are often short—one or two pages (200 to 500 words) at the most. Therefore, there is probably a lot of information you do not have space to include in your story. Providing contact information allows others who are interested in your story to follow up with you for more details.

Coordinating with Donors

As you begin to develop your success story, contact USAID. Your AOTR may want to help you promote the story by posting it on USAID’s Web site or including it in presentations or publications. Some donors want to review the document before it is distributed, and they may have other requirements for publicly documenting the programs they fund. This process gives donors a chance to be involved in the story. After all, just as you are proud of your program’s success, they, too, are happy to be supporting your good work.

Promoting Your Story

Once the story is written, share it with a number of different audiences to communicate your successes as widely as possible. Start by sharing the story with your donors, then share it with your partners, your beneficiaries, and the general public.

Consider the following strategies for sharing your story:

- Post the story on a Web site—yours, your partner's, and donor's.
- Create a news release and share the story with local media.
- Print copies and post it at program implementation sites (if appropriate).
- Provide copies to local government officials and your AOTR.
- Submit your story to NGO conferences and forums, where you might be asked to share more details about your program with other implementers.
- Share the story with your partners and staff. This is a great way of soliciting more stories from your team.

3.5.5 Communication and Ethics

Most of the time, people are happy to let you photograph or audiotape or videotape them and are eager to tell their story so you can share it with others. However, there are significant ethical considerations, and it is important for you to respect the rights and privacy of all subjects you wish to photograph or audiotape or videotape, especially patients in clinical settings, children, and those incapable of making their own decisions.

To guide your approach to photographing people, consult the USAID-funded INFO project for a list of ethical issues and sample templates for requesting permission (<http://www.photo share.org/phototips/developethics.php>). Consider incorporating these and other ethical practices when developing standards of conduct for staff. These considerations are not intended to prevent people from taking photos, but rather to help increase respect for individuals' right to privacy.

3.6 Summary and References

Though everyone wants to begin implementing, you should not rush the start-up phase of your project. This is a critical time to prepare your staff and partners through planning and setting up the systems necessary to run an effective program.

This chapter has reviewed the tasks you need to accomplish during the start-up phase, and has discussed the minimum USAID requirements for key management systems, such as your accounting and M&E systems. This chapter has also outlined the program-planning process, including the development of your initial workplan.

USAID wants to make sure the programs it supports have the systems, policies, personnel, and plans in place prior to implementation that will lead to high-quality, effective services for the beneficiaries. Taking your time with these start-up activities will only improve your ability to deliver the best possible program to your community.

The foundation you build during the start-up phase will help you as you enter the next phase of your program: implementation. The next chapter discusses the keys to running an effective and compliant program.

References

Human Resources

- Key Tools and Resources for a Human Resource Management (HRM) System
http://www.ngoconnect.net/c/document_library/get_file?p_l_id=17776&folderId=38677&name=DLFE-5176.pdf

Marketing and Communication

- Resource: Photoshare
<http://www.photoshare.org>
- Development Photography Ethics
<http://www.photoshare.org/phototips/developethics.php>
- Strategic Communications Audits
This brief helps nonprofit organizations to better understand and assess their communication capacities.
<http://www.mediaevaluationproject.org/WorkingPaper1.pdf>

Monitoring & Evaluation

- [The Evaluation Wiki](#)
Founded in 2006 by the nonprofit organization [Evaluation Resource Institute](#) (ERI), the mission of Evaluation Wiki is to make freely available a compendium of up-to-date information and resources to everyone involved or interested in the science and practice of evaluation.
http://www.evaluationwiki.org/index.php/Main_Page

- M&E Fundamentals

This mini-course covers the basics of program monitoring and evaluation in the context of population, health, and nutrition programs. It also defines common terms and discusses why M&E is essential for program management.
http://www.cpc.unc.edu/measure/training/mentor/me_fundamentals

- M&E News

This news services focuses on developments in monitoring and evaluation methods.
<http://mande.co.uk/>

- MEASURE Evaluation's M&E Capacity-Building Guides
<http://www.cpc.unc.edu/measure/tools/monitoring-evaluation-systems/capacity-building-guides>

- Performance Monitoring and Evaluation USAID online course

The course includes modules ranging from the M&E framework to conducting evaluations, developing scopes of work, assuring data quality, and review and dissemination of evaluation results.
<http://communities.usaidallnet.gov/fa/node/1901>

4 Running an Effective and Compliant Program



Running an Effective and Compliant Program

4.1 Overview

4.2 Getting Started

- 4.2.1 Five Tips for Ensuring Compliance
- 4.2.2 Your Implementation Model

4.3 Administrative Management

- 4.3.1 Financial Management
 - 4.3.1.1 Requesting and Disbursing USAID Funds
 - 4.3.1.2 How to Fill Out the SF-270
 - 4.3.1.3 How to Fill Out the SF-1034
 - 4.3.1.4 Monitoring Pipeline and Burn Rates
 - 4.3.1.5 Rebudgeting
 - 4.3.1.6 Allocating Shared Project Costs
- 4.3.2 Procurement
 - 4.3.2.1 Allowability Test
 - 4.3.2.2 Allowable Costs
 - 4.3.2.3 Source/Origin Restrictions
 - 4.3.2.4 Ineligible Suppliers/Excluded Parties List
 - 4.3.2.5 Non-Expendable Equipment
- 4.3.3 Travel
 - 4.3.3.1 Travel Requirements
 - 4.3.3.2 Developing a Written Travel Policy
- 4.3.4 Use of USAID-Funded Property
- 4.3.5 Requesting Modifications to Your Agreement

4.4 Technical Program Management

- 4.4.1 Monitoring and Evaluating Progress
- 4.4.2 Learning and Sharing

4.5 Summary

4.1 Overview

Running an effective USAID-funded program requires:

- meeting or exceeding your targets;
- providing quality services that have a quantifiable, measurable, positive impact;
- providing quality service to USAID;
- being part of the wider response to a problem in the country, through service delivery, referrals and sharing experiences, networking and collaborating with others on the ground, and establishing wrap-around services when appropriate;
- creating innovative programs that adapt to changing needs;
- establishing sustainable responses that build the capacity of communities and local implementers;
- spending funds wisely;
- maintaining appropriate programmatic and financial documentation;
- reporting in a timely manner;
- complying with regulations in your Cooperative Agreement; and
- building a credible and functional organization and strong staff and project team.

In this chapter, we break down these management tasks into two broad categories: administrative management (4.3) and technical program management (4.4).

Administrative management includes requesting, disbursing, and managing funds (4.3.1.1); complying with procurement (4.3.2) as well as other award regulations; and complying with your agreement terms (4.3.5).

Technical program management includes monitoring and evaluating (4.4.1) and learning and sharing (4.4.2) within your organization and among partners.

This chapter refers to the terms of your Cooperative Agreement several times. For detailed information on standard provisions in USAID Cooperative Agreements, please refer to Annex II of this *Guide*.

Objectives

- Learn the administrative management requirements of USAID-funded agreements, especially regarding finance, procurement, property management, and travel.

Skip Ahead

- ▶ Financial Management
- ▶ Procurement
- ▶ Travel
- ▶ Use of USAID-Funded Property
- ▶ Requesting Modifications to Your Agreement
- ▶ Monitoring and Evaluating Progress
- ▶ Learning and Sharing

- Examine the basics of managing your award funding and documentation, including modifications to your agreement and changes to your budget.
- Understand requirements and best practices related to technical program management.

Key Terms and Acronyms

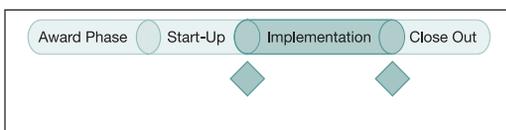
- **Allocable Cost**—A cost incurred specifically to support or advance an award.
- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **Authorized Class of Service**—Unless travel falls under certain exceptions, air travel purchased with USG funds requires the customary standard commercial airfare (economy class or equivalent).
- **Burn Rate**—The rate at which you spend your award funds on a periodic basis, typically monthly.
- **Cooperative Agreement**—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.
- **Excluded Parties List**—A database of individuals and organizations that are not eligible to receive funding from USAID or any USG agency. Recipients are responsible for using this online database to check vendors, consultants, and applicants prior to making any purchases or hiring decisions (<http://www.epls.gov>). Other online sources for verifying eligibility include the UN Consolidated List (<http://www.un.org/sc/committees/1267/consolist.shtml>) and the

- U.S. Department of Treasury’s Designated Nationals List (<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>).
- **Fiscal Year**—Sometimes called a financial year or budget year, a period used for calculating annual (“yearly”) [financial statements](#) in businesses and other organizations. It may or may not correspond to the calendar year, which is January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.
 - **Fly America Act**—A regulation that applies to all USG-funded travel and requires the use of U.S. flag air carriers, with a few exceptions.
 - **FMO**—USAID’s Financial Management Office.
 - **Incidental Expenses**—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries, etc.
 - **Indicator**—A specific data point an organization tracks to monitor program progress.
 - **Indirect Costs**—Costs that are required to carry out a project but are not attributable to a specific project, such as electricity or administrative support staff.
 - **In-Kind Contribution**—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.
 - **International Travel**—Any travel between two countries.
 - **Key Personnel**—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a Cooperative Agreement as Key Personnel are those leadership slots considered essential to the successful implementation of the overall project.
 - **M&IE**—Meals and Incidental Expenses, costs incurred during travel, such as breakfast, lunch, dinner, gratuities and tips for services, laundry, toiletries, etc.
 - **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID’s *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
 - **Obligated Amount or Obligation**—The amount USAID has committed to the program. There is no guarantee that USAID will reimburse the recipient for any spending above the obligated amount.
 - **Origin**—Where an item was originally grown or manufactured.
 - **Per Diem**—The maximum amount of money that the USG allows an individual to be reimbursed for per day to cover lodging and meals and incidental expenses when traveling on behalf of a project.
 - **Pipeline**—The amount of funds obligated but not yet spent, which is calculated by adding up all of the funds spent to date and subtracting that amount from the total obligation to date.
 - **Program Income**—Funds earned by the program for the benefit of the program itself. Program income comes from charging fees for services or from the sale of commodities. It is also earned by selling equipment purchased with program funds that is no longer needed. **Note:** Program income is different from income-generating activities in which the program’s beneficiaries keep any income earned.
 - **Prohibited Items**—Goods or services that cannot be purchased with USG funds under any circumstances.
 - **Reasonable Cost**—A cost that is generally recognized as ordinary and necessary and that a prudent person would incur in the conduct of normal business.
 - **Restricted Items (or Restricted Commodities)**—Goods or services that may not be purchased without specific written permission in advance.
 - **SF-270**—Standard Form-270, Request for Advance, used to request funds for a grant or Cooperative Agreement.
 - **SF-425**—Standard Form-425, Federal Financial Report, used to prepare financial reports for a grant or Cooperative Agreement.
 - **SF-1034**—Standard Form-1034, Public Voucher for Purchases and Services Other Than Personal, used to request funds and liquidate advances for a grant or Cooperative Agreement.
 - **Shared Costs**—Goods and services benefiting multiple projects and for which a vendor cannot invoice each project separately; therefore, the costs are charged to each benefiting project based on a pre-determined formula.
 - **Significant Rebudgeting**—Moving funds between budget categories above a certain threshold set by USAID.
 - **Source**—Where one procures an item or a service, regardless of its origin (where it was

originally grown or manufactured). This is generally the physical location of the vendor.

- **Standard Budget Categories**—Standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Consultants, Travel/Transportation, Equipment, Supplies, Contractual Services (subcontractors), Program Costs (sometimes replaced with “construction costs”), Other Expenses, and Indirect Costs.
- **Substantial Involvement**—The right that the USG retains to provide input into 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. The Cooperative Agreement specifies the areas of substantial involvement.
- **Total Estimated Cost**—The total projected cost of a project included in an organization’s Cooperative Agreement.

4.2 Getting Started



One of the unique aspects of USAID’s approach to working with partners has been to allow organizations the freedom to design and manage their programs and subrecipients while maintaining a cohesive, coordinated response to an issue. This is why USAID commonly uses a Cooperative Agreement to award funding, as opposed to a contract (where USAID specifically directs a project) or a grant (where USAID takes a more hands-off approach).

Cooperative Agreements allow USAID to retain [substantial involvement](http://www.usaid.gov/policy/ads/300/303.pdf) (<http://www.usaid.gov/policy/ads/300/303.pdf>) in your project. This means USAID has the right to approve implementation plans (workplans), budgets, Key Personnel, M&E plans, and subrecipients. By retaining this right, USAID seeks to ensure that your program is tied to USAID and host-government strategic objectives. At the same time, Cooperative Agreements allow your organization to innovate. By enabling your organization to design its own implementation

model, form its own partnerships, and adopt strategies that fit the culture and context, a Cooperative Agreement allows you the autonomy to carry out effective projects and deliver quality services to your beneficiaries.

Accountability is essential to the health of your organization and to implementing an effective program. That means everyone should act in accordance with the organization’s values to accomplish its mission and avoid taking shortcuts that could compromise the organization’s goals.

In addition, managing an effective USAID-funded program comes down to balancing program implementation that creatively responds to local challenges, meets the needs of your beneficiaries and community, and simultaneously complies with and fulfills donor and host-government expectations, while establishing links with other implementers, constituents, and stakeholders.

This chapter discusses how to find that balance and successfully operate your program under a Cooperative Agreement. By knowing and understanding what your organization can and cannot do with your award, you can maximize your program’s effectiveness and positively influence the lives of your beneficiaries.

4.2.1 Five Tips for Ensuring Compliance

1. Know your agreement and get help if needed.

Your agreement is full of details. Read it and make sure you understand it. Make sure your Board of Directors and management team members are familiar with the specific sections relevant to them.

If you need help understanding or meeting the demands of your agreement, seek help. Your Agreement Officer’s Technical Representative (AOTR) or Agreement Officer (AO) can help answer questions. If necessary, you can request technical assistance or hire a consultant to help set up management processes and systems that meet your award requirements. (For explanations of some common agreement terms, see Annex II.)

2. Keep your agreement documentation up to date.

Over the life of your award, changes may occur that affect the terms of your original agreement, including changes in funding, targets, geographic coverage, and Key Personnel. Be sure to get the appropriate prior approvals, document changes in writing, and keep all documentation readily available. Even if you have a good relationship with your AOTR, there will probably be changes in personnel over the life of your award (both within your organization and on the USAID side), making it vital that you keep well-organized documentation on all decisions and changes affecting your award. Save all written communications with the AO and AOTR in carefully organized files, by date and/or topic, so that there is an institutional record of agreements and decisions to which staff can refer over the life of the award. It is a good idea to keep backup copies of documentation offsite.

3. Understand which boundaries are flexible.

To promote innovation and give you the authority to respond to changes in your implementation area(s), you have a certain amount of flexibility to manage your award. However, there are limits to this flexibility, including limits on programmatic, budget, personnel, and partnership changes. Sometimes you will have to get permission from your AOTR or AO prior to implementing changes, and sometimes there will be boundaries you simply cannot cross. This chapter will help you learn those boundaries, so you can adapt while remaining in compliance with your award provisions.

4. Compliance is for subrecipients, too.

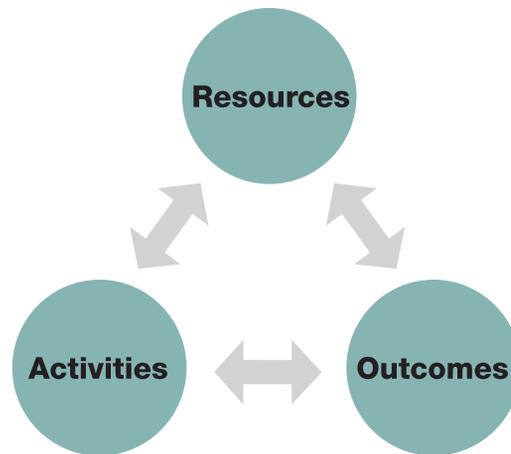
In addition to being responsible for keeping your own organization in compliance, prime partners are responsible for making sure subrecipients are in compliance. Work with your subrecipients to ensure they understand what is required of them, and use this as an opportunity to build their capacity as well.

5. Do not lose sight of the beneficiaries.

In trying to comply with all of your award's requirements, don't lose sight of the ultimate purpose of your award: helping beneficiaries.

4.2.2 Your Implementation Model

Figure 15—Key Elements of an Implementation Model



The model you use to implement your program should combine both administrative and technical program management to achieve the expected outcomes. Keeping your organization's implementation model running efficiently is the essence of a program manager's day-to-day job.

Although every organization's model is different, your model should include three key elements (pictured in Figure 15):

- what you are doing directly or through subrecipients (specific *activities* in certain geographic areas);
- what it takes to make it happen (*resources* and other inputs); and
- expected *outcomes* (results and targets).

These three elements are directly linked to your workplan activities, resources, and outcomes. Changes to your budget, for example, may affect your ability to achieve outcomes or require you to modify your activities.

Over the life of your program, you and your team should be constantly improving your model. As you learn from both formal evaluations and day-to-day experiences, you will adjust your activities and perhaps discover better and less expensive ways to reach more people with your services.

4.3 Administrative Management

Administrative management functions enable a program to run smoothly and comply with the terms and conditions of your agreement. These include several routine functions, such as:

- Financial Management ([4.3.1](#))
- Budget Adjustments ([4.3.1.5](#))
- Procurement ([4.3.2](#))
- Travel ([4.3.3](#))
- Property Management ([4.3.4](#))
- Agreement Modifications ([4.3.5](#))

4.3.1 Financial Management

4.3.1.1 Requesting and Disbursing USAID Funds

USAID disburses funds to grantees by advancing funds or reimbursing grantees for expenses already paid. Many grantees are permitted to request funding advances and may request reimbursements as well, if they use their own funds to cover project-related expenses.

Initially, you may be limited to requesting funding advances one month at a time. Each request must be for the amount you estimate you will spend in the upcoming 30-day period. You are not allowed to request or hold on to any extra “contingency funds.” However, if a particular planned procurement is delayed, you can carry those funds until the following month. If an activity is cancelled, you can spend the funds on another activity in your approved workplan.

You request funds by filling out the form specified in your Cooperative Agreement, either the Standard Form (SF)-270—Request for Advance or Reimbursement or the Standard Form (SF)-1034—Public Voucher for Purchases and Services Other than Personal, and submitting it to USAID’s FMO. If you have multiple awards from USAID, you must fill out a separate form for each award. In general,

In This Section

- ▶ Requesting and Disbursing USG Funds
- ▶ How to Fill Out the SF-270
- ▶ How to Fill Out the SF-1034
- ▶ Monitoring Pipeline and Burn Rates
- ▶ Rebudgeting
- ▶ Allocating Shared Project Costs

you should complete the form and submit it no earlier than a week before the month in which you need the funds. Usually, you can expect to receive the funds within one to two weeks of submitting the form.

When you have demonstrated over time that you are spending the funds you request efficiently and that you are neither spending too quickly nor too slowly, you may be able to request funds quarterly. Your AOTR and FMO will determine this by reviewing the data from your quarterly SF-425 Federal Financial Reports and your SF-270 or SF-1034 requests to calculate your pipeline and burn rates.

Estimating Advances

When estimating your request, do not merely divide your annual budget by 12 months; instead, calculate specifically what you think you will spend in the upcoming month based on your approved workplan and detailed implementation schedule. You may divide some elements of your budget evenly among months (for example, salaries), but some expenditures, such as purchases of non-expendable equipment, may occur all in one month (for example, at the beginning of a project). Consider the funds that you have currently and confirm the remaining amounts that subrecipients may have before you make any requests.

If you are implementing with subrecipients (for the purposes of advances, we are referring to subgrantees), work together to manage funding requests and spending so no one runs out of money. To do this, ask subrecipients to provide monthly or (when approved) quarterly funding estimates based on their approved workplans and detailed implementation schedules. You also may wish to institute a process with subrecipients for advances and reimbursements similar to the one you follow for USAID.

4.3.1.2 How to Fill Out the SF-270

The process of filling out the SF-270 to request advances or reimbursements from USAID is outlined in the following pages. These tips are not meant to substitute for the USAID instructions found online or for guidance provided by your FMO. Instead, they aim to address some questions first-time users may have when filling out this form.

Begin by downloading a PDF version of the SF-270 at <http://www.whitehouse.gov/omb/grants/sf270.pdf>.

To take advantage of some of the form's features, including auto-calculations, be sure you have the latest version of Adobe Reader®, which you can download for free at <http://www.adobe.com/products/acrobat/readstep2.html>.

The form consists of two pages. The first contains three primary sections—the top portion for information about your grant and your

request; the middle section, where you can calculate your advance or reimbursement; and the bottom section, used only for requesting advances. The second page contains instructions and a place for you to sign.

Top Portion

While most of the top portion is relatively straightforward, here a few tips that will help you fill out the key boxes (refer to Figure 16).

After completing the top portion, you must determine whether you need to fill out the full calculation area in the middle of the form or the simplified calculation area for advances at the bottom.

Fill out the full calculation area for an advance and reimbursement or if you have any program income (see Figure 17).

If you are not requesting a reimbursement and do not have program income, skip down to the Advances Only portion of the form, described below.

Figure 16—Top Portion of the SF-270

REQUEST FOR ADVANCE OR REIMBURSEMENT <i>(See instructions on back)</i>		OMB APPROVAL NO. 0348-0004		PAGE _____ OF _____ PAGES
		1a	a. <i>%" one or both boxes</i> <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT	2
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		b. <i>%" the applicable box</i> <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL
		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST		
		FROM (month, day, year) 8		TO (month, day, year)

- **Box 1(a)**—The type of payment requested will be an advance or a reimbursement. Generally, you will be requesting an advance for your monthly installments. Reimbursements are requested only when you spend your own funds on items within your approved workplan budget and are asking to recoup those funds.

- **Box 1(b)**—For all requests other than the final request at the end of your grant, always select partial payment.
- **Box 2**—The basis of the request depends on the type of accounting system you are using.
- **Box 8**—The “PERIOD COVERED BY THIS REQUEST” should be one calendar month (for example, FROM January 1, 2010, TO January 31, 2010), unless the FMO directs otherwise.

Calculation Area

The primary calculation area (rows labeled a - j, shown in Figure 17) includes three columns across the top (a–c) and a total column. Fill out your funding request across these columns only if you have separated out headquarters (HQ), subrecipient, or country costs in your approved annual budget in this way. Doing this helps your AOTR track your requests and spending against your budget, though this is generally not something the FMO requires. If your budget is organized into more than three categories, ask your AOTR what categorization would be most helpful.

Program Income—Program income is money the program earns for itself. It comes from charging fees for services or the sale of commodities. Program income is also earned by selling no-longer-needed equipment purchased with program funds.

Note: Program Income is different from income-generating activities, in which the program's beneficiaries keep any income earned.

Figure 17—Calculation Area of the SF-270

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED				
PROGRAMS/FUNCTIONS/ACTIVITIES	(a) HQ	(b) Subrecipient	(c)	TOTAL
a. Total program outlays to date (As of date: May 31, 2009)	\$ 10,000.00	\$ 7,500.00	\$	\$ 17,500.00
b. Less: Cumulative program income	0.00	0.00		0.00
c. Net program outlays (Line a minus line b)	10,000.00	7,500.00	0.00	17,500.00
d. Estimated net cash outlays for advance period	3,000.00	5,250.00		8,250.00
e. Total (Sum of lines c & d)	13,000.00	12,750.00	0.00	25,750.00
f. Non-Federal share of amount on line e	2,300.00	0.00		2,300.00
g. Federal share of amount on line e	10,700.00	12,750.00		23,450.00
h. Federal payments previously requested	9,100.00	7,500.00		16,600.00
i. Federal share now requested (Line g minus line h)	1,600.00	5,250.00	0.00	6,850.00
j. Advances required by month when requested by Federal grantor/agency for use in making prescribed advances	1st month			0.00
	2nd month			0.00
	3rd month			0.00

- a. Total program outlays to date (row a):** All expenditures for your program, including cost share, as of the beginning of the request period. In other words, if your request is for January 1–31, 2009, give the total outlays as of December 31, 2008.
- b. Less: Cumulative program income (row b):** If your program has earned any program income, enter it here.
- c. Net program outlays (line a minus line b).**
- d. Estimated cash outlays for advance period:** How much you will need for the advance period (in our example, January 1–31, 2009) all funding needed (including cost share), regardless of any carryover cash on hand.
- e. Total (sum of lines c & d):** This is all the money your organization has spent to date, plus what you expect to spend through the end of this advance period.
- f. Non-Federal share of amount on line e:** All past cost-share contributions, plus all cost-share contributions you plan to make during the advance period. (If you are not sure what cost share you may be able to commit to during the advance period, it is fine to put US\$0 in your SF-270, as long as you properly account for the actual cost share generated in your next SF-425.)
- g. Federal share of amount on line e:** This is the total amount you have requested from USAID toward this project to date, including funds requested for the advance period. The FMO checks this number to ensure that it matches the amount from the last SF-270. It can be checked by adding lines h and i.
- h. Federal payments previously requested:** Sum of all of the money you have requested to date from USAID.
- i. Federal share now requested (line g minus line h):** The result will be the total amount of USAID funds you need for the upcoming month (request period), less any unspent USAID funds you have on hand.
- j. Advances required by month:** Use the final row only when you request funds quarterly, but receive the funds in monthly installments.

Advances Only

To fill out the alternate computation for advances only, calculate how much funding you will need for the next month and subtract the amount of any unspent USAID funds you have remaining from your previous advance to come up with the amount you are requesting for the period. During the previous period, if you spent more than your previous advance, the unspent funds remaining block may show a negative amount.

Reimbursements

When filling out the SF-270 for a reimbursement of purchases within your approved workplan budget, there are a few things you will do differently.

Figure 18—Requesting Reimbursement Using the SF-270

REQUEST FOR ADVANCE OR REIMBURSEMENT <i>(See instructions on back)</i>		OMB APPROVAL NO. 0348-0004		PAGE OF PAGES
		1. TYPE OF PAYMENT REQUESTED a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT b. "X" the applicable box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST		
		FROM (month, day, year) 8		TO (month, day, year) 8
9. RECIPIENT ORGANIZATION Name: Number and Street: City, State and ZIP Code:		10. PAYEE (Where check is to be sent if different than item 9) Name: Number and Street: City, State and ZIP Code:		
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED				
PROGRAMS/FUNCTIONS/ACTIVITIES ▶	(a)	(b)	(c)	TOTAL
a. Total program outlays to date (See (d) above)	\$	\$	\$	\$ 0.00
b. Less: Cumulative program income				0.00
c. Net program outlays (Line a minus line b)	0.00	0.00	0.00	0.00
d. Estimated net cash outlays for advance period D				0.00
e. Total (Sum of lines c & d)	0.00	0.00	0.00	0.00
f. Non-Federal share of amount on line e				0.00
g. Federal share of amount on line e				0.00
h. Federal payments previously requested				0.00
i. Federal share now requested (Line g minus line h)	0.00	0.00	0.00	0.00
j. Advances required by month, when requested by Federal grantor, agency for use in making prescheduled advances	1st month			0.00
	2nd month			0.00
	3rd month			0.00

• **Box 8**—Period covered by this request: this should cover the period in which the funds you are requesting reimbursement were expended.

• **Row D**—Estimated cash outlays for advance period: this should be US\$0, since you are not requesting an advance. If you need both an advance and a reimbursement, fill out separate forms.

Submitting the SF-270

Once you complete the first page, have the Project Director or other designated certifying authority within your organization sign and date the second page. Then scan and e-mail the form to your FMO at ei@usaid.gov, copying your AOTR. Always make a copy for your file, and then mail the original to your FMO. If you have not heard from your FMO within 10 days, follow up.

4.3.1.3 How to Fill Out the SF-1034

If your organization uses the SF-1034 to request funds and liquidate advances from USAID, follow the steps outlined below. As with the guidelines for filling out the SF-270, these tips are not meant to substitute for the USG instructions found online or guidance from your FMO, but seek to address the questions of first-time users of the SF-1034.

To apply for an advance, you will fill out three SF-1034s requesting three separate advance payments for the upcoming quarter (one SF-1034 for each month—three-month rolling advance). All 3 should be submitted 10 business days before the beginning of every quarter. This is designed for your organization to maintain a uniform cash flow. To begin the request, mark the top the SF-1034 with “Request for Advance.”

Within 15 days of the end of every month, you will submit another SF-1034 for liquidation of the advance, marked at the top with “Liquidation of Advances.” This reports the amount of funding (if any) that your organization spent from the advance you received for that month. As no new advances can be made until the recipient submits this liquidation form, it is imperative that this form be submitted on a timely basis every month.

The SF-1034 is a single page, of which you should only fill out the top portion (see Figure 19). The rest of the form, along with the spaces you leave blank, will be filled out by your funding agency.

Figure 19—Top Half of the SF-1034

Standard Form 1034 Revised October 1997 Department of the Treasury 1 TFM 4-2000		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL			VOUCHER NO.	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION			DATE VOUCHER PREPARED		SCHEDULE NO.	
			CONTRACT NUMBER AND DATE		PAID BY	
			REQUISITION NUMBER AND DATE			
PAYEE'S NAME AND ADDRESS			DATE INVOICE RECEIVED		DISCOUNT TERMS	
			PAYEE'S ACCOUNT NUMBER		GOVERNMENT B/L NUMBER	
			SHIPPED FROM TO WEIGHT			
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES <small>(Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)</small>	QUANTITY	UNIT PRICE		AMOUNT <small>(1)</small>
				COST	PER	

- **Voucher No.**—Start with “1” and number consecutively, so that the number changes every time you fill out the form. **Note:** Insert the word “FINAL” if this is the last voucher.
- **U.S. Department, Bureau, or Establishment and Location**—Insert the names and addresses of the relevant finance office. Details can found in your Agreement.
- **Date Voucher Prepared**—Always remember to include the date you prepared the form.
- **Contract Number and Date**—Insert the contract number and date as shown on your Agreement.
- **Requisition Number and Date, Schedule No., Paid By, Date Invoice Received, Discount Terms, Payee’s Account Number, Shipped from/to Weight, Government B/L**—Leave all of these blank.
- **Payee’s Name and Address**—Include your organization’s name and mailing address as it is written in your Cooperative Agreement.
- **Number and Date of Order**—Leave blank.
- **Date of Delivery or Service**—Insert the month, day, and year, for the beginning and ending dates of the incurrence of costs claimed for reimbursement.
- **Articles or Services**—Enter a summary description of the activities that are expected to take place (for the advance) or already did take place (for the liquidation). **Note:** Your funding agency may ask for a more detailed description of the activities.
- **Amount**—Enter the amount you are requesting (for the advance) or the amount you spent from the advance you received that month (for the liquidation).
- **Payee must NOT use the space below**—Do not type or write below this line.

Submitting the SF-1034

Check your Cooperative Agreement for detailed instructions on how to submit your SF-1034. In general, an organization must submit an original and three copies of the SF-1034 to the payment office indicated in your Agreement.

Keep an Eye on Your Obligation Ceiling!

The time it takes to process your SF-270 or SF-1034 is usually only one to two weeks, as long as you have sufficient funds obligated toward your award. If you request funds above your obligation ceiling, it can take as long as one month to modify your agreement to obligate additional funds before the FMO can process your SF-270 or SF-1034.

It is in your best interest to monitor your obligation amount closely. As soon as you have expended 75% of your obligation, be sure to notify your AO and ask that additional funds be obligated.

4.3.1.4 Monitoring Pipeline and Burn Rates

One of the responsibilities of your organization’s financial manager is to monitor how much you are spending under your award and to make sure there is enough money obligated to cover your upcoming expenses. Two important calculations your organization must track related to this are your pipeline and burn rate. Your AOTR also monitors these figures. Regular communication with your AOTR will prevent the need to slow down operations while you wait for additional funds to be obligated.

Your pipeline is the amount of funds obligated but not yet spent, that is, the amount of money that is still available to you. You can calculate your pipeline by adding up all the funds you have spent and subtracting that amount from the total obligation.

Calculation:

Pipeline = Obligation – Total Amount Spent

The burn rate calculates the rate at which you are spending the funds you have received. The basic calculation for your burn rate is the amount you have spent divided by the number of months you have been spending.

Calculation: Burn Rate = Total Amount Spent / Number of Months of Operation to Date

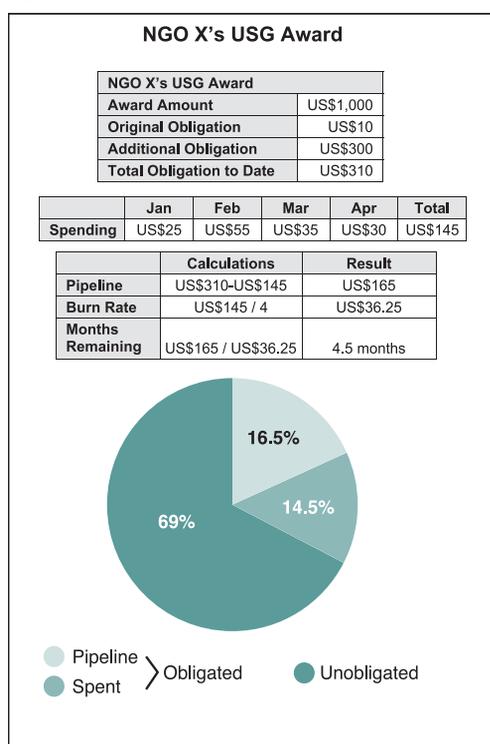
Your AOTR typically will use your SF-425 quarterly financial reports to figure out your burn rate, but you may want to use your own financial systems to generate a report that helps you keep track of your actual monthly expenses.

In calculating your burn rate, you may also separate out special one-time expenses, such as vehicles. This will give you a better sense of how much your project will be spending in upcoming months.

Example (see Figure 20):

- NGO X was 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.
- NGO X has been operating now for four months and has spent a total of US\$145.
- Subtracting our total obligation (US\$310) from our total expenditures (US\$145) gives us a pipeline of US\$165.
- Dividing the amount spent (US\$145) by the number of months we have been spending (four) gives us a monthly burn rate of US\$36.25.

Figure 20—NGO X Award Amount Breakdown



Using your pipeline and burn rate, you can also calculate approximately how many months you have left before you will need an additional obligation. Divide your pipeline by your burn rate. This will give you the number of months left before the obligation runs out, assuming your rate of spending stays the same. In the above example, NGO X estimates it will spend the remaining obligation in four and a half months. Note, however, that the actual burn rate likely will vary each month depending on the programmatic activities undertaken.

Keeping these figures in mind, you will want to monitor your spending to make sure you are not spending too quickly or too slowly. For example, if you have a three-year award, you will want to pace your funding so you can achieve your goals in that time frame.

4.3.1.5 Rebudgeting

Your approved budget is divided among nine standard budget categories. USAID gives you the flexibility to make adjustments to your budget within those categories (for example, if you budgeted for a photocopier but decided to use the funds to buy a computer printer instead). However, you may only move a limited amount of funds between direct cost categories before you must seek approval from USAID. Adjusting your budget above this threshold is referred to as significant rebudgeting.

USAID Rebudgeting Rules

Each USAID award is different; while some define significant rebudgeting as cumulative changes between budget categories that exceed 10% of the total budget over the lifetime of the award, others specify a much lower threshold. To find out the rebudgeting rules that apply to your award, check your Cooperative Agreement.

If, for example, a US\$2 million award has a significant rebudgeting threshold of 10%, the grantee can rebudget up to a total of US\$200,000 between categories over the lifetime of the award without seeking approval. Above that amount, you will have to seek approval for all budget changes.

These changes are cumulative. In this scenario, if you rebudget US\$50,000 in the first year, then US\$150,000 in the second year, any additional changes between budget categories in the third year—no matter how small—have to be

pre-approved. The AO has the option to restrict rebudgeting if the changes are not necessary or reasonable.

Seeking Approval

If you are planning budget changes that exceed your award's significant rebudgeting threshold, or that will significantly alter the activities being undertaken, write a memo to your AOTR and AO requesting the approval and include the following:

- Explain why rebudgeting is necessary (for example, explain unforeseen costs or circumstances).
- Outline all previous rebudgeting under this award.
- Detail where the money is coming from (that is, what costs you will not be expending to free up funds).
- Detail how the rebudgeted funds will be used.
- Explain any effects you anticipate as a result of the rebudgeting, such as changes in targets.
- If applicable, discuss other sources of funds you will be using to make up any deficits.

Once you have reached that threshold, your AO must approve all rebudgeting, regardless of the amount. Therefore, if you need to request approval to rebudget further, try to estimate all the changes needed to complete your project and request the approvals all at once.

4.3.1.6 Allocating Shared Project Costs

An organization with more than one project incurs three categories of expenses:

- **Direct project costs**—Costs clearly attributed to a specific project, such as a staff person who works exclusively on that project, office space used by project staff, or specific equipment and supplies used only by a single project.
- **Shared project costs**—Costs required to carry out a project but difficult to attribute to a specific project, such as electricity or administrative support staff.

- **Non-project costs**—Legitimate organizational costs that are not related to any specific project or costs that are not “allowable” under USG-funded projects, such as fundraising and entertainment.

Most of your expenses will fall into the direct project cost category, while non-project costs are usually self-evident. Shared expenses, however, may be the biggest challenge to address.

Sharing Resources versus Shared or Indirect Costs

There is an important difference between a resource that may be shared by more than one project and something that is a shared or indirect cost.

A resource that more than one project may share typically falls into the direct cost category. For example, let's think of a professional staff member as a resource who may devote time to more than one project. Since the individual's time is tracked on a time sheet, you will know exactly how many hours were spent working on Project A versus Project B. Therefore, you can allocate the exact number of hours to each project as direct costs.

Another example: If your organization has a vehicle, more than one project may use it for trips. However, every trip should be noted in the vehicle usage log book, so the expenses for each trip can be allocated as direct costs to each project.

A shared or indirect cost, on the other hand, is one that has been incurred for common or joint project need. Examples of common shared office costs are utilities, Internet service charges, and expendable office supplies like paper and paper clips. Unlike the examples above, it is not obvious how much should be charged directly to any one project.

Some organizations have gone through a process with USAID to establish a [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 for figuring out how to allocate these kinds of costs.

Sample Formula for Calculating Shared Expenses

Costs that cannot be attributed to one project or another as a direct cost will need to be addressed by establishing a formula. One approach is to use a percentage based on the number of employees on one project versus the total number of employees or the allocation of dedicated office space.

To do this, first figure out what parts of your office are dedicated to a specific project, such as space for staff working exclusively on the specific project, and what parts are shared, such as meeting rooms or the reception area. Of the areas that are dedicated to specific projects, calculate the square meters allocated to each project. You can even divide the office space of an individual who splits time based on the percentage he or she allocates to each project. Add up the area dedicated to each project and calculate the percentage dedicated to each project.

For example, let's say a 1,000-square-meter office houses two projects 800 square meters of office space is dedicated to the projects, while the rest is shared. Of the dedicated space, 600 square meters is for one project, while 200 is for the other project. This means 75% of the overall space is charged to the first project (750 square meters), and 25% to the second (250 square meters). These percentages may be used as the basis for allocating costs for other shared expenses.

There is no single correct method for allocating shared costs, but it should be clear how your organization handles these costs. This helps to ensure that you are using your project funds wisely and that you are distributing costs fairly. And do not forget, as projects and funding streams change, you should adjust your policy for allocating shared costs accordingly.

Set (and Keep Up to Date) a Shared Expense Policy

With these guidelines in mind, set a policy that defines the following:

- what specific costs and resources are considered "shared";
- how your organization will divide shared costs among different projects; and
- when the policy will be revised.

Common Shared Office Expenses

- ▶ Office rent and utilities;
- ▶ telephone service charges (exception: long-distance calls may be itemized and paid by the project that incurred the expense);
- ▶ expendable and routine office supplies (pens, paper clips, etc.); and
- ▶ office support staff (office assistants, accountants, receptionists, etc.) whose time is spent in support of all projects.

USAID is willing to pay its "fair share" of the organizational costs associated with implementing its project. By establishing a shared expense policy, your organization ensures that it is consistent in allocating costs between/among different projects and/or donors every month in a way that does not discriminate between sources of funding. Improper allocation of share costs is often a common audit finding, so it is important to do it accurately.

Multiple Offices

If your organization has offices in several different locations, you may want to set some general guidelines and have each office set its own specific policy based on the projects and expenses at that location. The policies should be in writing because during your annual audit, the auditors will review and compare your policy with your practice. Some projects that share offices establish a formal Memorandum of Understanding (MOU) that includes detailed agreements on additional topics, such as shared assets, payroll, and human resources issues. This is common when the separate "project teams" come from different operational units or are from completely different organizations.

Q: Do we need a NICRA?

A: While an organization needs a method for figuring out how to allocate indirect or shared costs, it need not be a NICRA. Some organizations go through the process to establish a NICRA, but most will find that process time-consuming and that another method is more efficient.

4.3.2 Procurement

USAID procurement regulations ensure that recipients use USG money to advance the purpose of the award, spend it wisely, and do not use it to purchase items or services in conflict with the public's interest. Therefore, you are required to carefully review your organization's procurement policies and ensure consistency with USAID requirements.

Procurement

The process of acquiring goods, supplies, and services including:

- ▶ goods, spare parts, and supplies for program activities;
- ▶ equipment, office furniture, and supplies for project offices; and
- ▶ consulting services by individuals and/or organizations.

Figure 21 – Phases of Procurement

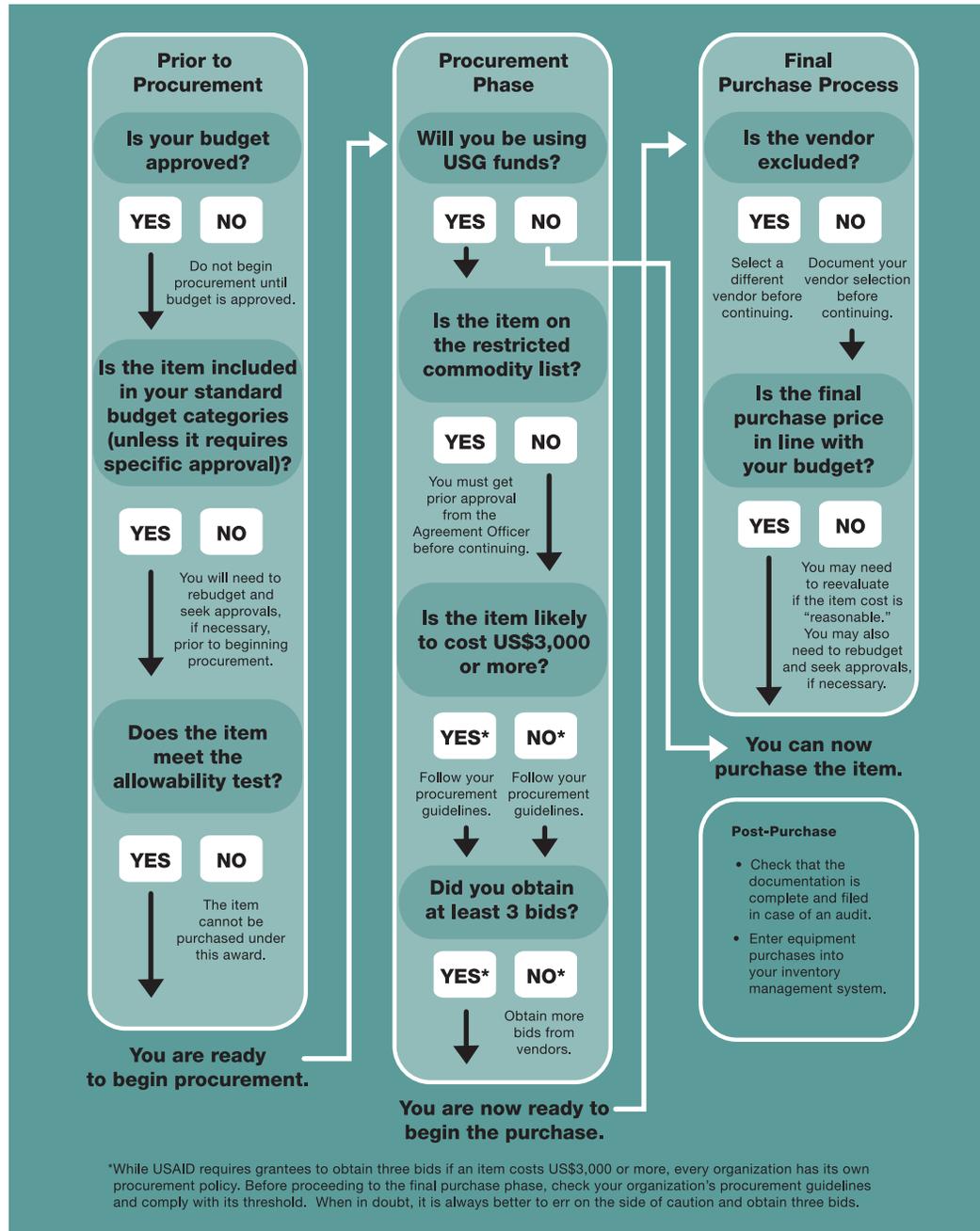


Figure 21 is a simplified procurement process map, which is broken down into three phases:

- **Pre-procurement**—Before you begin to procure an item, you must have an approved budget, and it must be included in standard budget categories, unless it requires specific approval. If it is not, you may need to rebudget. If your rebudgeting amounts to significant changes (4.3.1.5), you will need to request approval. If the specific item is in the budget, you must first check that the item passes the allowability test (4.3.2.1) before you begin the procurement.
- **Procurement Phase**—This is the process just before purchasing when you have the funding and begin planning for the specific purchase by soliciting bids, acquiring pricing information, and reviewing different vendors. Your own internal procurement policies guide much of this process.
- **Purchasing Process**—Once you have selected a vendor and settled on a price, you must do a final review, and then you can make the purchase. After the purchase is complete, you need to ensure that your documentation is in place and that you have entered the relevant information into your inventory tracking system, if applicable.

There are even more detailed steps within each of these major steps, however. For example, most organizations have a special process for soliciting and evaluating bids on large items costing US\$3,000 or more—a USAID-suggested cost threshold for obtaining three quotes. Your organization may want to set up a more restrictive threshold, for example, \$500, to assure fairness, best value, and accountability.

If an item costs more than US\$5,000 per unit, be sure it is approved as non-expendable equipment in your approved budget. Items over \$5,000 with a useful life of more than one year are regarded as “Equipment” according to the USG (2 CFR 230) and require prior approval from USAID. If the item is not included in your approved budget, you will need written AO authorization before procuring it. Note that even though non-expendable equipment over \$5,000 appeared in an approved budget (for example, a computer server), purchasing that item may still require specific USAID authorization. When in doubt, it is a good idea to check with your AO.

Throughout the entire procurement process, several checks and balances are required to make sure the purchase is allowable. If you do not have a procurement policy, it is critical that your organization adopt one that incorporates these processes to ensure that all goods and services it procures will be allowable under the award.

Important Procurement Links

ADS Chapter 260—Geographic Codes
<http://www.usaid.gov/policy/ads/200/260.pdf>

ADS Chapter 310—Source, Origin and Nationality
<http://www.usaid.gov/policy/ads/300/310.pdf>

USAID Acquisition Regulation (AIDAR)
<http://www.usaid.gov/policy/ads/300/aidar.pdf>

Buy America Act
<http://www.acquisition.gov/far/html/subpart%2025.1.html>

2 CFR 226
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl

2 CFR 230 (A-122)
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title02/2cfr230_main_02.tpl

Excluded Parties List
<http://www.epls.gov>

UN Consolidated List
<http://www.un.org/sc/committees/1267/consolist.shtml>

U.S. Department of Treasury’s Designated Nationals List
<http://www.ustreas.gov/offices/enforcement/ofac/sdn>

Requirements for Subrecipients

Almost all procurement rules apply to both prime and subrecipients on an award. USAID requires that subagreements, between the prime partner and subrecipients with procurements of goods or services over your organization’s designated amount, include certain procurement-related standard provisions, including the standard provision, entitled “USAID Eligibility Rules for Goods and Services,” which outlines policies on restricted goods, ineligible goods and suppliers, and source/origin requirements.

Review your procurement-related clauses closely and make sure that your staff and sub-recipients understand the process and regulations. Remember to monitor implementation.

Procurement Good Practice

- ▶ Establish and follow written procurement policies and procedures.
- ▶ Conduct annual procurement planning that includes office and program equipment, supplies, and services.
- ▶ Link procurement planning to budget and workplanning processes.
- ▶ Provide for open competition to the extent possible.
- ▶ Obtain quotations, review quotations against established criteria, use evaluation committees, and justify vendor selection.
- ▶ Document the procurement process.
- ▶ Keep an inventory of all equipment purchased and update it regularly, noting condition and location of items.

Overview of Procurement Regulations

USAID's many stipulations about how USG funds may and may not be spent are presented in 2 CFR 226 and include limitations on:

- particular goods and services;
- where the item was manufactured or procured;
- from whom you can purchase goods and services; and
- how you ship them to your project site.

This section covers restricted and prohibited items ([4.3.2.2](#)), source and origin restrictions ([4.3.2.3](#)), and vendor restrictions ([4.3.2.4](#)).

4.3.2.1 Allowability Test

The most important concept in procurement under USAID-funded awards is to understand what costs are and are not allowable. Even though your budget has been approved, it does not mean that all of the line items in that budget are allowable. Before procuring any goods or services under the award, it is important to make sure each item passes the allowability test.

In Your Agreement

USAID Cooperative Agreements contain procurement-related requirements under the Standard Provisions. In particular, review the standard provisions, entitled "Ineligible Goods and Services" and "Restricted Commodities."

The allowability test poses four questions that are key to determining whether you can purchase an item. These questions apply to all costs associated with the award, including direct and indirect costs.

1. *Is the cost reasonable?*

Is the cost comparable to what other organizations are paying for the same item or service? Have you followed your organization's procurement policies with regard to getting bids and reaching a fair price?

2. *Can you allocate the cost to this specific award?*

Is the cost required to advance the work under the award?

3. *Is the cost consistent?*

Have you been consistent in assigning costs across all the work your organization does, regardless of the source of funding? For example, do you pay the same consultants the same rates for similar activities under your USAID-funded awards as you do in projects funded by other donors?

4. *Does the cost conform to the rules and regulations of the program?*

Is the cost in compliance with limitations and exclusions contained in the terms and conditions of your award? Have the individuals responsible for the expenditure acted ethically in carrying out the procurement?

For major purchases, document your review of these questions during the procurement. Put the questions on a form, along with a place to fill in the item, budgeted amount, date, and who in your organization filled out the form. Record the answers, making any necessary notes, and then file the forms for future reference in case of an audit.

4.3.2.2 Allowable Costs

Allowable costs are things you are allowed to purchase or spend money on under your agreement. What is allowed and what is not allowed may be defined by U.S. law, the policies of the agency funding your award, the regulations governing the program under which you are being funded, and certain additional restrictions that may be included in your award.

Depending on circumstance, a cost may be determined allowable or unallowable based on whether the cost is necessary to meet activity goals, is reasonable, and is allocable. In addition, allowable costs are governed by specific categories, including U.S. laws and USAID regulations. One way for recipients to keep track of these restrictions is to develop lists of unallowable items, similar to the document in Figure 22 only includes unallowables. You can customize this list with specifics from USAID and your Cooperative Agreement. You will notice that some items are restricted, meaning they are only allowable with specific written permission (for example, vehicles), while other items are prohibited and you cannot purchase them under any circumstance (for example, abortion equipment).

This list is only the first step in determining whether a cost is allowable, however. If an item you plan on purchasing is not on the unallowable list, you must still determine whether the specific purchase passes the allowability test (4.3.2.1) by examining the specific circumstances of the purchase and

your program to make sure the cost is reasonable and relevant to your program.

Restricted Commodities

Restricted commodities are items you may purchase with USAID funds, but for which you need prior written approval from the AO. The most common restricted commodities include:

- agricultural commodities;
- motor vehicles;
- pharmaceuticals;
- pesticides;
- used equipment;
- USAID-owned excess property; and
- fertilizer.

A waiver may be granted if all three of the following conditions are met (**Note:** Even if you meet all three criteria, approval is not automatic; you still need to request approval from the AO):

- Item is of U.S. source/origin.
- You have identified the item and incorporated it into the program description or amendments to the award.
- You have incorporated the costs related to the item into the approved budget of the award.

If the AO approves, he or she will provide written authorization. If you procure the item prior to receiving written authorization, you risk paying for it yourself.

Figure 22—Examples of Unallowable Costs

Category	Regulating Document	Examples of Limitations	Applies To
U.S. Law	OMB Circular A-122	PROHIBITED: Abortion, military, surveillance, weather modification, and gambling equipment	All USAID agreements
USAID Regulations	USAID ADS	RESTRICTED: Pharmaceuticals, vehicles, and agricultural commodities	All USAID agreements
Agreement Restrictions	Your Cooperative Agreement	RESTRICTED: Items not included in your budget	Varies by agreement

Procurement Documentation:

- ✓ Statement of work (SOW) or specifications
- ✓ Approved/signed purchase request (as applicable)
- ✓ Market research of sources; Request for Quotations (RFQ) or Request for Proposals (RFP), including Internet postings/newspaper adverts
- ✓ Quotations or proposals received (minimum of three)
- ✓ Verification of search of Excluded Parties List, U.S. Department of Treasury's Designated Nationals List and UN Consolidated List.
- ✓ Analysis of quotations/bids (should show quantitative/qualitative analysis of cost reasonableness of quotations or proposals and advantage(s) of winning vendor)
- ✓ Memo to the file (in conjunction with analysis should explain in written form background, competitive process, and justification for vendor selection)
- ✓ Approval and/or waiver from USAID (if applicable)
- ✓ Authorized signature by organization (as applicable)
- ✓ Signed purchase order (PO) or contract
- ✓ Confirmation of receipt of item
- ✓ Signed property management letter (if recipient other than organization)
- ✓ Copy of vendor's invoice (stamped paid)
- ✓ Relevant documentation—correspondence, memos, faxes, e-mails, records of conversations—collected throughout the procurement process
- ✓ Condition and location of items

Prohibited Items

The following may not be purchased with USAID funds under any circumstances:

- military equipment—goods or equipment to meet the cooperating country's military requirements;

- surveillance equipment—such as microphones, transmitters, and recording devices (this does not include general-use audiovisual equipment, as long as there is a clear purpose and need for such equipment in your program);
- commodities and services for support of police or other law enforcement activities;
- abortion equipment and services;
- luxury goods and gambling equipment, including alcoholic beverages, jewelry, or expensive textiles; and
- weather modification equipment.

Other Types of Restrictions

Other restrictions and prohibitions that are applicable to most USG funding are in “Cost Principles for Non-Profit Organizations” ([2 CFR 230](#), sometimes referred to as A-122), which details rules for 56 specific goods and services, and when they may and may not be paid for with USG funds. Review this list and become familiar with the rules that may be relevant to your program.

The best way to keep track of all restricted and prohibited items is to create a table and fill it out based on the agreements and guidance documents applicable to your program. If you receive funding through multiple grants, you may find different limitations on different funding streams. Be sure to note to which agreement each restriction applies.

Use of Private Funds

When you use private funds to procure goods and services as part of a cost-share requirement, some restrictions are no longer applicable. When your organization commits to cost share as part of the application budget, it must be appropriate for the program. You cannot count private funds used to purchase prohibited items toward your cost-share commitment. For example, alcoholic beverages purchased with private funds cannot be counted as cost share.

However, in some circumstances, you can use cost share creatively to use your funds more efficiently. For example, you may purchase a used vehicle with private funds and shift your USAID funds into other program costs. If this results in significant rebudgeting, you may need to get prior approval.

Consequences of Misuse of USAID Funds

USAID reserves the right to require you to refund any amount that is not spent in accordance with the terms and conditions of the award (that is, costs not allowable under the regulations). Be sure to keep records for at least three years after you submit your final report, in case of an audit.

4.3.2.3 Source/Origin Restrictions

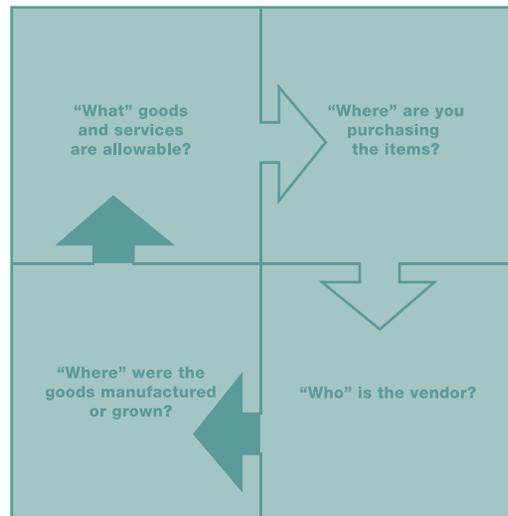
Two additional procurement restrictions deal with where an item is purchased—referred to as its source, and where it was originally grown or manufactured—known as its origin.

General Source/Origin Restrictions

Different source and origin restrictions apply to different USAID agreements.

Organizations working within the United States are subject to the [Buy American Act](#), which gives priority to U.S.-manufactured goods and services. This may apply to procurements made by a headquarters office located in the U.S. that is purchasing goods to be used domestically.

Different regulations govern purchases made overseas. USAID grantees should refer to the [USAID Acquisition Regulation \(AIDAR\)](#).



USAID grantees are assigned a “geographic code” that designates specific countries from which they are authorized to purchase goods and services. There are four geographic codes typically used: 000, 899, 935, and 941. Your agreement will state which code is applicable to your project.

Geographic Code 000

Geographic code 000 authorizes grantees to purchase goods and services only from the United States, including any U.S. state(s), the District of Columbia and areas of U.S.-associated sovereignty (commonwealths, territories, and possessions).

Geographic Code 899

Geographic code 899 authorizes grantees to purchase goods and service from any country, except the cooperating country itself and the following foreign-policy-restricted countries as of May 2010:

- Cuba
- Iraq
- Iran
- Laos
- Libya
- North Korea
- Syria

Geographic Code 935

Geographic code 935 authorizes grantees to purchase goods and services from any country, except the foreign-policy-restricted countries listed above as of May 2010.

Geographic Code 941

Geographic code 941 authorizes grantees to purchase goods and services from any country, except foreign-policy-restricted countries, the cooperating country itself, and as of May 2010, the following:

Albania	Lithuania
Andorra	Luxembourg
Angola	Macedonia
Armenia	Malta
Austria	Moldova
Australia	Monaco
Azerbaijan	Mongolia
Bahamas	Montenegro
Bahrain	Netherlands
Belgium	New Zealand
Bosnia and Herzegovina	Norway
Bulgaria	People's Republic of China
Belarus	Poland
Canada	Portugal
Croatia	Qatar
Cyprus	Romania
Czech Republic	Russia
Denmark	San Marino
Estonia	Saudi Arabia
Finland	Serbia
France	Singapore
Gabon	Slovak Republic
Georgia	Slovenia
Germany	South Africa
Greece	Spain
Hong Kong	Sweden
Hungary	Switzerland
Iceland	Taiwan
Ireland	Tajikistan
Italy	Turkmenistan
Japan	Ukraine
Kazakhstan	United Arab Emirates
Kuwait	United Kingdom
Kyrgyzstan	Uzbekistan
Latvia	Vatican City
Liechtenstein	

If any component of the item you are purchasing was produced in one of the restricted countries, the item is ineligible for USAID funding. Periodically, changes are made to the countries listed under these codes; for the most up-to-date information on foreign-policy-restricted countries, see section 22 CFR 228.03 at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&rgn=div6&view=text&node=22:1.0.2.22.27.1&idno=22>.

Regulations that apply to your organization are included in Schedule (Attachment A) of your Cooperative Agreement.

Rules and Waivers for Specific Restricted Commodities

Under geographic code 935, you may purchase almost all of the goods and services in your budget from almost any country in the world, with the following three exceptions, which must be of U.S. origin:

- agriculture commodities
- motor vehicles
- pharmaceuticals

As stated, this restriction only applies to the origin, meaning you can purchase these goods from any eligible source. In other words, you could purchase a U.S.-manufactured vehicle from a local dealer.

It is possible to request a waiver from your AO to purchase these commodities that have been manufactured or grown outside of the United States; however, you will need to justify the reason for selecting a non-U.S. product.

For example, one reason your AO might consider granting a waiver is if a U.S.-manufactured product is not available on the local market, while an equivalent non-U.S. product is. In this case, perhaps the additional shipping costs would dramatically increase the cost to purchase U.S.-manufactured products. Gather and document the estimated costs before contacting your AO.

In some circumstances, your AO may still require you to purchase U.S.-manufactured items despite any additional costs. This may be the case with certain pharmaceuticals, especially when there could be a concern about the quality or safety of specific pharmaceuticals manufactured outside of the United States.

Subawards, Other Geographic Codes, and Local Procurement

Implementation of the source/origin and local procurement regulations may be different for subawards under your current award when, for example, the prime recipient is U.S.-based and the subrecipient is based in a different country.

Also, in future awards, you may find different rules pertaining to source and origin, and you may be assigned a different geographic code. For a complete explanation of USAID source/origin rules, including other geographic codes, local procurement rules, and restrictions applicable to subawards, review the ADS Chapter 310—Source, Origin and Nationality (<http://www.usaid.gov/policy/ads/300/310.pdf>).

4.3.2.4 Ineligible Suppliers/ Excluded Parties List

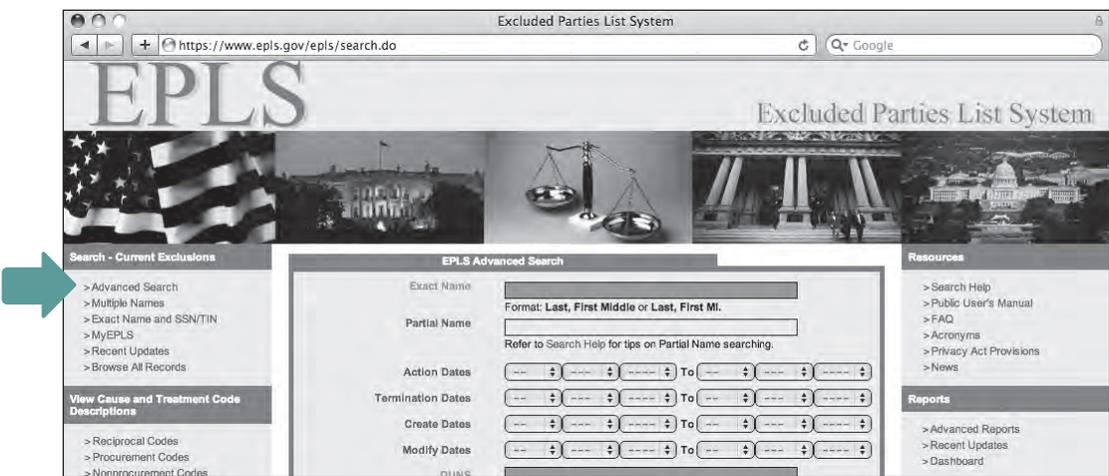
In addition to rules on what items you can buy and from where you can buy them, USAID regulates from whom you can buy them. This is to ensure that recipients of USAID funding do not provide material support or resources to any persons or organizations that commit, threaten to commit, or support terrorism.

To comply with this obligation, you should check the following three sources and document your results before purchasing from a vendor:

1. Excluded Parties List, a searchable database of individuals, firms, and organizations that are not eligible to receive USG funds. Using this system to check vendors is part of your responsibility under the Terrorism Financing clause in the Special Provisions section (listed under Attachment A—Schedule) of your Cooperative Agreement—www.epls.gov;
2. U.S. Department of Treasury List of Specially Designated Nationals and Blocked Persons—<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>; and
3. United Nations Al-Qaida and Taliban Consolidated List—<http://www.un.org/sc/committees/1267/consolist.shtml>.

While the search function on each site is slightly different, it is easy to check whether your prospective consultant, staff, vendor, or subcontractor is ineligible. For example, to begin a search on www.epls.gov, click on “Advanced Search” in the upper left section of the homepage. After reading the information in the “Important EPLS Advanced Search Information” page and checking the box at the bottom, you will be able to search by *firm*, *entity* or *vessel* or *individual* under the *Name Search Type* drop down menu.

Figure 23—Excluded Party List Web Site Advanced Search



If you get an exact match, you must find a new vendor. If you choose to continue with the procurement, the costs will be *unallowable* and you will not be reimbursed by the USG.

If you receive a partial match, and it is clearly *not* the supplier you are considering, you may want to search again using quotation marks around the name to get an exact match. For example, when searching for *So and So Supplier*, the database returns a match of John Tse-So Ning in Louisiana. By putting quotation

marks around part of the name, such as “So and So,” the database returns no results. If you receive results that you are unsure of, call 1-866-472-3757 or e-mail support@epls.gov for additional help.

If you receive no matches, then print the page and keep it in your files in order to document your search. This page shows the date and time of your search and the term you searched under, as shown in Figure 24.

Figure 24—Excluded Party List Web Site Results Page



4.3.2.5 Non-Expendable Equipment

Equipment is defined as tangible items with a useful life of at least one year and an individual unit cost of an amount determined by your organization’s policies and procedures. The USG lists a unit cost of \$5,000 to categorize items as equipment. Your organization may set a lower value but cannot exceed \$5,000. So if you categorize equipment (which has special procurement rules procedures) as items over \$1,000, you would list all items separately under the

equipment section of your budget and apply the equipment rules for the procurement and use of these items. This will involve gathering multiple bids as part of the procurement process and including these items in your inventory management system.

It is good practice to manage the procurement of items you think of as “equipment” but cost less than US\$5,000 (such as computers or motorbikes) in the same way as you manage items costing US\$5,000 or more, for example, gathering multiple bids on these items and including them in your inventory management system.

4.3.3 Travel

Travel in country or across borders—whether for a conference, field visit, workshop, or other purpose—is often necessary to implement your USG-funded award. Your Cooperative Agreement contains travel-related rules, which you are required to follow when traveling internationally for your project and, therefore, should be checked before making any arrangements.

4.3.3.1 Travel Requirements

Prior Approval for International Travel

You must get prior approval in writing from the AO (unless delegated to the AOTR) before every trip. Any specific international travel in your Cooperative Agreement's approved budget is considered to be approved; otherwise, you must submit a written request. When requesting approval for international travel, provide the following information:

- dates of travel and return;
- destination country or countries; and
- purpose and objectives of trip.

Written approval, which can be a simple e-mail from your AO, should be saved for future reference and included in your documentation. Alternately, your AO may allow you to submit a list of trips to be taken in the annual workplan and approve them all at once. Note that business class travel always must be approved individually by USAID.

Travel Notification

Neither the USAID Mission nor the U.S. Embassy requires country clearance for employees or subawardees of USAID recipients. However, if the primary purpose of the trip is to work with in-country USAID personnel, or you expect significant administrative or programmatic support from USAID, you must notify the Mission prior to your travel—at least two weeks in advance.

This notice must include your award number, the AOTR's name, the traveler's name, the date of arrival, and the purpose of the trip. You may send the notice by e-mail, but be sure to save a copy of the notification in your records. The

in-country USAID Mission will respond, within five days, only if travel is denied. If the recipient does not receive a response within five working days, the recipient will be considered to have met these standards for notification and may travel.

Where security is a concern in a specific country, it is a good idea to notify the U.S. Embassy of the traveler's presence when he or she has entered the country. This may be especially important for long-term postings.

The Fly America Act

The Fly America Act states that you must fly on U.S. flag air carriers or U.S. airline code share on foreign flag air carriers, as long as they travel to your destination, except as follows:

- If no U.S. flag air carrier provides service on a particular leg of the route, you may use a foreign air carrier service, but only to or from the nearest interchange point to connect with U.S. flag air carrier service.

Fly America Note:

Foreign air carrier service may not be used/justified solely on the basis of cost savings.

- If the service on a foreign air carrier would be three hours or less, and using the U.S. flag air carrier would at least double your travel time, you may fly a foreign carrier.
- If a U.S. flag air carrier offers nonstop or direct service (no aircraft change) from your origin to your destination, you must use the U.S. flag air carrier service unless such use would extend your travel time, including delay at origin, by 24 hours or more.
- If a U.S. flag air carrier does not offer nonstop or direct service (no aircraft change) between your origin and your destination, you must use a U.S. flag air carrier on every portion of the route where it provides service unless, when compared to using a foreign air carrier, such use would do at least one of the following:
 - increase the number of aircraft changes you must make outside of the United States by two or more;
 - extend your travel time by at least six hours or more; or
 - require a connecting time of four hours or more at an overseas interchange point.

Economy Seating Required for All Travel

For official travel, both domestic and international, you must use economy (coach) class (unless paid for personally or through frequent flyer benefits).

Exceptions that allow you to fly business class include circumstances when:

- Regularly scheduled flights between origin/destination points (including connecting points) provide only first-class and business-class accommodations.
- No space is available in economy-class accommodations in time to accomplish the mission, which is urgent and cannot be postponed (be sure to include documentation of urgency and importance).
- When use of business-class accommodations is necessary to accommodate your disability or other special need as substantiated in writing by a competent medical authority.
- Security purposes or exceptional circumstances as determined by your agency make the use of business-class accommodations essential to the successful performance of the agency's mission.
- Economy-class accommodations on an authorized/approved foreign air carrier do not provide adequate sanitation or health standards.

While these exceptions exist, they in no way promote the use of business-class travel, which should be used only when such exceptional circumstances are met.

Travel Procurement Documentation

As when procuring any other item or service using USG funds, you must follow USG procurement regulations and carefully document the process you used to purchase airline tickets. This means providing proof that the procurement of tickets was a competitive process and verifying that you traveled to the specified destination by submitting airline boarding passes or ticket stubs.

In addition, if your travel qualifies as an exception to the Fly America Act and you do not fly a U.S. flag air carrier, you must provide a certification and any other documents USAID requires. Without these, your funding agency will not reimburse your organization for

any transportation costs for that service. The certification must include:

- traveler's name;
- travel dates;
- origin and the destination of the travel;
- detailed itinerary of your travel, name of the air carrier, and flight number for each leg of the trip; and
- statement explaining why you met one of the exceptions outlined above or a copy of your agency's written approval deeming that foreign air carrier service was a necessity.

File a Trip Report

Following travel—domestic as well as international—it is good practice to write a short report to capture what you have learned and enable you to share it with others easily. There is no set format or protocol for writing a [trip report](#); however, it usually describes where you went, when you went, why you went, who was with you, and what you did and learned.

As you are writing your report, imagine how it will be used by the people who will read it. Here are some simple guidelines:

- Begin with a short paragraph stating the purpose of the trip (why).
- Summarize your activities while on the trip. Be concise and factual. Remember, the reader is usually not interested in a detailed, minute-by-minute account of what happened. Instead, write a clear and concise outline of your trip (where, when, who, and how).
- Point out important information you feel should be highlighted or stressed (what you learned).
- If appropriate, end by stating any recommendations and any follow-up that should occur.

4.3.3.2 Developing a Written Travel Policy

In addition to complying with USAID policies, if your NGO has its own written travel policy, you should review it when making any travel arrangements. If your NGO does not have a written travel policy, it is good practice to put one in place. Such policies will allow employees traveling on official business domestically as well as internationally to be reimbursed for transport, lodging, M&IE, and other allowances.

Travel Policy Checklist*

An organization's Travel Policy must, at a minimum:

- ▶ Establish procedures for how travel costs will be determined (for example, per diem, actuals, etc.).
- ▶ Establish internal travel approval requirements.
- ▶ Cover both domestic and foreign travel by all employees, whether or not it is financed by the USG.
- ▶ Specify which class of air carriage is allowable in particular circumstances.
- ▶ Conform to the requirements of the Fly America Act.
- ▶ Provide for any travel notification or approvals required of a USAID award.
- ▶ Define allowable costs under the policy in accordance with the applicable cost principles established by the U.S. Office of Management and Budget (OMB).

* <http://www.usaid.gov/policy/ads/300/30359s1.pdf>

A well-thought-out travel policy defines procedures for authorizing official travel, helps control business travel costs, and provides clear guidelines about the types and amounts of expenses that may be reimbursed. A written travel policy also helps ensure that all employees are treated fairly and equitably.

A travel policy should address:

- Approval
 - The process for an employee to request your organization's approval to travel, including the appropriate form to be completed by the traveler, the amount of time in advance that the form should be submitted, and to whom the form should be submitted.
- Advances
 - How advances of funds to be used for travel will be calculated. For example, some policies state that advances cannot be issued for more than a specific percentage of the total estimated travel costs.
 - When outstanding advances will be reconciled. It is good practice to allow for only one outstanding advance at a time and to establish a deadline (for example, within two weeks to one month) by which employees must reconcile their advance upon returning from their trip.

- Reimbursement
 - The types of costs that will be reimbursed (for example, transportation costs, visas, lodging, currency conversion, telephone calls, Internet, etc.).
 - Whether expenses will be reimbursed on the basis of actual receipts or per diem or a combination of the two. If a per diem basis is selected, then a per diem policy needs to be clearly defined for both domestic and international travel.
 - How employees will account for their travel expenses upon returning from their trip. Many NGOs create an expense report template using Microsoft Excel®, which employees fill out after every trip.
- Exchanging Money
 - What rate to use for changing foreign currency to local currency. For example, some NGOs use the in-country exchange rate using official exchange documents as supporting documentation, while others use the exchange rate of a trusted online source, such as www.oanda.com.

Note: Once travel rules have been adopted, your organization's policy must be uniformly applied to both USG-funded and other activities, unless the specific contractual agreement under which the travel is being conducted calls for different procedures/requirements.

What if my organization does not have a written travel policy?

If you do not have a written policy regarding travel costs, the standard for determining the reasonableness of reimbursement for overseas allowances is the regulations published by the U.S. Department of State. Rates are published monthly by country (and cities within a country) and are available at http://aoprals.state.gov/web920/per_diem.asp. If you do not have a travel policy, the following overview of USG practices can provide a framework for developing one.

Does a traveler need approval/authorization?

Your travel policy should require that travelers complete and submit a travel request form specifying reasons for the travel, dates, estimated cost, etc., to the supervisor.

May a traveler request a travel advance?

A traveler may wish to request funds in advance of a trip to cover the per diem (or actual expenses, depending on organization policy) and any other business-related expenses. The amount of the advance and the format for the request are based on the organization's policy. *Note:* auditors commonly find that travel advances are not issued according to the organization's policy.

Advances should be accounted for shortly after completing the related trip. Failure to reconcile travel advances may result in the travel advance being deducted from the pay of the traveler. (While this is good business practice, it is important that this be according to the organization's policy.)

Good Practice

Allow only one travel advance at a time; do not issue any new travel advances until the outstanding travel expenses/reimbursement request and trip report have been submitted.

What is per diem?

A per diem allowance is a daily maximum amount for which a traveler may be reimbursed for each day away from his or her regular workplace on official business. The per diem allowance is usually composed of two parts:

1. Lodging: a ceiling or maximum rate that may be reimbursed for lodging. Lodging is almost always reimbursed based on actual cost incurred up to the maximum allowable USG rate. Remember: original receipts must be submitted when requesting reimbursement for all lodging costs.
2. M&IE: a fixed daily rate for meals (breakfast, lunch, dinner, and related tips and taxes) and incidental expenses (for example, gratuities and tips, laundry, toiletries). Figure 25 is an example of the U.S. Department of State

per diem rates for Francistown, Botswana, accessed from http://aoprals.state.gov/web920/per_diem.asp.

If the city you are going to is not listed under the Post Name, use the "Other" rate (see column 2 of Figure 25) published for that country.

Travel costs may be charged on an actual cost basis, on a per diem basis, or on a combination of the two (for example, using the actual cost for lodging and a per diem basis for meals and incidental expenses), provided the method is applied to an entire trip and not only to selected days of a trip.

Meals & Incidental Expense Allowance

Generally, travelers are entitled to the M&IE allowance the day travel begins. On the day of departure and on the last day of travel, travelers are entitled only to a percentage (based on your organization's policy, the USG default policy is 75%) of the applicable M&IE rate of the authorized travel location. Employees on local day trips are only eligible to receive an M&IE allowance if the time away exceeds 12 hours. *What if meals (for example, lunch) are provided free of charge (for example, by another organization) during the trip?*

The M&IE allowances will be adjusted if meals are provided free of charge during one's travel for business purposes. The Web site for

Documenting M&IE

To get reimbursed for lodging and other travel-related costs of US\$25 or more, the traveler must save and submit all original receipts and invoices to document the expenses. For meals and personal expenses that fall under M&IE, receipts are not required by the

USG, but your organization's per diem policy may require them.

Figure 25—Sample Botswana Per Diem Rates

Country Name	Post Name	Season Begin	Season End	Max. Lodging Rate	M&IE Rate	Max. Per Diem Rate	Footnote	Effective Date
Botswana	Francistown	01/01	12/31	US\$172	US\$54	US\$226	N/A	12/01/2009
Botswana	Other	01/01	12/31	US\$103	US\$44	US\$147	N/A	12/01/2009

calculating reductions to the M&IE for the U.S. State Department per diem rates is <http://www.state.gov/www/perdiems/breakdown.html>. If you develop your own organizational per diem policy, it should include how the M&IE will be reduced should breakfast, lunch, and/or dinner be provided free of charge. The amount generally will not be adjusted if complimentary meals are provided by common carriers (such as airlines or trains) or hotels (such as when the hotel price includes bed and breakfast).

What happens if working meals were had during the trip?

Working meals should be reimbursed when accompanied by a written explanation of the following:

- purpose of meeting;
- why meeting was held during a mealtime;
- who was in attendance—names, titles (if applicable); and
- outcome of meeting.

A traveler can only claim either a per diem or the actual expense, and in this case, as the traveler may be requesting reimbursement for the working meal (provided there is adequate documentation), the traveler's M&IE allowance would have to be adjusted accordingly, just as when meals are provided free of charge.

What if someone travels to a number of different countries (or posts within a country) on the same trip and each has a different per diem rate?

The maximum per diem reimbursement rate is determined based on where lodging is obtained. If lodging is not required, the applicable M&IE rate to be used is the rate for the location, or if numerous locations are visited in one day, the location with the highest M&IE rate should be used. If a traveler visits more than one country on a trip, then the rate for each country should be used for the days in each country.

What happens if a traveler's actual lodging cost or M&IE costs are above the maximum allowable lodging rate?

While your organization's policy regarding the maximum amount for which a traveler may be reimbursed may differ from USG policy, it is important to note that if the total of the lodging exceeds the per diem rate established for the location, the traveler will have to pay the excess charges. The one exception to this is if you specifically request and receive approval in advance for "actual subsistence" at a higher rate, but this is granted only for special or

unusual circumstances. Original receipts must be submitted when requesting reimbursement for all lodging costs.

What if a traveler stays in the home of a friend or a relative?

A traveler who stays in the home of a friend or relative while on official travel may not claim lodging expenses for reimbursement. Hence, where lodging is not required, the applicable M&IE rate to be used is the rate for the location.

How does a traveler calculate expenses incurred in a foreign currency?

In the case of international travel, a significant portion of the expenses will be in foreign currency. To calculate the expenses, the traveler must provide appropriate receipts, with the currency rate(s) of exchange applicable for the period in country. To obtain the appropriate conversion rate, either use the rate provided at the time of exchange as documented in the exchange receipts or go to a reliable currency exchange Web site, such as <http://www.oanda.com/converter/classic>. Be sure to document the exchange rate you use by printing out the Web page and submitting it with your expense report.

4.3.4 Use of USAID-Funded Property

When your organization acquires equipment using USAID funds, there are certain limitations on how you may use the equipment.

Use of Equipment Outside of Award Activities

In most cases, the title for all property purchased under your award is vested in your organization. Check your Cooperative Agreement to be sure, or for more information see 22 CFR 226, http://edocket.access.gpo.gov/cfr_2007/aprqr/22cfr226.34.htm.

You can use the equipment in the program for which it was acquired as long as needed, whether or not USAID funds continue to support the program. For example, if you purchased a vehicle to be used as a mobile testing unit funded by USAID, you can still use that vehicle for that purpose even after the USAID award has ended, as long as you continue your mobile testing program, and as long as you have written approval for the continued use of the equipment.

Additionally, throughout your program, you may make USAID-funded equipment available for use in other programs if such use will not interfere with work on the program for which you originally acquired the equipment. You must treat rent or other fees charged as program income.

When equipment is no longer needed for the original program, but the program continues, you may use the equipment in connection with other USG-sponsored activities in the following order of priority:

- activities sponsored by the original funding agency (USAID), then
- activities sponsored by other USG agencies.

Under these circumstances, you do not have to inform USAID about the equipment's use until you have to dispose of it. When acquiring replacement equipment, you may use the equipment to be replaced as trade-in or you may sell it and use the proceeds to offset the costs of replacement equipment subject to the approval of the AO.

You may not use equipment acquired with USAID funds to provide services to non-USG organizations for a fee that is less than private companies charge for equivalent services. In other words, if you purchase a vehicle, you may not let another organization borrow or rent it for less than what it would normally cost that organization to rent a similar vehicle.

Even though the title to the equipment is vested in your organization, you are also not allowed to use the property as collateral for a loan without approval of USAID.

When closing out an award, you need to submit a final disposition plan and inventory that accounts for any equipment and property acquired with USAID funds or received from USAID. The decision regarding the right to the property rests with USAID.

Property Management Standards

Your organization should have a written policy for managing property and a system for cataloging and tracking inventory. You are required to track items costing US\$5,000 or more purchased with USAID funds using this type of system. However, it is good practice to use this system for tracking additional items as well, such as computer equipment and other fixed assets. Note, too, that some Missions

may set lower thresholds for tracking items with a lesser value that is determined by your organization.

Property management standards for USAID-funded and -owned equipment must include all of the following:

- Accurately maintained equipment records that contain:
 - description of the equipment;
 - manufacturer's serial number, model number, USAID stock number, national stock number, or other identification number;
 - source of the equipment, including the award number;
 - owner of the title—your organization, USAID, or other specified entity, such as the host government;
 - acquisition date or date received;
 - percentage of USAID funds used to purchase the equipment—for example, if you used 25% funding from a non-USG source, then USAID furnished 75% of the cost;
 - location and condition of the equipment and the date the information was reported;
 - unit acquisition cost; and
 - ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensated the USAID for its share.
- A physical inventory of equipment containing results reconciled with the equipment records at least once every two years. Any differences between quantities determined by physical inspection and those shown in the accounting records must be investigated to determine the causes of the discrepancy. Furthermore, the inventory must include information verifying the existence of, current use of, and continued need for the equipment. While USAID requires an organization to undertake a physical inventory every two years, your organization may decide to have tighter controls over your equipment and may undertake a physical inventory every six months or every year just prior to your audit (if you have one).
- A control system to ensure adequate safeguards to prevent the loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated and documented fully, and your AO promptly notified.

- Adequate maintenance procedures to keep the equipment in good condition.
- If you are authorized or required to sell the equipment, you must use proper sales procedures that provide for competition to the extent practicable and result in the highest possible return.

Fixed-asset management software exists, but it can be expensive and complicated to administer. As long as you keep your records organized, updated, and backed up, these data can be maintained in a simple spreadsheet.

4.3.5 Requesting Modifications to Your Agreement

Over the life of your award, your Cooperative Agreement will be modified with routine updates, such as additional obligations (or incremental funding), and other program alterations, such as changes in Key Personnel.

Changes Requiring Modification of the Cooperative Agreement

Certain changes to your program or budget require prior approval as well as a formal modification to your agreement. Though you may move forward with the change once you receive written approval, it is also important to ensure that these changes are eventually documented in the terms of your agreement through a modification (see “Requesting Changes”). The following list includes changes that must be documented in a modification to your Cooperative Agreement:

- **Major Scope Changes**—A change in scope or project objectives that will require revising the funding allocated among project objectives.
- **Key Personnel Changes**—Changes in Key Personnel specified in the award, including a 25% reduction in time devoted to the project.
- **Additional Funding**—When additional or incremental funding is added to your total obligation.
- **Changes to Indirect Costs**—Where indirect costs have been authorized, any plans to transfer funds budgeted for indirect costs to absorb increases in direct costs or vice versa.

- **Adding Restricted Commodities**—The addition of costs to the budget that require prior approval, such as restricted commodities.
- **Reduction in Training Allowances**—The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
- **Adding/Changing Subrecipients**—The recipient intends to enter into a subagreement with another organization to help implement the award, and the partnership was not incorporated into the approved program description and budget.

There are other circumstances when USAID may modify your Cooperative Agreement at its discretion.

Requesting Changes

The first step in modifying your agreement is to discuss the change with your AOTR. If the change makes sense to the AOTR, then make a formal request in writing to your AO, copying your AOTR.

Be sure to have at least e-mail approval in hand before acting. If you implement a change that is not approved, you may be required to pay back or cover any costs with private funds.

Modifications to your agreement require extensive paperwork for USAID staff. Therefore, the AO may grant approval by e-mail, but wait to execute a formal modification until a later date. To expedite matters for your AO, if possible, try to assemble multiple modification requests and submit them all at one time. For example, if there is a major change in the scope of work of your program, assemble the requests for a change in budget, a change in the program description, a change in personnel, and a change in targets and send them all together.

If you request a modification and receive e-mail approval, but not a formal modification to your agreement, keep track of these items and occasionally remind your AOTR of the outstanding modifications. A good time to send a reminder is right before the annual date when your agreement is modified and additional funds are obligated.

4.4 Technical Program Management

Technical program management focuses on ensuring that your team is delivering quality services that meet the needs of the beneficiaries and fulfill the overall goals of your program. One of the most important tools you have to help manage your activities is your M&E system (4.4.1).

The responses to many problems around the world continuously evolve, and your organization needs to learn and share (4.4.2) on an ongoing basis. Learning best practices and new approaches may help you address challenges your program faces and improve the quality of services you provide. It is also important for you to share your experiences so other organizations and individuals may benefit from the valuable lessons you have learned.

4.4.1 Monitoring and Evaluating Progress

It is simply not possible to manage the technical side of your program effectively without a good M&E system that gathers the right data in an accurate and timely manner. Having timely, good-quality data alone is not enough, however. The data are also an important management tool that must be interpreted and used effectively in order to make evidence-based decisions to improve your program on an ongoing basis. Data also will be used in the development of your program reports.

Chapter 3 discussed setting up your M&E system. During the planning process, program designers often build in formal program evaluations every couple of years, conducted by external, independent evaluators. These evaluations will help you demonstrate that your program is getting results, but they should not be the only time you are using the M&E data to analyze program performance.

At the very least, you should analyze your data quarterly, ideally working directly with subrecipients, implementers, and a wide range of staff. This is your best opportunity to take a hard look at the data to examine your program performance and consider making adjustments, a process that allows you to use M&E as a tool for decisionmaking.

Interpreting Data and Using M&E as a Decisionmaking Tool

As you track progress and report on beneficiaries your program has reached, you may uncover significant discrepancies between the targets set in your workplan and the actual numbers you are reaching. Do not panic; this is a normal part of program management, especially for programs implementing newly designed interventions or expanding to a new geographic area with new subrecipients.

Gaining a better understanding of the underlying reasons for target shortfalls and developing a plan to adjust your program and/or reset its targets is an important part of bringing a program to maturity. It is also important to track progress made in implementation and targets against the amount of funds spent, so take steps to implement strategies to offset budgetary variances. Changes (shortfalls or gains) in both targets and budgets should be explained in relevant reports, along with an explanation of measures that will be taken so that implementation remains on track.

Significance of Discrepancies between Targets and Actual Performance

Discrepancies between targets and actual performance are to be expected from time to time. In such cases, the project manager must decide whether a particular discrepancy is “significant” enough to warrant further investigation. Possible action depends on:

- How dramatic is the difference: 10% more or less than expected? 50%? More than 50%?
- How close are you to the situation? Are you managing the program directly, or through a subrecipient? Is the program in the same country or is it remote?
- How central is the specific program activity involving the discrepancy to your overall program? Is it intricately linked to several other activities, or is it a small, stand-alone piece?

Reviewing Targets

If you determine that actual results are deviating significantly from the targets set, you will want to discover why. While there are numerous possible causes, most fall into these areas:

- problems with faulty or mistaken intervention design assumptions;

- poor program implementation;
- late start-up;
- poor data collection tools; and/or
- data-quality errors.

Different staff members may manage each of these areas: a technical lead for intervention design, a subrecipient for implementation, and an M&E specialist for data quality. The process for reviewing target discrepancies should include all of these people, perhaps led by the program director.

Adjusting Targets Upward

While discrepancies generally refer to shortfalls between targets and actuals, your program may require adjustments if your actuals are significantly higher than your targets. For example, higher-than-expected results could affect budgets or other related activities. Higher actuals also may be an indication that double-counting is occurring. Therefore, pay close attention to unusually high actuals and be prepared to investigate and adjust if necessary.

Adjusting Targets Downward

In some cases, your findings will leave you little choice but to adjust your targets. Because you are contractually obligated to reach those targets, you will have to work with your AOTR to make these changes. In doing so, consider the following:

- Will you be reducing your targets for the current year or reducing your overall targets? Whenever possible, propose solutions to make up current shortfalls in future years.
- Do you have a good reason for reducing your overall targets? A shortage of time is not sufficient. Could an extension to the period of performance without additional funding help you meet your original goals? If the answer is still no, you will want to develop a well-documented, evidence-based reason to support your request to reduce your targets.

When adjusting your targets, try to pinpoint the corresponding assumption(s). For example, let's say your Trafficking in Persons (TIP) program is underperforming, and you believe, in part, that there are fewer TIP victims in the catchment area than you assumed is the case. Gather the data that show this and use them as the basis for the modification request.

In your workplan, you probably tied the proposed targets to your budget. Therefore, when you propose lowering your targets, address the impact on your budget. If you cannot reach the proposed targets in one area, try to see if you can rebudget to increase your targets in another program area. If you have to reduce the total number of targets, the cost per beneficiary inevitably rises and your program looks less cost-effective. If that happens, be prepared for your funding agency to decide to reduce funding in line with your reduced targets.

Reviewing targets, making program adjustments, and assessing data quality are natural and necessary parts of the program management process. Each time you refine your program model, applying lessons learned, you strengthen your program. As a result, the next time you implement in a new area or work with a new subrecipient, your assumptions will be better and your targets will be more accurate.

Data Quality Problems

What if your intervention design was sound and its implementation is going smoothly, but there are still gaps between targets and actual performance data? The problem could be with the data themselves, such as:

- undercounting results (for example, if volunteers do not record everyone reached);
- double-counting results (higher-than-expected results can come from counting program beneficiaries multiple times);
- poor data collection tools; and
- data entry problems (perhaps the data are being gathered properly, but they somehow are not entered accurately into your system).

Addressing Data Quality Issues

Address any data quality issues you discover immediately. For example, if the problem is undercounting, start by ensuring that everyone involved understands the definition of exactly what/who to count for each indicator.

Ensure that your team understands the indicator(s). Sometimes, funders define indicators clearly. However, in other cases, your organization is expected to set its own minimum standard for when to count an individual as having been "reached." If everyone on your team is not using the same definitions for who meets the threshold to be counted, miscounting the number of beneficiaries may result.

Review the indicators to ensure your definitions are accurate. If you have reported results to USAID that may have errors, contact your AOTR to discuss the issue and find ways to correct past reports.

Intervention Design Assumptions

When you designed your program, you made a number of assumptions. You used these, in turn, to develop your targets and select indicators. Factors taken into account probably included:

- demographic data (including population size, age distribution, and prevalence rates);
- social and cultural factors (such as language, cultural appropriateness, and acceptance); and/or
- program effectiveness estimates (such as estimates of the number of people who will change their behavior or will be open to accepting your services).

In general, the more reliable the initial data used to design the program, the more accurate your targets should be. However, for new programs, or programs expanding into new areas, the underlying demographic data and the social and cultural assumptions may not be as reliable as those for established programs. Therefore, expect discrepancies to arise between targets and actual results.

Implementation Challenges

Sometimes the source of the discrepancies is program implementation rather than design. This could include:

- slower-than-expected program start-up;
- budget problems (such as higher-than-expected costs or delays in securing matching funds);
- human resource problems (such as the inability to find qualified personnel or challenges in recruiting and retaining volunteers);
- unforeseen events (such as civil unrest);
- environmental challenges (such as heavy rains that render fieldwork impossible due to inaccessible roads for an extended period of time); and/or
- training problems (such as ineffective trainers or ineffective training materials).

Developing Solutions

Once you have identified discrepancies, you will want to look for the cause(s) and develop solutions to address them.

If you find multiple reasons for a discrepancy, do not try to address all of them at once. Focus on the one or two whose resolution will have the greatest impact; in other words, generate the best return on your investment of time, personnel, and resources. If possible, test your changes on a small scale before implementing them program-wide.

If you must adjust your intervention, be sure to put processes in place to test and validate the adjustments. Monitor progress closely and document the changes you make. If you are using an intervention other subrecipients or partners use elsewhere, share your experience so everyone benefits from the lessons learned.

Looking at Program Design

Target shortfalls due to intervention design problems are often the most difficult to pinpoint and can be the most challenging to respond to. Try to rule out all other problems first.

Making Implementation Adjustments

Sometimes, adjusting your implementation strategies can get your program back on track. Consider these tips:

- Test your changes on a small scale first before applying the change to your entire program whenever possible. Give changes a few months to work before trying to speed things up to compensate for discrepancies in meeting targets. You can always request additional time later, but remember that approval of additional time is not automatic.
- Document any adjustments, so you will not repeat mistakes.

4.4.2 Learning and Sharing

Throughout the project cycle, your staff and collaborators have countless opportunities to learn and improve their ability to manage and implement effective projects, whether it is from observation, data and research, mistakes made, challenges overcome, new ideas learned at a conference, or formal or informal evaluations. While it is not efficient

or practical for everyone to be present at every moment, there are ways to maximize the gains, contribute to staff development, improve project effectiveness, and enhance project sustainability. Actively promoting conscious learning and deliberately creating opportunities for sharing should take place at numerous levels within your program, within your organization, and among programs and partner organizations.

Sometimes, USAID or others in-country facilitate forums in which you can participate. Work with your AOTR to ensure that your organization is included on Mission mailing lists and is aware of these forums. Whether or not USAID initiates such forums, organizations that actively promote learning and sharing within the organization and with others are able to quickly respond to changes, improve program effectiveness, and promote innovation.

Benefits of Learning and Sharing

The drive to learn and share within your organization's culture should come from the management team. If you are not actively promoting learning and sharing within your organization, program, and the wider NGO community, then such activity probably does not happen. Sometimes, managers do not promote learning and sharing, because they do not know the benefits. They may think it benefits individual employees and other organizations, rather than understanding how it helps their organization. They may fear that if employees learn too much, they will demand higher wages or leave for better opportunities, and that other organizations may use their program designs to be more competitive when seeking future funding.

Your organization will benefit greatly from a robust learning and sharing program that promotes knowledge sharing within your organization, between you and your partners and with other outside organizations.

Here are just a few examples:

- Organizations that have a strong learning and sharing program find it easier to recruit and retain talented personnel. Professionals know which organizations are good to work for, including which ones will help them grow in their careers.
- Organizations that share and document the knowledge of individual employees avoid

experiencing a knowledge vacuum when key staff leave and avoid a repetition of avoidable mistakes.

- Organizations that share knowledge with subrecipients and implementing community organizations help to create ownership of the project and a sustainable response.
- Organizations that are willing to share experiences and learn from other organizations benefit exponentially from the experiences of all of the organizations involved. This enables your organization to be on the leading edge, build a reputation as a collaborative partner, and, possibly, help to better position your organization for future awards.

Tips for Promoting Learning and Sharing

- Learning can be free. Even if you currently do not have any budget for training, you can promote learning and sharing through informal sharing forums over tea or meals.
- Everyone has something to share. For example, the office computer expert can show everyone how to do more with spreadsheets. The accountant can demonstrate how to develop a good budget. The local volunteer can teach everyone a few phrases in the local language. Your staff have a lot of knowledge and would love to share it. The key is to tap into that knowledge and create an open, receptive environment. However, often people have to be invited/asked to share what they know. It is up to you as a leader to create a space where this is possible.
- Do not wait for someone else to set up a learning forum. Take the lead with your partners and other area NGOs to encourage staff exchange visits and other learning opportunities.
- Build in time for reflection. Take the time after major activities or evaluations or at regular intervals during implementation to capture, share, and consolidate lessons learned. These should provide the opportunity for everyone to share what they have learned and would like to contribute, not just top managers. Very often, the people most directly involved in the implementation have the most practical ideas for improving the project and process.

- Include everyone. Sometimes, more learning is taking place at the upper management levels within an organization, with less taking place at the staff level. However, everyone in your organization can benefit from learning, and most staff are interested in learning new skills, even if they have nothing to do with their current positions. You never know: your organization's administrative assistant may be your future M&E expert.
- Capture the knowledge. Whenever possible, capture the sharing experience in electronic format, so you can share it again. This may mean asking the presenter to put together a PowerPoint® presentation that is posted on a shared drive, or it may mean helping staff document processes in simple training manuals. Larger organizations may wish to explore knowledge management software options.
- Evaluate your current learning and sharing. Do you have a training budget? Do other activities you already have promote sharing? What external forums could you participate in? Ask your staff for suggestions about what training they feel they need for or are interested in.
- Make a plan and set goals. Learning and sharing is something that your organization might forget about in the future if you do not integrate them into your organization's management plan. Create a simple plan and set goals for the organization. Review your progress at least once a year and make learning and sharing a part of each employee's individual job description and annual performance reviews. Track how many trainings your employees have attended and what training they have provided to others.
- Explore opportunities online. The availability of information online and increased access to the Internet are opening up tremendous opportunities for learning through online communities of practice, even for organizations located in the most remote areas. Encourage your staff to search for Web-based communities and share what they find with others.

4.5 Summary

Running an effective and compliant program covers an array of management areas, both administrative and technical. A good program manager will tie all of these together by working with the project team to constantly refine the organization's implementation model and by keeping everyone focused on providing quality services to beneficiaries.

This chapter provided details on the administrative management requirements of USAID-funded agreements, especially with regard to finance, procurement, property management, and travel. It also discussed the basics of managing your award funding and documentation, including modifying your agreement and changing your budget. Finally, this chapter outlined requirements and good practices related to technical program management.

A key aspect of managing USAID-funded programs this chapter did not cover is reporting. Because of the number and complexity of USAID reporting requirements, this topic is covered separately in [chapter 5](#).

5 Reporting: Requirements and Benefits



Reporting: Requirements and Benefits

5.1 Overview

5.2 Getting Started

- 5.2.1 Five Tips for Outstanding Reporting
- 5.2.2 Reporting Due Dates
- 5.2.3 Preparing for Other Reporting Requests

5.3 Your Reporting Requirements

- 5.3.1 Federal Financial Report (SF-425)
- 5.3.2 Performance Reports (Quarterly)
- 5.3.3 Annual Audit
- 5.3.4 Foreign Tax (VAT) Reporting

5.4 Summary and References

5.1 Overview

Reporting is the primary way you demonstrate that you are meeting the expectations of your award and complying with USAID requirements. Timely and accurate reporting contributes to building a strong relationship with the donor and providing evidence of the impact of your program.

Often the day-to-day demands of running a program consume significant time and energy, and writing reports feels like a distraction from attending to program needs. However, in addition to being an important responsibility under the Cooperative Agreement, reporting can enhance the daily operations of your programs by helping you examine the financial health, programmatic strength, and performance of your organization and activities. It also gives you the opportunity to bolster ties with your partners. It is advisable to develop a reporting culture within your program by ensuring that all staff have the right tools and training to contribute appropriately. By viewing reporting as a management tool and process that can improve your ability to serve your beneficiaries and meet donor needs and expectations, you will come to experience its benefits.

This chapter covers general reporting tips and details about the specific reports you are likely to encounter as a USAID recipient. The first part, “Getting Started” (5.2), gives program managers new to USAID reporting several tips to get the most out of the reporting process. This chapter also outlines key reporting due dates (5.2.2) and tips to prepare for special or unanticipated reporting requests.

The second part, “Your Reporting Requirements” (5.3), details four of the reports typically required under your Cooperative Agreement. While each agreement may vary slightly, many USAID partners must prepare and submit these reports. Double-check your agreement for specific requirements.

Objectives

- Learn best practices for assembling effective reports.
- Understand the specific reporting requirements and due dates that are common to most USAID-funded partners.
- Gain an appreciation of how reporting enhances your ability to serve beneficiaries.

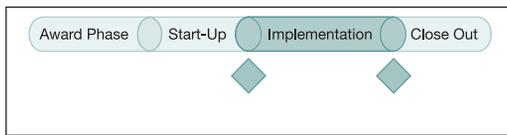
Skip Ahead

- ▶ Reporting Due Dates
- ▶ SF-425 Federal Financial Report
- ▶ Performance Reporting
- ▶ Annual Audit
- ▶ Foreign Tax Report

Key Terms and Acronyms

- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **Audit**—An independent review and examination of system records and activities.
- **Burn Rate**—The rate at which an organization spends its award funds on a periodic basis, typically monthly.
- **Finding**—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.
- **Fiscal Year**—Sometimes called a financial year or budget year, a period used for calculating annual (“yearly”) [financial statements](#) in businesses and other organizations. It may or may not correspond to the calendar year, that is, January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.
- **FMO**—USAID’s Financial Management Office.
- **Foreign Tax Report**—The report that all USG recipients must fill out annually to report the Value-Added Tax (VAT) that was paid to the host government. The reports are used to ensure that U.S. foreign assistance is not being taxed.
- **Management Decision**—The evaluation of a recommendation by management and a decision on an appropriate course of action.
- **Pipeline**—The amount of funds obligated but not yet spent, which is calculated by adding all funds spent to date and subtracting that amount from the total obligation to date.
- **QPR**—Quarterly Performance Report.

5.2 Getting Started



Program managers new to USAID reporting may find the forms, due dates, and reporting requirements challenging. The requirements are not that complex once you understand what is requested. The key is to give yourself plenty of time to complete each report and, as mentioned above, engage your staff in preparing the reports on a routine basis.

This section includes five tips for producing excellent reports as well as a list of key reporting due dates (see Figure 26). In addition, the section provides some general guidelines for maintaining your data systems to help you prepare for unplanned reporting that USAID grantees often must do. Together, these tips will help you lay the foundation for successful reporting.

5.2.1 Five Tips for Outstanding Reporting

1. Do not be afraid to tell the truth.

It is exciting and rewarding to report on your program's successes, but sometimes your reports will have some bad news, too. Do not try to hide the challenges you are facing. Your Agreement Officer's Technical Representative (AOTR) is on your side and wants to help, but he or she can only do so if you provide an honest assessment. Program managers who demonstrate they can overcome unforeseen challenges make positive impressions on donors.

The USG fiscal year

The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.

1st Quarter: October 1–December 31

2nd Quarter: January 1–March 31

3rd Quarter: April 1–June 30

4th Quarter: July 1–September 30

2. Develop a reporting calendar and timeline.

To ensure you have plenty of time to assemble good reports, list all of the requirements on a calendar and plan ahead so you will not be rushed. Make sure all staff and subrecipients who contribute to each report are aware of the timeline and due date.

3. Engage subrecipients early.

Most reports require prime partners to gather information from subrecipients. When creating your reporting calendar, allow enough time for your subrecipients to give you meaningful input. This not only leads to a better report, but it also builds subrecipients' capacity by involving them in the self-evaluation aspects of reporting and holding them accountable for data gathering and deadlines. Be sure to close the loop with subrecipients by sending them copies of the reports you submit to USAID.

4. Tell a consistent story in all of your reports.

There is a negative disconnect if your performance reports describe a financially healthy program, but your Federal Financial Reports show you are going through your funding more quickly than expected. All of your reports should be linked together, so that when your AOTR reviews your program documentation, he or she gets an accurate picture. Quantify all of your conclusions with data, and show how your program is meeting targets and staying on budget. This allows your AOTR to conclude that your program is doing well.

5. Do not surprise your AOTR or AO.

Reports document various aspects of your program—they are not the primary means of communicating with your funding agency. You should discuss major challenges with budget, staff, partnerships, or implementation strategies with your AOTR first, and document them later in your reports.

5.2.2 Reporting Due Dates

Figure 26—Reports, Frequency, and Submission Dates

Report	Frequency	Due date to be submitted
Federal Financial Report	Quarterly	Thirty days after the end of each calendar quarter: January 30, April 30, July 30, October 30
Performance Report	Quarterly	January 30, April 30, July 30, October 30
Annual Audit	Annually	Thirty days after you receive it from your auditor. The audit and report must be submitted within nine months after the end of your fiscal year
Foreign Tax Report	Annually	April 16
Final Report*	Award	Ninety days after the end of the award

* The Final Report is covered in [chapter 6](#)—Award Close Out.

5.2.3 Preparing for Other Reporting Requests

USAID grantees are sometimes asked to respond to a number of special, unplanned or “ad hoc” report requests. These requests can demand a quick response and generally include target or budget status or estimates. Your AOTR may provide a spreadsheet template or other guidance on how to submit the needed data. If you are unable to meet the deadline or are unsure about what exactly is called for, contact your AOTR immediately for additional guidance on how to respond.

If your M&E and financial systems are up to date, it probably will not take you long to pull the numbers together. Always make sure your financial and programmatic reports “match.” However, if you do not have a disciplined

process for data entry, you may have to scramble to compile these numbers on short notice.

5.3 Your Reporting Requirements

This section outlines the four reports required of USAID-funded programs:

- Federal Financial Report ([5.3.1](#))
- Performance Report ([5.3.2](#))
- Annual Audit ([5.3.3](#))
- Foreign Tax (VAT) Report ([5.3.4](#))

These reports must be submitted to USAID as outlined in your Cooperative Agreement. Reporting related to award close out is covered in [chapter 6](#) of this *Guide*.

Figure 27—Reporting Questions

Federal Financial Report
How is the program’s financial health?
Performance Report
Are your activities achieving their goals?
Annual Audit
Is your organization functioning properly?
Foreign Tax Reporting
Is the host country complying with USG agreements?

5.3.1 Federal Financial Report (SF-425)

The Federal Financial Report, also referred to as SF-425, is a snapshot of where you stand on spending on your award and tracks how much cost share your organization has contributed. These reports are due quarterly to the FMO.

SF-425 Key Points

Due: Quarterly

Form: SF-425 (pdf) — download at http://www.whitehouse.gov/omb/grants/standard_forms/ff_report.pdf

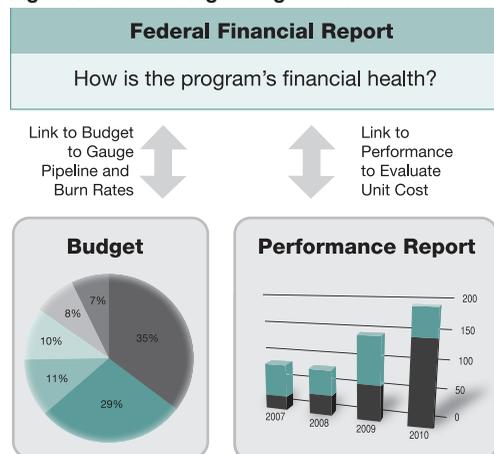
Instructions: download at http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf

Submit to: FMO
(cc: AOTR and AO)

How Does This Help My Program?

You can use the information in SF-425, coupled with your budget, to determine whether you are spending too quickly or too slowly by examining pipeline and burn rates. When combined with performance data, you can ascertain whether you are spending efficiently to meet your targets by analyzing unit costs. (For more information on pipelines, burn rates, and unit costs, see section 4.3.1.4.)

Figure 28—Measuring a Program’s Financial Health



Report Specifics

Your Cooperative Agreement describes financial reporting requirements, including:

- when (and how often) to submit reports;
- what form to use; and
- how (and to whom) to submit reports.

Figure 29—Financial Forms and Uses

Form	Use
SF-270 (for more information, see 4.3.1.2)	To request advances and reimbursements
SF-425	To report on financial status, cost share and program income
SF-1034 (for more information, see 4.3.1.3)	To request funds and liquidate advances

When Is My Federal Financial Report Due?

Federal Financial Reports are due 30 days after the end of a quarter, based on USAID’s fiscal year (October 1–September 30). You are required to report every quarter through the end of your award’s period of performance. At the end of your award, you will submit a final Federal Financial Report within 90 calendar days. Figure 30 lists the due dates for each quarter and what period each report covers.

How to Fill Out the SF-425

What follows are tips to help you complete the new form. These tips are not meant to substitute for the USG instructions found online or for guidance provided by your FMO. Instead, they address some questions first-time users may have when filling out this form.

Figure 30—Federal Financial Report Submission Dates

Period	Due	Covers
Quarter 1	Jan. 31	Oct. 1–Dec. 31 (of the previous calendar year)
Quarter 2	Apr. 30	Jan. 1–Mar. 31
Quarter 3	July 31	Apr. 1–June 30
Quarter 4	Oct. 31	July 1–Sept. 30
Final Federal Financial Report	90 days after the end of the award	Entire life of award

Use a separate SF-425 for quarterly reporting for each Cooperative Agreement. Begin by downloading a PDF version of the [SF-425](#). To take advantage of some of the features, including auto-calculations, be sure you have the latest version of [Adobe Reader®](#), which you

can download for free at <http://www.adobe.com/products/acrobat/readstep2.html>. Start by filling out the top portion, shown in Figure 31. It asks for basic information about your organization, grant, and the period covered in this report.

Figure 31 – Top Portion of the SF-425

FEDERAL FINANCIAL REPORT				
(Follow form instructions)				
1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)		Page 1 of _____ pages
3. Recipient Organization (Name and complete address including Zip code)				
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	6. Report Type <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input type="checkbox"/> Cash <input type="checkbox"/> Accrual
8. Project/Grant Period From: (Month, Day, Year) To: (Month, Day, Year)		9. Reporting Period End Date (Month, Day, Year)		
10. Transactions				Cumulative

The numbers in the following list correspond to the numbered blanks on the SF-425.

- 1. **Federal Agency and Organizational Element to Which Report is Submitted**— USAID or other USG funder.
- 2. **Federal Grant or Other Identifying Number Assigned by Federal Agency**— Insert your Cooperative Agreement identification number, which may look something like XXX-A-00-09-00XXX-00 and can be found on the first page of your agreement.
- 4b. **EIN**— For U.S. grantees only.
- 5. **Recipient Account Number or Identifying Number**— This number is for your use only; the USG does not require it.

- 7. **Basis of Accounting**— Your accountant or financial manager will know whether you are reporting on a cash or an accrual basis.
- 8. **Project/Grant Period**— The start and end dates of your award.
- 9. **Reporting Period End Date**— The date for each report depends on which quarter you are covering:
 - 1st Quarter: December 31
 - 2nd Quarter: March 31
 - 3rd Quarter: June 30
 - 4th Quarter: September 30.

Next, fill out the middle portion, which contains the main calculations as outlined in Figure 32.

Figure 32 – Middle Portion of the SF-425

10. Transactions	Cumulative
<i>(Use lines a-c for single or multiple grant reporting)</i>	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	
<i>(Use lines d-o for single grant reporting)</i>	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	
e. Federal share of expenditures	
f. Federal share of unliquidated obligations	
g. Total Federal share (sum of lines e and f)	
h. Unobligated balance of Federal funds (line d minus g)	
Recipient Share:	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	
Program Income:	
l. Total Federal program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

Some numbers will be calculated automatically if you are using Adobe Reader®. Once you have finished, double-check to make sure all the calculations are correct.

Section 10: Transactions

Federal Cash

- (a) **Cash Receipts**—Enter the total amount of actual cash received from the USG (before deduction of bank fees and other miscellaneous fees) through the end date of the reporting period specified in box 9.
- (b) **Cash Disbursements**—Enter the cumulative amount of cash and check payments as of the reporting period end date. This total includes the sum of cash expended for goods and services, cash advances, and payments made to subrecipients and contractors as well as the amount of indirect expenses charged to the award.
- (c) **Cash on Hand**—Enter the amount of line 10a minus line 10b.

Federal Expenditures and Unobligated Balance

- (d) **Total Federal funds authorized**—Enter the total award amount. This refers to the “Total Estimated USAID Amount” listed in your Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.
- (e) **Federal share of expenditures**—Enter the total amount of USAID-obligated funds expended as of the reporting period end date. For grantees working on a cash basis, this amount should equal 10b, Cash Disbursements. For grantees working on an accrual basis, please enter the total USAID-obligated funds disbursed plus funds committed.

- (f) **Federal share of unliquidated obligations**—Enter the total amount of unexpended USAID-obligated funds as of the reporting period end date. This amount should be calculated by subtracting the USG share of expenditures, 10e, from the current obligation amount as listed in the most recent modification.
- (g) **Total Federal share**—Enter the amount by adding line 10e plus line 10f. This will equal the total federal funds obligated as of the reporting period date.
- (h) **Unobligated balance of Federal funds**— Subtract line 10g from line 10d.

Recipient Share

- (i) **Total recipient share required**—Enter the total required recipient cost share as listed in the Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.
- (j) **Recipient share of expenditures**—Enter the amount of cost share expended through the reporting period.
- (k) **Remaining recipient share to be provided**—Enter the amount by subtracting line 10i minus line 10j.

Program Income

If your agreement allows for program income, please refer to the detailed instructions on how to fill out lines 10l through 10o at http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf.

Next, fill out the bottom portion, which contains the main calculations as outlined below. Some figures will be calculated automatically if you are using Adobe Reader®. Once you have finished, double-check to make sure all the calculations are correct.

Figure 33—Bottom Portion of the SF-425

	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
11. Indirect Expense		b			d	e	
g. Totals:							
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:							
13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official						c. Telephone (Area code, number and extension)	
						d. Email address	
b. Signature of Authorized Certifying Official						e. Date Report Submitted (Month, Day, Year)	
						14. Agency use only:	

Finally, the bottom portion contains information on indirect expenses and a place for the signature. All documents must be signed by the authorized certifying officer.

Section 11: Indirect Expense

Complete this information only if the USG and in accordance with your Cooperative Agreement.

- (b) **Rate**—Enter the indirect cost rate(s) in effect during the reporting period.
- (d) **Base**—Enter the total amount against which the indirect rate is applied.
- (e) **Amount Charged**—Enter the amount of indirect costs charged during the period specified.

Section 13: Certification and Submission

Once you have finished, double-check to make sure all calculations are correct. Type in the name of the authorized certifying official (13a), have this person sign the form (13b), provide his or her contact information (13c/13d), and date the form (13e). Then scan and e-mail the form to your FMO at ei@usaid.gov, copying your AOTR. Always make a copy for your file, and then mail the original to your FMO. If you have not heard from your FMO within 10 days, follow up to make sure your submission was received.

5.3.2 Performance Reports (Quarterly)

Key Points

Due: Typically quarterly

Form: No fixed form, but USAID may provide a template

Submit to: AOTR or as directed by your Cooperative Agreement

Performance reports document how the project is progressing and compare actual results with the targets in the workplan. You typically will be required to compile and submit these reports every three months.

How Does This Help My Program?

Performance reports are arguably the most important reports of your program. Each performance report synthesizes results from all the work you and your subrecipients are doing and compares it to your budget and workplan. This gives you the opportunity to evaluate your progress and tweak your activities to maximize your success. A robust performance reporting exercise strengthens ties with subrecipients and ensures that you are meeting beneficiary needs. Though not as comprehensive as a formal program evaluation, comprehensive performance reports are an important management tool to ensure that all aspects of your program are being implemented as planned. In addition, they will serve as a key source of information for formal, external evaluations of your program.

Report Specifics

Separate performance reports are required for each award. In addition, if you have a multi-country award, you need to consolidate your separate reports for each country into one report. USAID generally sets the due date at 30 days after the end of the calendar quarter, but be sure to consult your Cooperative Agreement for specific requirements.

Performance reports contain a narrative and data as directed by your AOTR. The following tips will help you develop the best performance report possible.

1. Start by involving subrecipients and staff.

The process of preparing performance reports provides opportunities to communicate with your staff and subrecipients about your program. To aid this process, provide subrecipients with a simplified reporting template and a deadline for submitting their contributions to the report. Develop a culture of reporting and a system for maintaining these reports so they can serve as the basis for your required reports. You may want to facilitate training sessions with staff and subrecipients to ensure that they fully understand the kind of information you are requesting and the level of detail required. Gather your staff to discuss progress over a particular period. In addition, allow sufficient time between the subrecipient's deadline and the submission date to consolidate and finalize your report.

2. Do not surprise your AOTR.

When your AOTR reads your report, there should be no surprises. Ensure that your AOTR is aware of major changes that affect your budget or targets (such as changes in subrecipients, geographic location, or Key Personnel) before they happen, since many require approval. Do not wait to notify your AOTR via the performance report. This report should document these changes and update your progress since putting these changes into place.

3. Take the time to do an honest evaluation.

With many day-to-day demands, it is tempting to reduce the effort you put into the report. However, the performance report is one of the most important reports of your program. When evaluating your progress over the past year, there will be successes and challenges. A good performance report provides a balanced look at the program's progress and setbacks.

4. Quantify your conclusions with data.

While the bulk of your performance report may be a narrative discussion of progress and setbacks, the core of your report is the data generated by your M&E system. You should be able to demonstrate your successes and challenges by reviewing and analyzing your data, including both financial performance and the unit cost of a service.

5. Use your workplan and budget as baseline data sources.

The "data" that are driving your report come from your M&E system and your accounting system (to show actual costs). However, to measure performance, you must compare these actual data to your workplan and workplan budget. This comparison shows whether your program exceeded, met, or fell short of your expectations.

6. Preview your next workplan.

Use the performance report as a baseline for future activities. You must address challenges you faced in the past year in the next workplan. Preview various options your organization is planning in the next year to address these challenges.

7. Show how your program contributes to related efforts in your country.

Your report should not just look at the performance of your program; it should also show how your activity is linking with and contributing to related efforts in your country. If relevant, tell how your program links to other programs and works with the government and/or other local NGOs by participating in technical working groups to build capacity and demonstrate and share lessons learned and successes.

8. Keep documentation for your final performance report.

Performance reports and workplans can focus too much of our attention on the yearly segments of our programs as opposed to the longer-term picture. However, your program is an ongoing effort. Above and beyond meeting targets and staying within budget, your staff are constantly refining a program model to address the challenges in the communities where you work to be more effective, sustainable, and efficient. As you refine your model, document your activities. This will help you write your final performance report, and it will provide guidance should you want to expand your model in the future or try to replicate it elsewhere. It will also allow you to avoid making the same mistakes you may have made in the past.

9. Share with subrecipients and staff.

You began the performance report process by gathering input from subrecipients and your staff. Close the loop at the end of the process by sharing the final document with them. Performance reports are public documents that can be accessed by anyone, so it is fine to share them with staff and subrecipients. Often, partners and staff become focused on their piece of the puzzle. Sharing the program performance reports with everyone is an opportunity to keep your team engaged and focused on the bigger picture. Consider taking time to give an overview of the report and (as with tip #7) to present a preview of upcoming adjustments in the coming year.

10. Be prepared and flexible to respond to unexpected USAID requests.

One of your unwritten opportunities is to assist USAID by complying with unexpected requests, such as data for a Portfolio Review, a success story about your project, etc. While these are not deliverables or requirements in a contractual sense, the requests should be taken seriously. Timely and quality submissions will reflect well on your organization and support the overall aims of the project and USAID.

Your AOTR may provide you with a template for your Performance Reports, but, if not, the outline in Figure 34 may help you get started.

Figure 34—Sample Performance Report Outline

Sample Performance Report Outline	
I	Title Page <ul style="list-style-type: none"> ▶ Organization/program name ▶ Agreement number ▶ Reporting timeline ▶ Date of submission ▶ Agreement start and end date
II	Table of Contents
III	Acronyms
IV	Executive Summary/Overview —General program information
V	Summary Table of Indicators —Targets and results
VI	Project Implementation by Strategic Objective —Project activities summarized by strategic objectives
VII	Monitoring and Evaluation <ul style="list-style-type: none"> ▶ Overview ▶ Results of surveys, studies, or evaluations ▶ Descriptions of new tools or methods ▶ M&E table of indicators
VIII	Program Management —Major management-related activities
IX	Budget —Overview of expenditures
X	Other Issues —Sustainability and coordination with other groups
XI	Success Stories

No matter how you format the report, it is important to include the following information:

- A comparison of actual accomplishments with the targets you set for that period. These targets should correspond to the targets laid out in the [Workplan Logic Matrix](#) of your workplan.
- When possible, try to relate the targets achieved to cost data to compute the unit cost for each activity. For example, if you are reporting that your prevention activity reached 1,000 people for the period, and you spent US\$25,000 on this activity, you can report that it cost approximately US\$25 to reach each person.
- If you fell short of reaching your targets, explain why.
- If you had high unit costs or unforeseen expenses, explain why.

5.3.3 Annual Audit

An audit is an independent review and examination of system, records, and activities. It is required annually for both prime recipients and subrecipients that receive a certain threshold of funds from the USG. The purpose of the audit is to evaluate your organization’s spending of USAID funds to ensure that you are in compliance with the regulations set forth in your agreement. The audit also examines your internal controls to ensure that appropriate policies and procedures are in place and being followed. To ensure objectivity, an independent auditor whom you hire and pay for with USAID funds conducts the annual audit. (For more detailed information on audits, see Circular A-133, <http://www.whitehouse.gov/omb/rewrite/circulars/a133/a133.html>.)

Audit Key Points

Due: Nine months after the end of your fiscal year or within 30 days of receiving the report from your auditor, whichever comes first

Form: SF-SAC (<http://harvester.census.gov/fac/collect/formoptions.html>) plus attachments (see [Audit Package](#) box)

Submit to: U.S.-based organizations submit to the Federal Audit Clearinghouse; non-U.S.-based organizations submit to USAID

The annual audit is rather straightforward. Its purpose is to answer four questions:

1. Were the financial reports you submitted during the year accurate?
2. Did you follow the rules, regulations, and policies governing the award?
3. What is the status of any previous audit findings?
4. Are there any questionable costs?

How Does This Help My Program?

The annual audit gives you a chance to have an independent expert double-check that your organization is operating successfully in support of your programs. It is like having an organizational health exam every year to check whether everything is running the way it is supposed to and to catch any problems early.

Key Audit Terms

- ▶ Allowable Cost—An incurred cost determined to be an acceptable charge to the USAID.
- ▶ Audit—An independent review and examination of system records and activities.
- ▶ Finding—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.
- ▶ Management Decision—The evaluation of a recommendation by management and a decision on an appropriate course of action.

Report Specifics

The annual audit looks at the management of all funding you receive from the USG, whether you are a subrecipient or a prime recipient. In other words, if an organization has a Cooperative Agreement and direct funding from USAID, and it also receives funding from the U.S. Centers for Disease Control and Prevention as a subrecipient to another NGO, the auditor will conduct one audit that covers both awards. Not every organization that receives funding from USAID (either directly or as a sub) is required to conduct an annual audit.

The following list summarizes the different scenarios when various types of organizations meet the threshold that requires an [A-133](#) audit:

- U.S.-based nonprofit organizations that expend US\$500,000 or more in total funding

from the USG (either directly or as a subrecipient) during their fiscal year.

- Foreign nonprofit organizations where the principal USG donor is USAID must have an audit conducted if they expend at least US\$300,000 USG funds during their fiscal year.
- For-profit organizations where the principal USG donor is USAID will be reviewed annually to determine whether an audit is required (ask your AOTR and AO if an audit is required).

If your organization does not meet any of these requirements, it is exempt from annual audit requirements, and audit costs are not allowable unless the AO requests a project-specific audit. However, you must still make records available for review or audit upon USAID's request. Remember, you also must comply with any host-country audit requirements.

Scope of an Audit

The audit covers your organization's fiscal year. In addition, it may look at previous audit findings to determine whether corrective actions taken were sufficient to address previous findings.

An audit typically covers your entire organization. However, if you have just one program that receives USAID funding, you may choose to have a single-program audit. Additionally, if you have a large, complex organization with many different operational units, it is possible to have an audit focus on the organizational unit that receives USAID funds.

What Are Primes and Subs Responsible For if a Subrecipient Is Audited?

Prime recipients must ensure that subrecipients that meet the audit threshold are audited as well.

Subrecipients submit their audits directly to USAID. U.S. law only requires subs to submit their audit to the prime if there are findings related to the funding from that award. Some prime recipients prefer to require their subs to provide copies of audits regardless of whether there are any findings by including this stipulation in the contractual agreements. If you, as the prime, want the audit reports from your subrecipients, please remember to insert this stipulation in your subagreement.

When subs have findings, primes issue management decisions on the corrective actions. Management decisions must be issued within six months of receiving the audit.

Who May Conduct an Audit?

You are required to contract with an independent, non-government auditor to perform these audits. USAID retains the right to conduct or arrange for additional audits, reviews, and evaluations.

USAID-funded, foreign-based organizations should contact their in-country or regional Mission to request a list of organizations authorized to conduct audits of USG programs. U.S.-based nonprofit organizations must follow the procurement process and regulations stated in their Cooperative Agreements.

If an audit is determined necessary for a USAID-funded, for-profit organization, a USG official may conduct it, rather than a private auditor. If a USG auditor is not available, USAID will direct the for-profit organization to hire an independent auditor from a list of USG-approved local audit firms. All costs for properly conducted audits are allowable and may be charged to the award.

The Audit Process

Figure 35 gives is an overview of the audit process, then several of the key steps you are responsible for are outlined in more detail.

The audit process comprises six phases:

1. Pre-Audit—What you must prepare before the auditor can begin the formal audit. Identify all USAID funds received and the programs under which you received them. Gather

financial reports covering the fiscal year being audited. Prepare a schedule of expenditures made under your USAID awards and prepare a schedule (summary) of prior audit findings (if any).

2. Audit—Information gathering and report writing conducted by the auditor.

3. Organization’s Response—Replying to any findings. Once your audit is complete, your organization must prepare a corrective action plan to address each audit finding in the auditor’s report. For each item, provide the following:

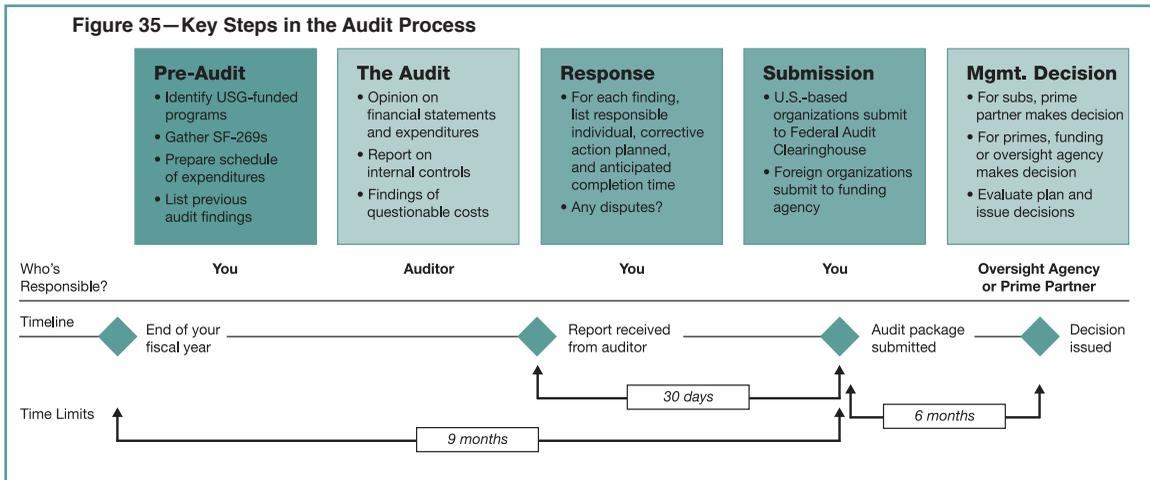
- responsible individual;
- corrective action planned; and
- anticipated completion date.

If you do not agree with an audit finding or believe corrective action is not required, then include an explanation and specific reasons.

4. Submission—Assembling the required documentation and submitting it to USAID. U.S.-based nonprofit organizations must submit their audit packages to the Federal Audit Clearinghouse (FAC) within 30 days of receiving the report from your auditor or nine months after the end of your fiscal year (the audit period). You are not required to submit your audit package directly to USAID. Instead, you will submit one copy to the FAC, plus one for each USG agency that had audit findings in your report. The FAC will then distribute the copies to USAID and other relevant funding agencies as necessary.

Foreign and for-profit organizations may have different submission rules set by USAID. Please contact USAID or the in-country or regional Mission office for guidance.

Figure 35—Key Steps in the Audit Process



Federal Audit Clearinghouse (FAC)

Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132
USA

After completing your corrective action plan, compile the rest of your audit package (see [Audit Package](#) box).

5. Management Decision—Reviewing proposed corrective actions and issuing a decision. Within six months of receiving the audit package, the agency or the prime (in the case of a finding for a subrecipient) will issue a corresponding management decision for each finding.

If you receive funding from multiple USG agencies, the oversight agency (the USG agency that provides the predominant amount of funding in a given year) takes the lead on management decisions for any audit findings that relate to multiple USG agencies.

The management decision must clearly state whether the audit finding is sustained, the reasons for the decision, and the expected action(s) of the audited organization, such as repaying disallowed costs, making financial adjustments, or taking other action.

If the audited organization has not completed corrective action, a timetable for follow-up will be given. The management decision should describe any appeal process available to the auditee.

The Audit Package

- ▶ SF-SAC Form (Data Collection Form for Reporting on Audits (http://www.whitehouse.gov/omb/grants/form_sf-sac/sfsac.pdf))
- ▶ Financial Statements
- ▶ Schedule of Expenditures under USG Awards
- ▶ Summary Schedule of Previous Audit Findings
- ▶ The Auditor's Report
 - Opinion on the Financial Statements
 - Opinion on the Schedule of Expenditures
 - Report on Internal Controls for Financial Statements
 - Report on Internal Controls for Compliance
 - Schedule of Findings of Questionable Costs
- ▶ Corrective Action Plan

6. Post-Audit—Follow up on and implement any required corrective action. After the USG oversight agency or prime issues a management decision, you will be responsible for implementing any necessary corrective action. Be sure to maintain documentation showing progress on each item.

Even if there were no findings relevant to USAID, it still may request a copy of your audit directly from you. Further, USAID reserves the right to conduct its own audits, regardless of the outcomes of your audits.

Finally, you must maintain records and a copy of the audit package for a minimum of three years following submission or three years after you resolved a finding from that year. USAID retains the right to conduct or arrange for additional audits, reviews, and evaluations.

5.3.4 Foreign Tax (VAT) Reporting

Organizations implementing some development projects are exempt from certain taxes and duties imposed by the government of the country in which they are implementing. Exemptions cover both prime recipients and subrecipients.

Bilateral agreements between the USG and host governments outline separately for each country the specific exemptions and the process for requesting reimbursements of taxes paid. Below are several common exemptions as well as taxes you may be required to pay. You will need to find out what exemptions and requirements are relevant in each of the countries in which your organization is working.

Foreign Tax (VAT) Reporting Key Points

Who must report: Any organization that purchased US\$500 or more with USAID funds

Due: Annually on April 16

Form: No standard form; see below for outline

Submit to: If not specified, submit to FMO and AOTR

How Does This Report Help My Program?

The Foreign Tax Report helps ensure that you are using the USG funds for their intended

purposes. USAID uses these reports to track whether foreign governments are complying with the terms of their bilateral agreement.

All organizations receiving USAID funding must submit a Foreign Tax Report by April 16 each year. All organizations receiving USAID funds must comply with the foreign tax reporting requirements established by the U.S. Embassy in that country.

Taxes Exempt in Most Countries

- Value-Added Tax (VAT) levied on commodities and services purchased in-country, and
- customs duties levied on commodities imported into the country for use in USAID-funded projects.

Taxes Not Exempt

- VAT or sales tax levied on items purchased outside of the host country where you are implementing your USAID-funded program. For example, if an organization purchases commodities in South Africa for use in its USAID-funded project being implemented in Mozambique, it would not be exempt from paying VAT in South Africa.
- Organizations with headquarters outside the host country, including those in the United States or Europe, are not exempt from VAT or sales taxes in their home country, whether the items purchased are used in the HQ office or in the field.

Other Taxes Levied by Host Governments

Though USAID seeks exemptions on all taxes host governments levy against foreign assistance projects, there are several categories of taxes that you may be required to pay, for example:

- taxes levied on services, including lodging and rental of conference facilities;
- payroll taxes; and
- VAT on projects with no USG funding.

Be sure to check with the in-country Mission and other donors for details about what taxes your organization may be required to pay.

USAID recipients will find the “Reporting Foreign Tax” clause in the standard provisions in their agreement.

Country Specifics

Each country negotiates its own bilateral agreement with the United States, which includes provisions regarding the taxation of U.S. foreign assistance. These provisions typically address what taxes are exempt and how organizations implementing USAID-funded programs can receive reimbursements for any taxes paid. Exemptions and reimbursement procedures can vary widely from country to country, but it is your responsibility to check with the Mission regarding the rules in the country where you are working.

Work with the in-country USAID team to answer the following questions:

- What taxes, if any, am I exempt from paying?
- What taxes, if any, am I required to pay?
- What is the process for obtaining an exemption or reimbursement?

The process for obtaining an exemption or reimbursement varies by country. Some countries provide VAT exemption letters to show vendors at the time of the purchase. Others require you to pay the VAT and later request reimbursement, through either the Revenue Authority or the local Mission or Embassy.

Who Must Report?

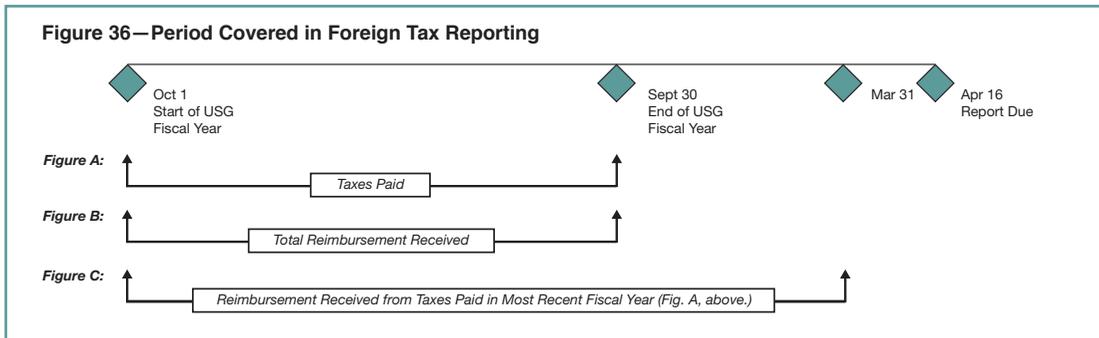
Any organization that purchased US\$500 or more worth of commodities with USAID funds, or paid any customs duties in the country where it was operating during the prior fiscal year, is required to submit an annual report on foreign taxes. This report is required even if you did not pay any taxes on those items during the reporting period.

All subrecipients under your award with in-country purchases of US\$500 or more must also track taxes paid and reimbursements received. You must incorporate subrecipient data directly into your report.

What Taxes Do I Report?

Only include taxes paid in the Foreign Tax Report if the following conditions all are true:

- You paid the tax to the government in the country where you are implementing.
- The transaction was US\$500 or more (not including the VAT).
- The tax you are paying is one your organization is exempt from paying (for example, if you are not exempt from lodging taxes in a particular country, then do not report that).



- The purchase is related to your USAID-funded project. (Report the purchase regardless of whether the specific purchase is made with USAID funds or is part of cost share, as long as it is a legitimate part of the project.)

When Is the Report Due? What Time Frame Should It Cover?

The report is due annually on or before April 16 and must cover the period October 1 of the previous fiscal year through September 30 of the previous year. You are required to report the following three figures:

- Figure A. Taxes paid to the host government during the previous fiscal year. This includes VAT and customs duties.
- Figure B. All reimbursements received during the previous fiscal year, regardless of when the original tax was paid.
- Figure C. Reimbursements received from the taxes paid through March 31 of the current fiscal year you are reporting on.

Submitting the Report

Submit the report to the office listed in your Cooperative Agreement under the Reporting of Foreign Taxes standard clause or as directed by the U.S. Embassy or USAID's in-country Financial Management Office. Also send a copy to your AOTR.

There is no standard form for the report; however, it must contain the following:

- name of your organization;

- contact name with phone, fax, and e-mail;
- agreement number(s);
- amount of foreign taxes assessed by a foreign government on purchases valued at US\$500 or more financed with USAID funds under this agreement during the prior fiscal year. If you work in multiple countries, list each country separately. However, if you work on multiple projects within one country, report on the total for each country. You should only report foreign taxes assessed by the foreign government in the country where you are working; do not report foreign taxes by a third-party foreign government. For example, if your program is in Mozambique, and you purchase something in South Africa using foreign assistance funds, any taxes imposed by South Africa would not be included in the report; and
- all reimbursements you have received during the fiscal year, regardless of when the foreign tax was assessed. In addition, provide a separate figure giving the total of any reimbursements of taxes assessed during the fiscal year you are reporting on that you received through March 31. This second number should be a subset of the first number. See Figure 37 for an example.

Foreign Tax Reporting Example

Organization: MyNGO
 Contact: Jane Smith
 Phone: +255-555-5555
 Fax: +255-555-5556
 E-mail: jane@myngo.org
 Agreement Number: XYZ-123

Figure 37—Example of Foreign Tax Reporting

Country	Taxes Assessed during FY08	Total Reimbursements Received during FY08	Reimbursements Received on FY08 Taxes through March 31
Mozambique	US\$0	US\$500	US\$0
Tanzania	US\$1,000	US\$1,000	US\$1,000

In this example, the organization is operating in two countries: Mozambique and Tanzania. The amounts in this table are summaries by country and are not broken down by project or subrecipient. During FY08, the Mozambican Government did not assess any taxes on the prime recipient (or subrecipients, if any). However, it did reimburse the organization US\$500 for taxes assessed prior to FY08. During FY08, the Tanzanian Government assessed the organization US\$1,000 in taxes, but reimbursed the organization in full by March 31, 2009. You must submit a separate Foreign Tax Report for each country (Tanzania and Mozambique), as directed by the funding agency.

Tracking VAT and Duty Payments and Reimbursements

Your organization must develop a process for tracking VAT and customs duties paid and for requesting and receiving reimbursements from the host government. Establishing such a process greatly simplifies your annual reporting and helps ensure that your funds help provide services to beneficiaries.

Consider the following strategies for tracking your VAT payments and reimbursements:

- Develop a list of exemptions and required taxes, so everyone in your organization involved with procurements is aware of the policy. Share this with subrecipients as well.
- Create a special code in your accounting system for tracking all payments of exempt taxes. Use this code only for exempt taxes, not for legitimate taxes paid.
- Create a special code in your system for tracking incoming tax reimbursement payments from the host government. Make sure you can tie the reimbursements received

back to the original accounting entry that recorded the taxes being paid. This will make it easy to identify which reimbursements have and have not been received.

- Establish a log that tracks the tax payment and reimbursement process. This should document each tax payment, reimbursement request, and payment received. You may also want to make sure you have a policy for keeping copies of receipts and reimbursement requests sent to the host government or USAID office, as applicable (see Figure 38). You will want to customize your process so it fits in with the host-government and USAID in-country requirements regarding submitting requests and expected turnaround time for tax reimbursements.
- Since your subrecipients also may have purchases of commodities or other expenditures covered by these provisions, work with them to submit their reports to you prior to the April 16 deadline, so you will have sufficient time to incorporate their data into your report. Note that their reports also must include reimbursements through March 31, so their deadline would need to be sometime between April 1 and April 15.

VAT Tracking Log Example

Figure 38 is an example of a log for tracking your VAT payments, reimbursement requests, and payments received. You can create a log like this for each country in which you operate; it can include all requests related to that country, even from different projects. You also may want to use this log to track VAT payments for transactions of less than US\$500 for auditing purposes, though you will not include these in your USAID-required Foreign Tax Report.

Figure 38—Sample Foreign Tax Tracking Log

Acct. Sys. Ref. #	Date	Vendor	Description	Transaction Value (pre-VAT)*	VAT*	Project	Date Reimb. Requested	Date Reimb. Received
210	23-Oct-07	ABC Supplies	Office furniture	\$1,200	\$120	NPI Ethiopia	31-Oct-07	15-Jan-08
223	15-Jan-08	DEF Imports	HBC Kits	\$1,000	\$100	NPI Ethiopia	31-Jan-08	
235	02-Feb-08	GHI Computers	Computers	\$2,000	\$200	OVC Project		
236	02-Feb-08	JKL Inc.	Printer	\$500	\$50	OVC Project		

* You may want to track your payments and reimbursements in local currency.

5.4 Summary and References

The keys to successful reporting are simply knowing the requirements and giving yourself enough time to meet the deadlines. This chapter provided a clear outline of what USAID expects in terms of specific reporting requirements and common due dates and shared best practices for completing effective reports. Beyond that, this chapter also explained how the reporting process can be a key management tool and enhance your organization's ability to better serve beneficiaries.

Now it is up to you to get started early and submit your reports on time.

References

Financial Reporting

- 22 CFR 226—Administration of Assistance Awards to U.S. Non-Governmental Organizations (See subsections 51 for monitoring and reporting program performance, 52 for financial reporting, and 71 for close-out procedures.)
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl

Audits

- Guidelines for Financial Audits Contracted by Foreign Recipients
<http://www.usaid.gov/policy/ads/500/591maa.pdf>
- OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- USAID ADS Chapter 591: Financial Audits of USAID Contractors, Recipients, and Host Government Entities
<http://www.usaid.gov/policy/ads/500/591.pdf>
- FAR (48 CFR part 42)
http://www.access.gpo.gov/nara/cfr/waisidx_08/48cfr42_08.html

Foreign Tax Reporting

- Guidance on Section 579 Implementation (Taxation of U.S. Foreign Assistance)
<http://www.usaid.gov/policy/ads/300/302mac.pdf>

6 Award Close Out



Award Close Out

6.1 Overview

6.2 Getting Started

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- 6.2.2 Planning for Continuity
- 6.2.3 Award Extensions
 - 6.2.3.1 Requesting an Extension
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- 6.3.4 Final Performance Report

6.4 Post-Award Use of USAID-Funded Goods and Commodities

- 6.4.1 Sale of Property and Equipment
- 6.4.2 Final Inventory Report
- 6.4.3 Other Close-Out Considerations
- 6.4.4 Letter to USAID

6.5 Summary

6.1 Overview

Award close out represents the end of a particular funding stream, but it is not the end of your work. Rather, it is the start of a transitional phase for your organization and your team, and there may be implications for your beneficiaries.

Whether or not you have additional funding to maintain your project, the close-out phase is an important time for documenting and evaluating what you have learned, as well as shifting human, financial, and other resources to different activities, and meeting your final responsibilities to USAID under the terms and conditions of your Cooperative Agreement.

This chapter covers the USAID requirements for final reporting (6.3.1), regulations concerning the use of assets purchased with USAID funds after the award period is over (6.4), and the documentation you are required to maintain after the award (6.3.2.1).

Objectives

- Learn what steps you must take to close out an award and when you need to take them.
- Learn the requirements for final reporting.
- Understand what you may and may not do with property and other project-related assets after the award has ended.
- Understand what project documentation you are required to maintain and for how long.

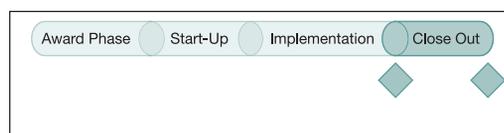
Key Terms and Acronyms

- **Close Out**—The final phase of a project in which activities are finalized and administrative tasks completed.
- **Cost Share**—The portion of project or program costs the USG does not cover. This may be in the form of cash or in-kind contributions.
- **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID's *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **No-Cost Extension (also called a Non-Funded Extension)**—When the recipient requests and is given additional time beyond the award end date to use unspent funds from the original award to complete activities.

Skip Ahead

- ▶ Award Extensions
- ▶ Finalizing Total Expenditures
- ▶ Final SF-425
- ▶ Maintaining Documentation
- ▶ HR Requirements
- ▶ Final Performance Report
- ▶ Sale of Property
- ▶ Final Inventory Report
- ▶ Close-Out Timeline and Checklist

6.2 Getting Started



As an award comes to an end, managers must deal with several important issues:

- **Management Challenges**—When a project ends, enthusiasm for it may begin to fade, and staff and partner organizations may be eager to move on to the next project. In some instances, staff may turn their attention to securing new positions or morale may slip as the end of the project approaches. However, this is a vital time when the loss of key staff can disrupt the process of phasing out or transitioning a program. Ideally, your organization has other projects to which you can reassign staff. However, this is not always the case, and the end of an award may also involve the conclusion of some staff members' contracts. This can lead to challenging gaps in staffing, especially in small organizations.
- **Donor Requirements**—Donors have deadlines for completing final reporting requirements and may ask for debriefs from the project team. There are particular programmatic and financial requirements for USAID.
- **Transition Challenges**—If part or all of your activities are being shifted to a new funding stream or other implementers, your organization needs to tend to a number of financial and program management tasks.

Addressing all of these challenges takes time and money, and you must plan, budget, and start them well before the award's end date, because you should complete them beforehand if possible, as you cannot spend project funds after the award end date, and staff may move on to other projects. Even though these tasks will not demand your full attention right away, it is best to begin preparing for the close-out phase early—as much as a year before the end of the award.

6.2.1 Six Tips for Managing Award Close Out

1. *Develop a close-out plan.*

To successfully manage the close out of your award, start by creating a close-out plan that details the different activities and when they will be completed as well as who will oversee them. This will help your organization keep track of important close-out deadlines and plan better for the future.

2. *Work with staff early to ensure a smooth transition.*

One of the biggest challenges at the end of an award is dealing with the impact of staff who leave before the project ends. If there is a lack of clarity about ongoing funding or other projects, staff may accept other opportunities prior to the end of the award. This presents a difficulty not only for transitioning or closing out the project, but also because you run the risk of losing some valuable knowledge necessary for final reporting when staff members leave.

The best strategy is to work with staff early to see whether there are additional projects or other funding to secure their jobs for the foreseeable future. However, if their departure is inevitable, you should work with these staff members to have them document their experiences, especially as they relate to the final stages of the project, including the final report. Throughout this process, consult local labor laws to ensure that you comply with all host-country requirements.

3. *Conduct a final evaluation to measure impact and learn lessons.*

Your project budget should include funding for a final, end-of-project evaluation; if not, you may want to consider funding one with

your organization's private or other funds. A final evaluation can be extremely valuable to your organization beyond the specific project. It can help to measure the impact your work has had on the communities where you have been working—critical information that can strengthen marketing materials and support future proposal efforts. It also allows you to document lessons learned that can help improve the design and implementation of future interventions.

An evaluation gains credibility when consultants who are independent of your project conduct it.

To ensure that you have adequate time to complete a thorough evaluation, contract it to start no later than six months prior to the end of your award. You can share evaluation findings and your experiences with other NGOs in your network and in presentations at various forums and conferences, where you can meet prospective partners and donors.

4. *Pursue extension requests early.*

If you have unspent funds as the award end-date approaches, or there are ongoing activities that will have a detrimental effect on the community if stopped, you might consider requesting an extension. Seek guidance on whether USAID will consider giving you an extension and what type of extension (see [6.2.3](#)) to pursue.

5. *Work with subrecipients on their close out(s).*

It is important to work closely with subrecipients during close out for two reasons. First, as the prime partner, you are responsible for ensuring that subs comply with all financial and other requirements under your award, including post-award requirements. Therefore, it is in your interest to make sure your subrecipients understand and meet their requirements.

Second, if you are handing over activities to your subrecipients, the close-out period is critical to the successful transition of your program. Make sure you have enough resources available to complete this transition, so your subs will be prepared to manage the activities on their own.

It is a good idea for subrecipients to close out 30 to 60 days before the end of your period of performance and not implement activities during this time. This will give both you and

your subrecipient(s) time to complete close-out requirements related to subawards.

6. Close out with the community.

As you close out, and the donor, your staff, and subrecipients begin to focus on other projects, be sure to “close out” with community leaders and beneficiaries to maximize their ability to sustain the services on which they have come to rely. Be sure to thank community members and leaders for supporting your project and staff, and make sure they know whom to contact if they have questions or need additional support in the future. In fact, it is advisable to inform the community of your exit strategy from the outset to empower its members to take ownership of the program and avoid surprises during close out.

6.2.2 Planning for Continuity

One of the first steps in the close-out process is to assess the need to continue your project’s services or interventions, and, if warranted, to explore options for funding. At least a year before the end of the award, you should start thinking about whether your organization will:

- continue the project with funding from new sources;
- request an extension;
- transfer responsibility for services or interventions to a local partner that has alternate funding; or
- simply close out your activities (if, because, for example, there is no ongoing need for the services).

The path you choose will depend on many factors, which is why it is important to make a decision in consultation with the Mission, partners, community leaders, beneficiaries, and donors.

6.2.3 Award Extensions

Programs rarely proceed as predicted, and it is often difficult to make up for delays simply by working faster. Depending on your program’s particular circumstances and needs, you may want to pursue an extension to get extra time and/or funding for your program.

There are three general types of extensions:

1. Non-Funded (also known as a No-Cost)

Extension—This occurs when the recipient requests and receives additional time beyond the award end date to use unspent funds from the original award to complete activities. This does not increase the overall award amount; it simply gives you more time to continue your program.

A non-funded extension is probably the most common type of extension, since it does not require USAID to obligate additional funds beyond the current obligated amount and helps to ensure that the original project goals are met.

2. Funded (or Cost) Extension—This occurs when you have run out of funds and time, but you have not met your targets, or you otherwise need additional time and money to complete your program.

3. Agreement Expansion—This occurs when USAID asks you to expand your existing work. USAID usually provides additional funding and, sometimes, additional time to complete the extra work.

A modification to your agreement may occur when USAID has a gap in its overall program that it wants you to fill temporarily while a larger program is being competed. For example, you are working with several community organizations, and your Agreement Officer’s Technical Representative (AOTR) asks that you expand your project to work with several additional organizations for a year while USAID develops and solicits a subgranting/capacity-building program implementer.

6.2.3.1 Requesting an Extension

To determine whether you will have funds remaining at the end of your program, review your pipeline and burn rates. If you believe your program will benefit from a non-funded extension, begin discussing this with your AOTR very early—at least six months prior to the end of your award. You will need to undertake different activities if your award is continuing rather than shutting down. If you wait too long to request an extension, you risk losing staff and may have to restart close-out activities.

When discussing the possibility of an extension with your AOTR, be sure to explain

why you are unable to complete your award within the original time frame. Further, be prepared to demonstrate how the additional time will allow you to meet or exceed your original targets. If your AOTR is receptive, he or she may tell you to prepare a formal request in writing and include a budget to show how you intend to spend the remaining funds during the extension period. The request gets submitted to the AO, who will make a final decision and, if an extension is approved, will complete a modification to your agreement.

If your request for an extension is approved, you will continue your regular financial and performance reporting during the extension period at the same intervals as before. (For detailed reporting requirements, see [chapter 5](#).) Remember to always get an extension approval in writing in the form of a modification to your agreement.

Extensions are never guaranteed, no matter what the circumstances. Therefore, plan carefully and begin this conversation early.

6.2.4 Subrecipient Close Out

Subrecipients must also close out at the end of an award, and the prime partner is responsible for ensuring that they comply with all post-award requirements. Work with your subs early so they understand their requirements, and make sure they have the resources and help necessary to comply. Set deadlines for submitting final reports to ensure that there is ample time to incorporate them into your final reporting.

Some organizations choose to close out with their subrecipients 30–60 days before the end of the award, so that financial close out, final invoices, property disposal, and final reporting are all completed prior to the award end date. If so, point this out when you put your subagreements in place, so that your subrecipients are not surprised. Confirm that subs know that any costs they incur after the end date of their subawards will not be reimbursed. If your subrecipients did not close out before the award end date, you should collect all subrecipient reports within 60 days of the end of the award.

The final step after receiving your subrecipients' report is to send a close-out letter formally ending your contractual relationship with subs.

This ends your obligations and releases you from future liability.

Subrecipient close-out requirements are basically the same as those for prime partners, though subs report to the prime and not directly to USAID. Some key requirements you may want to coordinate with your subs include:

- **Final Performance Reports**—Your subrecipients must contribute to the final report, including data. The final performance report should say whether each subrecipient achieved its goals and targets. If a subrecipient fell short, it needs to explain any shortfalls.
- **Financial Close Out**—Be sure your subrecipients make their final expenditures and complete their final financial report in time for you to meet your financial reporting deadline.
- **Inventory Report**—Subrecipients are required to complete a final inventory report (see [6.4.2](#)).
- **Records**—Subrecipients are required to maintain the same documentation as primes. Work with your subs to make sure they know what documentation they must maintain and for how long. (For more on maintaining documentation, see [6.3.2.1](#).)

6.2.5 Final Request for Funds

As your award end date approaches, start thinking about your final request for funds. Three months before the end of the award, you should submit the final Standard Form-270 (SF-270) Request for Advance or Reimbursement or the final Standard Form-1034 (SF-1034), according to the arrangements laid out by the Financial Management Office (FMO). (For detailed information on how to fill out the SF-270 and SF-1034, see [chapter 4](#).) In addition, some agreements may require a final SF-425 within 90 days of the award end date.

If your organization is not operating on a quarterly advanced-funding basis, review the SF-270 and SF-1034 deadlines.

At this time, it is also best to keep a close eye on remaining award funds and outstanding costs. If your accounting system is cash-based, rather than accrual-based, set up a special spreadsheet to track funds during the last three months of your award.

6.2.6 End of Award

Check your Cooperative Agreement to determine the exact end date of your award. If you have received an extension, you must have a modification of your agreement from your AO documenting the change that states the new end date.

At the end of your award, review the information you need for the financial and performance reports. Most important, stop incurring costs to be charged to the award. If you foresee the need to incur expenses after the award ends, seek prior approval from your AO. Otherwise, you are responsible for any costs you incur after the award end date.

Note that you are permitted to pay outstanding obligations to vendors for costs incurred prior to the end date. You must pay all these expenses and reimburse USAID any remaining funds within 90 days of the award end date.

6.3 Close-Out Policies and Procedures

There are four key aspects to closing out a project: financial, administrative, human resource, and programmatic, all of which are discussed below.

Within 90 days after the end of your award, you must submit a final report that includes the following components:

- Final SF-425 Federal Financial Report ([6.3.1.4](#));
- Final Foreign Tax (VAT) Report ([6.3.1.5](#));
- Final Performance Report ([6.3.4](#));
- Final Inventory Report ([6.4.2](#)); and
- any other reports specified in your agreement.

6.3.1 Financial Close Out

Twelve months before the end of the award, your organization's Program Manager must develop a workplan and budget for the project's final year that includes costs for all close out-related activities. Not only is this a requirement, but it also will make the close-out process easier for you.

There are several key components to financial close out, including finalizing total expenditures, preparing a final financial report, and maintaining documentation. Before you can complete these steps, however, you must finalize all billing related to the award, including all final payments to subrecipients. Once you complete this process and complete a final SF-270 or SF-1034, you can finalize your total expenditures and prepare your closing financial report.

6.3.1.1 Finalizing Total Expenditures

The first step in financial close out is to finalize total expenditures. This process helps to determine whether any funds are remaining and to make sure your organization has contributed the total minimum required cost share.

As you will recall from [chapter 4](#), award funding is obligated in stages and then disbursed to your organization through advances or reimbursements. Determine your totals for the following categories:

- **Total USAID-Award Amount**—This is the ceiling or total estimated cost of your award (not including any cost share).
- **Total Obligations**—The sum of all USAID funds obligated to you under this award.
- **Total Disbursements**—The total amount you actually received from your funding agency under this award (that is, the amount of funds transferred to your organization's bank account through the SF-270 or SF-1034 requests). Be sure to include all final disbursements.
- **Total Expenditures**—The total amount you spent on the award.
 - **Total Expenditures Charged to USAID**—A total of all expenditures that you charged to USAID under this award. This excludes costs covered by cost share or other donor contributions.
- **Total Cost-Share Requirement (if any)**—This is the amount included in your original agreement budget.
- **Total Cost-Share Contribution**—The sum of in-kind and cash contributions contributed toward the award.

6.3.1.2 Remaining Funds

This section uses several example calculations based on the sample data in Figure 39:

Figure 39—Sample Data on Remaining Award Funds

Total Award Amount (from Your Cooperative Agreement)	US\$3,500,000
Total Obligations	US\$3,400,000
Total Disbursements	US\$3,200,000
Total Expenditures	US\$3,989,100
Total Expenditures Charged to USAID	US\$3,089,100
Total Cost-Share Requirement	US\$1,000,000
Total Cost-Share Contribution	US\$ 900,000

There are three important categories of remaining funds to calculate:

1. unobligated funds;
2. remaining obligation; and
3. unspent advanced funds.

The first two categories are funds you may still be eligible to receive before the end of the award. The third category is unspent funds that you will have to return to USAID unless you receive a non-funded extension or other modification that allows you to spend the funds.

Toward the end of your award, it is important to determine what funds, if any, remain that you have not disbursed. These include both unobligated and obligated funds.

1. Unobligated Funds

Unobligated funds are the difference between funds that have been obligated and the total award amount. This amount is calculated as follows:

$$\begin{aligned} \text{Total USAID Award} - \text{Total Obligation} &= \\ \text{Unobligated Funds} & \\ \text{Example: US\$3,500,000} - \text{US\$3,400,000} &= \\ \text{US\$100,000} & \end{aligned}$$

USAID has no obligation to disburse any funds it has not obligated. These funds are made available to you based on the availability of funds and continued need for program activities. If you make any expenditures above the obligated amount, you do so at your own risk.

2. Remaining Obligation

A remaining obligation is any amount of obligated funds that have not been disbursed. This amount is calculated as follows:

$$\begin{aligned} \text{Total Obligation} - \text{Total Disbursements} &= \\ \text{Remaining Obligation} & \\ \text{Example: US\$3,400,000} - \text{US\$3,200,000} &= \\ \text{US\$200,000} & \end{aligned}$$

It is critical that you track this amount, especially in the final months of your award. If you need to complete any final award activities before the end of the award, you can draw on your remaining obligation to cover these costs. It also may be possible for your organization to receive a non-funded extension (6.2.3) to continue your program if part of your obligation is remaining.

3. Unspent Advanced Funds

The final category of remaining funds is money advanced to you that you have not spent. This amount is calculated as follows:

$$\begin{aligned} \text{Total Disbursements} - \text{Total Expenditures} & \\ \text{(USAID Share)*} &= \text{Unspent Advanced Funds} \\ \text{Example: US\$3,200,000} - \text{US\$3,089,100} &= \\ \text{US\$120,900} & \end{aligned}$$

If your organization has been advanced funds that you have not spent by the time the award ends, then you must return those remaining funds. When calculating this, be sure to list all final expenditures, including all final invoices and expenses from contractors, suppliers, and subrecipients.

6.3.1.3 Meeting Your Cost-Share Requirement

If your organization committed to contributing a cost-share amount to the award, then you must account for and document it. The calculation to ensure you have met the cost-share requirement is:

$$\begin{aligned} \text{Cost-Share Requirement} - \text{Total Cost-Share} & \\ \text{Contribution} &= \text{Cost-Share Balance} \\ \text{Example: US\$1,000,000} - \text{US\$900,000} &= \\ \text{US\$100,000} & \end{aligned}$$

In this example, the organization committed US\$1 million in cost share, but only contributed US\$900,000 during the life of the award. This leaves a US\$100,000 cost-share balance. As

* In calculating remaining funds, be sure to take out any expenditures covered by cost-share contributions. In our example, the total expenditures = US\$3,989,100, but the cost-share contribution = US\$900,000. Therefore, the total USAID share of the expenditures = US\$3,089,100.

your organization is contractually obligated to meet your cost-share requirement, you will be required either to reimburse USAID for the balance or have the amount deducted from any final reimbursement requests. (For more information on cost share, see [chapter 9](#).)

6.3.1.4 Final Federal Financial Report (SF-425)

Your final Federal Financial Report is due 90 days after the award end date and may be subject to NICRA adjustments based on your own or a USAID audit. The report includes the final quarter of activity, all final transactions and expenditures, and the cumulative totals for your entire award. This report is submitted using the Standard Form (SF)-425—the same form used to submit your quarterly financial reports. (For an explanation of how to complete the SF-425, see [chapter 5](#).)

- The report is due 90 days after the end of the award. The end date of the award is indicated in your original award, unless you have been granted an extension ([6.2.3](#)).*
- Block 6 (Report Type) will indicate that this is a final report.
- Block 9 (Reporting Period End Date) will include the dates for the entire award.

The calculations for the “current period” will include the final quarter of the award, and the “cumulative totals” will equal the cumulative totals you spent during the entire life of the award.

Please note that blocks 10i–k (Recipient Share) is where USAID will look to see whether you have met your cost-share contribution requirement, if applicable. Ensure that this section includes all of your in-kind and cash contributions toward the program. Some organizations attach a memo to their final SF-425 that summarizes their cost-share contribution, stating whether it was met and, if not, why not.

6.3.1.5 Final Foreign Tax Reporting

In the 90 days following the end of the award, you are required to submit a final Foreign

Tax (VAT) Report to the office listed in your Cooperative Agreement under the Reporting of Foreign Taxes standard clause. The VAT report should cover all taxes your organization paid and for which the host government reimbursed you since the last tax reporting cycle through the end of your award. If you receive reimbursements later, you must submit these funds to USAID. (For more information on Foreign Tax Reports, see [chapter 5](#).)

6.3.1.6 Final Audit

One fiscal year after the end of the award, conduct a final audit covering the last year of your award. You may conduct this simultaneously with the end of your organization’s fiscal year and submit it as you would other audits in accordance with the terms of your agreement. (For more information, review the “Accounting, Audit and Records” provision in your Cooperative Agreement.)

6.3.2 Administrative Close Out

Administrative close out consists of completing nonfinancial tasks that may have financial implications. You must:

- Ensure compliance with USAID standards on the types of documents that need to be retained. (Remember, you must be able to provide documents should USAID request them.)
- Close bank account set up specifically for this program when it is no longer needed.
- Terminate leases (if appropriate) on rented office space that you do not plan to use after the award.
- Terminate supply contracts (including office supplies, leases).
- Terminate utilities (including electricity, water, gas, phone, Internet, fuel).
- Terminate other service providers (including mobile phones, security, insurance, storage contracts, shipping, cleaning, banks).
- Obtain a receipt from each vendor indicating its acceptance of the notice of termination.
- Maintain the office work environment as long as allowable.

* If you received an extension, you will continue routine quarterly reporting until the end date of the extension period as described in [chapter 5](#).

- Settle any obligations related to closing your office or other program facilities. For example, if you shared the office with other programs and had agreements in place covering shared office costs, be sure to cancel these agreements and inform the remaining occupants of your intention to vacate.

Please remember that you cannot charge for any services provided beyond the end date of the project, so it is important to ensure that all services you receive are closed out in time.

6.3.2.1 Maintaining Documentation

Your organization is required to retain all accounting records related to your award for at least three years following submission of the final expenditure report. USAID retains the right to audit your organization any time during those three years. Maintaining documentation also helps if you need to address litigation or claims.

Your subrecipients must maintain the same documentation for three years following the end of your award. Work with them to make sure they understand their obligations and retain all documentation in a safe location. Note that some countries have their own records retention requirements that are longer than USAID's, so make sure that both you and your subrecipients are aware of the provisions.

6.3.3 Human Resource Close Out

Close out can be a stressful time when managers are trying to maintain a balance between meeting contractual obligations and considering the individual needs of staff. Historically, the focus in close out has been on fulfilling contractual obligations. However, this may be perceived as insensitivity to staff who are concerned about their future, particularly as the project ends. Communication is key to sustaining a high level of performance. All staff should be informed of the close-out process and the HR close-out plan, including a clear indication of any efforts to retain staff. When you address personnel issues fairly, your organization is seen as a good employer,

so that when there is a new project, former employees, even if they cannot be retained now, will be keen to rejoin. If you do not handle personnel issues well, there is the risk of complaints, low morale, lack of concentration, and poor performance.

6.3.3.1 Team and Interpersonal Dynamics

Throughout the close-out process, hold regular meetings where HR issues are discussed. It is good practice to find out what worked and what could be improved. This not only engages your current team but also provides lessons you may apply going forward. Take notes and include them in the project final report, as appropriate.

Where possible, try to retain employees by reassigning them to other projects. Focus on those with strong skills and competencies to drive performance. If opportunities exist, consider promoting staff to more senior positions. For those who are being reassigned to other projects, be sure to establish a new cost account for their salary and benefits beginning from the date they can no longer be charged to the project that is ending. If it is not possible to reassign employees, managers should follow local labor laws when ending employment and good HR practice by conducting exit interviews to learn how they may improve working conditions and retain employees going forward. Exit interviews can also provide employees with insights that may help them make their next career move.

For staff who are leaving the organization on good terms, consider providing a letter of recommendation (sometimes called reference letters or referral letters) to assist the individual in finding a new job. This may be separate from a certificate of service. The letter can explain the circumstances of the individual's leaving and offer a concise assessment of his or her attributes, abilities, and performance. Three things to keep in mind: be honest, be sure you can stand by your words, and retain a copy of the letter for the file.

In addition:

- Archive and secure files for each staff member—During close out, you need to protect the privacy of individuals, particularly documents that relate to medical, injury, or

disability issues. Ensure that staff who have been let go do not continue to have access to company files, property, or e-mail.

- Ensure that all of the organization's property is returned—At the completion of their assignment, collect from departing staff keys, badges, computers, cell phones, etc.
- Confirm that staff are aware of any confidentiality agreement they have signed regarding sharing company information, data, or documents.

6.3.3.2 HR Legal Requirements and Contractual Obligations

The organization must follow the termination laws of the country ensuring payment of severance and other benefits as delineated by law.

Staff have a right to receive a certificate of service. This can be as basic as providing name of employer, staff name, date of commencement of work, date of termination, and location of work.

Within the rules pertaining to the country of employment, staff need to receive their final salary, payment of any outstanding expense claims, outstanding leave days not taken, service/loyalty or severance payments, and other payments mandated by your organization. Additionally, staff need to be able to transfer their pension contributions.

Where staff are eligible for repatriation, all the costs need to be incurred prior to the project completion date, with shipping costs being agreed before the end date (even if shipping occurs after the end after the project).

6.3.4 Final Performance Report

The final performance report is somewhat similar to the Quarterly Performance Report (described in [chapter 5](#)), though it covers the entire award period. Your AOTR may give you a specific outline or template to follow. At a minimum, your final performance report will

include final outcomes, lessons learned, and conclusions.

Be sure to submit the report to your AOTR and the Development Experience Clearinghouse (DEC) (<http://dec.usaid.gov>) within 90 days of the end of the award.

Many organizations choose to take the final performance report one step further and create something long-lasting that they can share with beneficiaries, the community, subrecipients, and other NGOs. This allows an organization to highlight its successes and document its lessons learned and contribute to the ongoing effort to improve interventions in that focus area. Your organization's experiences may even help other communities struggling with the same challenges. Some organizations share this document with Web-based communities of practice, within their NGO network, or at regional and international conferences, or they submit it to relevant publications.

To create this report, you will want to develop a separate document from the one you provided to USAID, but you will still need to credit USAID, the same way you would on other project-related public communication products. (For more information on branding, see [chapter 3](#).) An end-of-project evaluation (see [6.2.1](#)) that objectively documents the impact of your project and provides an independent analysis of your project's success will greatly enhance the quality of this report.

6.4 Post-Award Use of USAID-Funded Goods and Commodities

At its discretion, USAID determines the disposition of all USAID-funded goods and commodities. As a grantee, you should review the regulations (22 CFR 226.34, http://edocket.access.gpo.gov/cfr_2007/aprqtr/pdf/22cfr226.34.pdf) regarding the sale or use of equipment outside of award-related activities three months before the award end date. After reviewing the regulations, prepare a disposition plan—a detailed description of what you propose to do with equipment or unused supplies when the award ends. You must submit this to your AO, who will either approve your proposal or provide further instructions.

6.4.1 Sale of Property and Equipment

The following regulations are specified for USAID grantees:

- USAID reserves the right to transfer the title to USAID or a third party. The AO must identify the equipment appropriately or otherwise make it known to the recipient in writing. When USAID exercises its right to take the title, the equipment will be subject to the Standard Provision, called Title to and Care of Property (U.S. Government Title). (See [Annex II](#), Common USAID Standard Provisions.)
- If you are instructed to dispose of the equipment, USAID will reimburse you for reasonable expenses incurred in shipping the equipment to a new location. You will need to follow procurement rules regarding competitive bidding to get the lowest-cost service.
- If you do not receive instructions within 120 calendar days after submitting your disposition plan, you can sell the equipment and reimburse USAID for its share. You may deduct and retain US\$500 from the USAID share, or if the item is worth more than US\$5,000, you may retain 10% of the proceeds for selling and handling expenses.
- Titles to supplies and other consumable equipment are vested with your organization when you acquire them. If the value of the remaining new and unused supplies exceeds US\$5,000 at completion of the program, and the supplies are not needed for any other USG-sponsored projects, then you may retain the supplies, but you must compensate USAID for its share of the cost. You may not use supplies acquired with USAID funds to provide services to outside organizations for a fee that is less than private companies charge for equivalent services, unless the USG specifically authorizes you to do so.
- You must, at a minimum, provide the same type of insurance coverage for real property and equipment acquired with USG funds as you provided to your organization's other property.
- Your AO will give you special instructions if your agreement allows you to purchase any real estate, including land or buildings.

6.4.2 Final Inventory Report

Within 90 calendar days after the award end date, you must submit a final inventory that lists all equipment you acquired with award funds or received from USAID. The inventory is due, along with the final report, and must be completed in accordance with the terms of your agreement and the disposition plan approved by USAID. The final inventory must include:

- a list of equipment costing US\$5,000 or more with a useful life of one year or more you purchased with USAID funds, and
- any unused supplies that cost US\$5,000 or more.

For each item listed, include:

- original cost;
- USAID share of the cost (for example, if your organization paid for part of the purchase with cost share or matching, please note that);
- current location and condition of the equipment and/or how it is being used; and
- detailed proposal of what you did or intend to do with that property.

While the previous list includes the standard requirements, Cooperative Agreements may vary. For example, instead of listing equipment that costs US\$5,000 or more, your organization may be required to list all equipment that costs US\$500 or more.

6.4.3 Other Close-Out Considerations

In addition to the key reports and activities that take place throughout the close-out phase, you must address a number of other tasks before close out is complete. These tasks may not apply to everyone, but when appropriate your organization should:

- **Reconcile Advances**—If you have given advances to any staff or subs, be sure to have them submit final expense reports and reimburse you if any funds remain.
- **Close Bank Account**—Close the bank account you set up specifically for this program.
- **Terminate Leases (if appropriate)**—Terminate leases on rented office space that you do not plan to use after the award.

- **Insurance Policies**—Cancel no-longer-needed insurance policies.
- **Outstanding Contracts**—Close out any outstanding contracts with vendors, consultants, and other contractors.
- **Office/Facility Close Out**—Be sure to take care of any obligations relating to closing your office or other program facilities. For example, if you shared the office with other programs and had agreements in place covering shared office costs, be sure to cancel these agreements and inform the remaining occupants of your intention to vacate.

6.4.4 Letter to USAID

The final step of the entire close-out process is to send a letter to your AO confirming that you have completed key close-out actions, including submitting the final invoice, inventory, and all other reports to appropriate parties as well as closing out all subcontracts and subagreements.

Keep this letter on file, as USAID may request an update on your close out, and you can resend the original letter.

6.5 Summary

This chapter reviewed some of the key USAID requirements and other issues for you to consider as you approach the final phase of your award. Be sure to start close-out preparations early, and work closely with your staff and subrecipients to ensure that the investment your organization made through this award has the best possible long-term impact on the communities and beneficiaries you serve.

Figure 40 is a timeline ranging from 12 months before your award end date to 3 years following the end of your award that covers close-out tasks you must undertake. Items on this timeline are relevant to both prime recipients and subrecipients.

Figure 40—Close-Out Timeline and Checklist

Time	Activity	Who	Details
12 months before end of award	Budget for close out (required) Teal indicates required activity	Program Manager	Develop a workplan and budget for the project's final year that includes costs for all close out-related activities.
At least 9 months before end of award	Plan for continuity of services or other project-funded activities (optional, but highly recommended)	Executive Director	<ol style="list-style-type: none"> 1. Assess the need for continuing your project's services or interventions, and, if warranted, explore options for funding. In consultation with partners, community leaders, beneficiaries, and donors, determine whether your organization will: <ol style="list-style-type: none"> a. continue the project with funding from new sources; b. transfer management of the project or responsibility for services to a local partner who has alternate funding; or c. close out your activities because, for example, there is no ongoing need for the services. 2. Create a plan that describes the steps necessary for a smooth transition.
6 months before end of award	Begin end-of-project evaluation (optional)	M&E Manager or Consultant	Conduct an evaluation of the project and document your experiences. This will help USAID and your local partners improve future activities.
	Request a non-funded extension (optional, as needed)	Program Manager Finance Manager Executive Director	Determine whether your program needs a non-funded or other type of extension. Then, begin discussions with your AOTR. Review your pipeline and burn rates to determine whether you will have funds remaining at the end of your program. USAID officials will require an explanation of why you need the extra time and what you plan to achieve during the proposed extension period. A detailed budget for any expenditures to be incurred after the original award end date will be required for a cost or non-funded extension.
		Executive Director	Discuss employment opportunities and end-of-project transitions with staff. This should help to retain them as long as possible and prepare you if a person chooses to leave before the end of the project period. Consult local labor laws to ensure that you comply with all requirements.
	Develop close-out requirements for subrecipients (as needed)	Prime and Subrecipient Program Managers	<ol style="list-style-type: none"> 1. Review close-out requirements with subrecipients and make sure they have the resources and help they need to comply. 2. Set a deadline for submitting reports to you to ensure that you have ample time to incorporate them into your final report.

Figure 40—Close-Out Timeline and Checklist (continued)

Time	Activity	Who	Details
3 months before end of award	Begin subrecipient close out	Subrecipient Executive Director	It is recommended that you have your subs close out 30–60 days before the end of the award, so they can be sure that all final costs and reports are complete before the award end date.
	Begin tracking accruals	Financial Manager	Keep a close eye on remaining award funds by tracking accruals during the last three months of your award.
	List administrative close-out tasks	Program Director	List all contracts, leases, insurance policies, and other items that will need to be cancelled or transferred as well as important dates and contract provisions to be considered.
	Submit inventory disposition request to your AO	Program Manager	<p>Review the regulations regarding selling or using equipment outside of award-related activities.</p> <p>Create a detailed description of what you propose to do with the equipment or unused supplies when the award ends. Note that USAID has the final say over equipment disposition.</p> <p>Submit this to your AO, who will either approve your proposal or provide further instructions as to what is to be done with the equipment. If you do not hear from the USAID within 120 days of submitting the inventory report, you may sell the equipment and reimburse USAID for its share.</p> <p>(For more information, review the “Title To and Use of Property” provision in your Cooperative Agreement.)</p>
End of award	Review information needed for financial and performance reports required by your donor	Executive Director, Financial Manager	<ol style="list-style-type: none"> 1. Stop incurring costs to be charged to the award (unless you have prior approval, which means the award date has been extended). 2. Begin financial close out, including demonstrating that you have met all cost-share requirements and have finalized all award-related expenditures.
60 days after end of award	Collect subrecipient reports due to prime (recommended)	Subrecipient Executive Director	If your subs did not close out before the end of the award, collect their reports now to ensure adequate time to incorporate their contributions into your final report.
	After receipt of the subrecipient reports, send close-out letter to subs	Executive Director	Send a letter formally ending your contractual relationship with your subrecipient(s).

Figure 40—Close-Out Timeline and Checklist *(continued)*

Time	Activity	Who	Details
90 days after end of award	Submit the final SF-425 Federal Financial Report (required)	Financial Manager	Submit the final SF-425 in accordance with the terms of your agreement covering the entire award period. Be sure it demonstrates that you have met any and all cost-share requirements and that your accounting system confirms your cost share, in case of an audit. Unspent funds must be returned to USAID.
	Submit final performance report (required)	Program Manager	Submit final performance report, which focuses on final outcomes and lessons learned throughout the entire award period, to your AOTR and the DEC, in accordance with the terms of your agreement.
	Submit final inventory report (required)	Program Manager	Submit final inventory report, which includes a list of equipment, any unused supplies, and a statement describing where you disposed of the final inventory.
	Submit final VAT (foreign tax) report (required)	Financial Manager	Submit the final VAT report to the office listed in your Cooperative Agreement under the Reporting of Foreign Taxes standard clause. The report covers taxes paid and reimbursed through the end of your award in accordance with the terms of your agreement.
End of fiscal year after award close out	Submit final audit (required)	Auditor	Conduct a final audit covering the last year of your award. You may conduct this in sync with the end of your organization's fiscal year and submit it as you would other audits in accordance with the terms of your agreement.
3 years following submission of final financial report	Maintain records (required)	Financial Manager	Maintain all accounting records related to your award for at least three years following submission of the final financial report. The USG retains the right to audit you and/or your subrecipient(s) at any time during those three years.

Figure 41 – Key Close-Out Activities through an Organizational Development Lens

Program Management	Human Resources	Financial Management
<ul style="list-style-type: none"> • Engage subrecipients and/or partners in discussing close-out options; agree on a way forward (to close down the project or search for alternatives). • Communicate close-out processes to all relevant stakeholders, including the host government. • Scale down or terminate all program activities. • Remove signage and other documentation from subrecipient and/or partner sites. • Verify acceptance of final project deliverables from AOTR. • Debrief senior management and key field staff on lessons learned. • Finish archiving all final project records in formats where original data and information cannot be altered. • If necessary, secure off-site storage for all project records for the length of time both your funding agency and host government require. • Submit final performance report to DEC (http://dec.usaid.gov). 	<ul style="list-style-type: none"> • Prepare list of personnel who are departing. • Work with key staff on employment transition as needed. • Have contracts amended to reflect the close-out date (especially in case of an extension). • Plan for proper termination of staff and all committed salaries and dues in compliance with local labor laws. • Ensure liquidation of outstanding staff advances. • Delete relevant information permanently from computers/ cell phones. 	<ul style="list-style-type: none"> • Terminate leases as appropriate and obtain deposits if applicable. • Manage office/facility close out. • Notify service providers and/ or vendors of termination of services and expected departure date. • Finalize consultant deliverables, payments, etc. • Document final utilities payments. • Ensure that payments by check clear before the bank account is closed. • Close project bank account. • Submit final financial report.

7 Assessing and Building Your Organization's Capacity



Assessing and Building Your Organization's Capacity

7.1 Overview

7.2 Getting Started

- 7.2.1 What Is Capacity Building?
- 7.2.2 Assessing an Organization's Current Capacity
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7.4 Guide to Systems and Structures Needed to Succeed

- 7.4.1 Defining Your Capacity-Building Objectives and Creating an Action Plan

7.5 Summary and References

7.1 Overview

Whether you have received a USAID award, have been working as a subrecipient on another organization's award, or have never received funding from USAID, your organization can achieve its goals by focusing on common guiding principles and building the systems and structures necessary to support it for the current grant and future opportunities.

Skip Ahead

- ▶ Five Capacity-Building Tips
- ▶ Organizational Assessment
- ▶ Good Governance
- ▶ Systems and Structures Needed to Succeed
- ▶ Creating Your Capacity-Building Action Plan

Organizational development, technical expertise, quality programming, and growth are not attained automatically. Most organizations work at achieving their missions by using a systematic organizational development framework that includes:

- **Conducting Organizational Assessments**—Analyzing your organization's current activities, structures, resources, and capabilities.
- **Prioritizing Capacity Need**—Developing an organizational improvement plan.
- **Focusing on Long-Term Strategic Planning**—Defining where your organization hopes to be in the future ([see chapter 8](#)).

This chapter contains information and a set of assessment activities that can help an organization better understand its policies and managerial, financial, and administrative systems ([7.3.1](#)). Such assessments are not required, but many organizations choose to do them during start-up and yearly thereafter. Should you decide to conduct an organizational self-assessment, this chapter provides guidance on how to examine your organization's assets, such as funding, reputation, and skills ([7.3.2](#)), as well as the activities and the services you provide ([7.3.3](#)). Taken together this information will help to create a capacity-building action plan ([7.4.1](#)), which will enable your organization to more effectively carry out its programs and serve the communities in which you work.

Objectives

- Determine what systems and structures your organization should have in place to be eligible for USAID or other funding and to achieve its goals.
- Discover your organization's potential by better understanding its unique abilities and assets.
- Review the activities and services your organization provides to better meet the needs of beneficiaries.
- Unite your organization behind a common mission, goals, objectives, and an action plan.

Key Terms and Acronyms

- **Acquisition**—A USG purchase or contract to obtain something for its own use. This includes products, commodities, or services.
- **Capacity Building**—Strengthening the ability of an organization to manage itself and achieve its mission effectively.
- **Governance**—The process of providing overall vision, direction, purpose, and oversight to an organization through a structure—a Board of Directors—separate from the day-to-day management of the organization.
- **Management**—The day-to-day operation of the organization.
- **Terms of Reference**—Provisions that describe the purpose and structure of a project, usually created during the early stages of project management.

7.2 Getting Started

Around the world, thousands of NGOs are responding to various social, economic, and political challenges. These NGOs range from small groups of community-based volunteers and faith-based organizations to regional and international organizations. While some of these organizations employ full-time staff and secure significant donor funding, others operate on small budgets, relying on volunteers and the efforts of community leaders who support them. Organizations like these may identify important needs in their communities, but have very limited resources to address them. Frequently impeded by lack of funds, personnel, and leadership, these organizations are successful

at meeting some needs, but may want to increase their services or their scope to better serve beneficiaries and achieve lasting results. To do this, organizations need to build their capacity.

7.2.1 What Is Capacity Building?

Capacity building is the structured process of improving the efficiency and effectiveness of an organization to achieve its purpose and provide quality services by strengthening its organizational and technical abilities.

Specifically, capacity building attempts to:

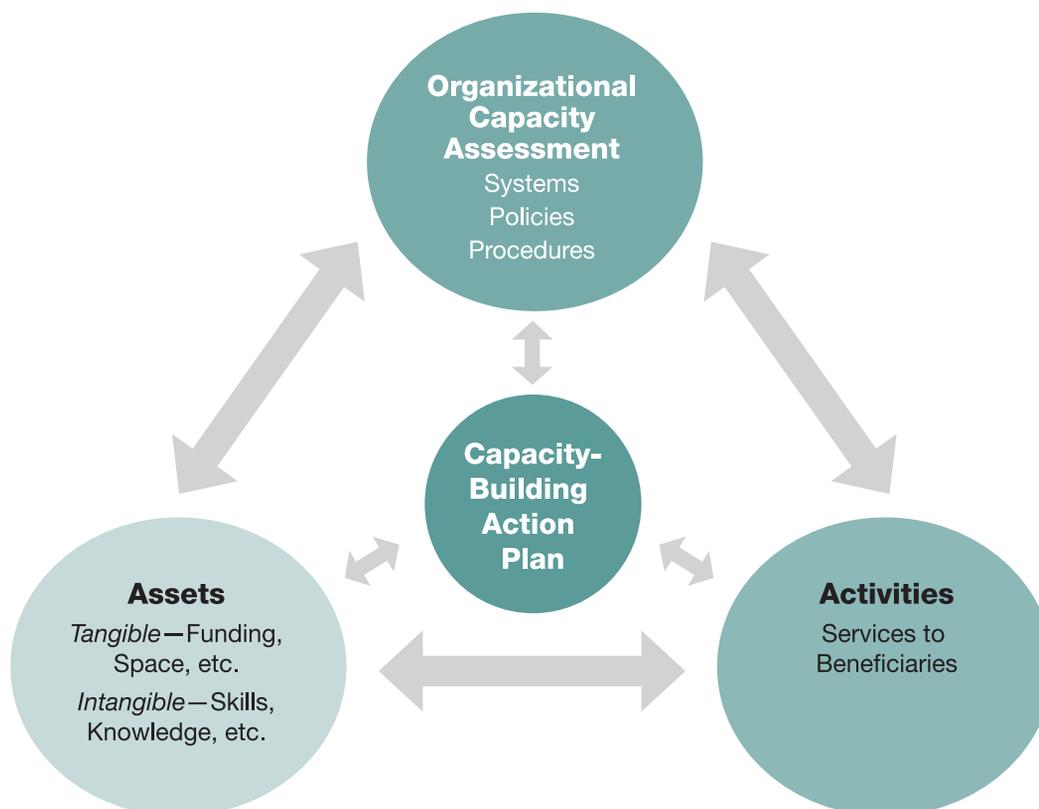
1. *Build a stronger, more sustainable organization*, including establishing formal or systematic organizational structures and developing and implementing long-term planning and strategies.

2. *Improve administrative and program management systems and abilities*, including setting up a strong accounting system, improving the process of planning and managing projects, or hiring an M&E specialist.

3. *Strengthen technical expertise*, through hiring or training staff or volunteers in program planning and design, best practices, and other similar technical areas.

This chapter provides three ways to view your organization, first by looking at its systems, policies, and procedures; second, by focusing on its assets (not just money); and, third, by examining its activities and/or services. Each perspective offers different insights into the organization's strengths and challenges. Those insights provide the building blocks to help you create your Capacity-Building Action Plan (see Figure 42).

Figure 42—Components of a Capacity-Building Action Plan



7.2.2 Assessing an Organization's Current Capacity

The first step is taking a thorough look at the organization's systems, assets, and activities and asking, "Where are we now?" There are numerous activities that an organization may pursue to answer this question. However, determining which activities to undertake is a challenge, because organizations often do not know what systems are best suited for the tasks at hand, unless they go through a checklist of requirements and assess their own systems against this list.

Later, when the organization is ready, it may ask, "Where do we want to go from here?" Are there new services for beneficiaries or new areas we should pursue?" To answer these questions, the organization needs a plan. Strategic planning is the process of creating the bridge that links current activities and funding to a longer-term vision and plan. [Chapter 8](#) of the *Guide* provides a framework for undertaking a strategic planning process.

7.2.3 Who Should Lead the Assessment Process?

The first key decision is to determine who will facilitate capacity building overall. One option is to bring in an external expert. Using a consultant to conduct the assessment has several benefits. Ideally, a good consultant offers an objective view of your organization, brings knowledge of what other organizations have gone through in similar situations, and helps to tap into a network of other experts who can help you. Use of a consultant also frees you to concentrate on your core responsibility. That said, this process can be effectively managed within your organization by staff, particularly if financial resources are not available to pay for consultants.

7.2.4 Five Tips for Building Organizational Capacity

1. Create a capacity-building task force.

One person cannot undertake strengthening and growing an organization. Creating a special team to help define goals and carry out a capacity-building action plan will improve chances of success. Be creative about building this team. Consider recruiting competent representatives from the communities you serve as well as volunteers, staff members from different offices (if available), and some members of the Board of Directors.

2. Prioritize, set achievable goals, and do the simple things first.

With capacity building, it is important to separate the work you can do from that which you must do. Set goals that focus on what must be done and make sure these goals are achievable. If getting started becomes a challenge, take on a few simple tasks first. The momentum from a small amount of progress can help energize the organization to take on bigger challenges.

3. Set aside capacity-building time.

Some smaller organizations barely have the staff or resources necessary to meet existing service-delivery demands. So, when is there time for capacity-building activities? Set aside designated time to focus on organizational growth. This may mean a few hours a week or a day once a month. The investment in time spent now will pay off later.

4. Involve the whole organization.

Changes in an organization may cause anxiety. Staff may wonder, "Will the new accounting system mean I lose my job?" or "Will these new efforts take our focus away from what I believe is important?" One way to address these concerns is to involve the whole organization in the effort to strengthen

and grow the organization. Communication at staff meetings, special team exercises, and establishing clear avenues for staff involvement are essential.

5. *Tap into free resources and opportunities for funding.*

There are numerous efforts underway to build the capacity of organizations so they can better deliver quality services in the places where they are needed. There are free online resources (for example, www.NGOConnect.Net), NGO networks, and even opportunities for grants to help expand an organization's capacity-building efforts. The experience of researching tools, building your network, and applying for funding is, in itself, capacity building and can set in motion efforts to achieve the organization's capacity-building goals. It may also be possible to identify other NGOs in the community that have similar needs and pool resources for training to meet these needs.

7.3 Conducting Your Organizational Assessment

7.3.1 Organizational Capacity Assessment

An organizational capacity assessment is a process for identifying an organization's current strengths and weaknesses. It allows you to take a snapshot of the structures, policies, systems, and processes that support an organization and use them to help develop a list of activities to build that organization's specific capacity-building action plan.

In conducting a typical assessment, the organization discusses areas of its operation, noted in Figure 43. It is based on an assessment tool and can help you take a first look at your organization's health.

Answering the questions should offer a fairly clear picture of the systems and structures currently in place as well as hints about where there may be gaps.

An assessment should be repeated after a year to determine how the organization's capacity has changed and to identify new gaps and strategies to continue to improve the efficiency and effectiveness of the organization.

7.3.1.1 Additional Online Organizational Assessment and Capacity-Building Resources

In addition to an assessment tool that focuses on finance, administration, and organizational development, there are assessment instruments that stress other aspects of your work, including program performance, technical programmatic areas, and monitoring. Most tools can be customized to fit your particular organization's needs. The best tools are used in a participatory manner, and the assessments are undertaken as a team exercise. The key is to get a wide range of involvement and opinions and to guide those ideas toward an action plan that everyone can support.

Figure 43—Organizational Capacity Assessment Checklist**1. Governance**

- ✓ Do you have a mission statement or vision? Strategic objectives and/or goals? Have you written them down and shared them with the entire staff?
- ✓ Do you have a Board of Directors or Board of Trustees? Do Board members meet regularly, and what is their purpose? Do they have some sort of terms of reference written down? Do you have an organizational chart with reporting lines?
- ✓ Do you have legal status to operate within the country where you are working?
- ✓ Is your organization registered with the appropriate ministry or department of your government?
- ✓ Do you have a succession plan?

2. Administration

- ✓ Do you have documented operational policies, procedures, and systems?
- ✓ Do you have travel policies and procedures?
- ✓ What are your documented procurement procedures, and are they compliant with USG standards?
- ✓ Do you have fixed-asset control systems?
- ✓ Is there a branding and marking plan?

3. Human Resources

- ✓ Do you have written job descriptions for each staff member?
- ✓ Do you have recruitment and retention policies?
- ✓ Are there qualifications for each staffing position?
- ✓ Is there a personnel policy manual?
- ✓ Are there staff time and performance management policies?
- ✓ Is there a staff professional and salary history documentation?
- ✓ Is there a staff salary and benefits policy?
- ✓ What is the role of volunteers and interns?
- ✓ Do you have an employee handbook that has been shared with all staff?

4. Financial Management

- ✓ Do you have an accounting system in place?
- ✓ Do you have accounting policies?
- ✓ Do you have a procurement policy and system?
- ✓ Are you regularly creating financial status reports?

- ✓ Do you have a fundraising strategy or plan?
- ✓ Do you have a plan for generating cost share as part of your project?
- ✓ Do you undertake regular audits?

5. Organizational Management

- ✓ Do you have a strategic plan?
- ✓ Do you have strategies for workplan development?
- ✓ How do you address management changes?
- ✓ How do you manage knowledge?
- ✓ How do you involve stakeholders?
- ✓ How do you address new opportunity developments?

6. Program/Project Management

- ✓ Do you comply with A-122 cost principles?
- ✓ If you have subgrantees, what systems are in place to manage these organizations?
- ✓ What documentation is undertaken for technical reporting?
- ✓ What linkages do clients have to services of other organizations (referrals)?
- ✓ How is the community involved in the project?
- ✓ What consideration is given to culture and gender?

7. Project Performance Management

- ✓ What is the current project Implementation status?
- ✓ What procedures are in place for field oversight?
- ✓ What are the service quality standards to which the organization adheres?
- ✓ What are the supervision guidelines to ensure that program quality is achieved?
- ✓ Do you have a monitoring and evaluation plan?
- ✓ How do you determine quality assurance of the services being delivered?
- ✓ Who is involved in official communication within the organization?
- ✓ Are staff part of the decisionmaking process?

8. Leadership and Team Dynamic

- ✓ What type of management does the organization possess, and how does this influence the operation of the organization?

Figure 44 contains several organizational assessment resources available online. While it is not a definitive list, these resources can guide your organization through the process.

Figure 44—Online Organizational and Capacity-Building Resources

Tools and Resources	Description
Organizational Capacity Resources (http://www.ngoconnect.net)	A wide variety of resources on everything from budgeting to organizational governance compiled by CAP on the NGOConnect Web site
Institutional Development Framework (IDF) http://www.ngoconnect.net/cap-idf	An online series of modules to help NGOs assess their organizational capacity
Pact Resource Center (http://www.pactworld.org/cs/resource_center/featured_resources)	A selection of resources for capacity building
Impact Alliance Resources (http://www.impactalliance.org/ev_en.php)	An online community supporting organizations with their capacity-building efforts; the site includes resources on a variety of topics
The Manager http://erc.msh.org/TheManager/index.cfm	A quarterly publication by Management Sciences for Health that provides health professionals and others with information and practical tools they need to manage programs. Online editions are currently available in English; French, Spanish, and Portuguese editions are forthcoming
Management Accounting for Non-Governmental Organizations (MANGO) http://www.mango.org.uk/guide/resources.asp	A Web site that provides high-quality resources, training, and networking opportunities to help NGO staff and trustees improve their financial management capacity

7.3.2 Considering Organizational Assets

The purpose of inventorying your organization’s assets is to take a fresh look at the organization’s resources, that is, the pillars supporting the organization’s ability to deliver on its mission. Assets include people, skills, knowledge, financial resources, relationships, products, geographic coverage, and the ability to connect with the people in the communities you serve.

In NGOs, the Board of Directors is typically made up of volunteers and should be separate from the organization’s management and staff. It may be comprised of community leaders, representatives of beneficiary groups, the organization’s founders, and private donors. The Board should not include members of the organization’s management team or other paid staff of the organization. The Board generally meets regularly with the organization’s Executive Director and management team to review progress. Its primary function is to provide oversight to the organization, including ensuring that it fulfills its mission, lives up to its values, and remains viable for the future.

7.3.2.1 Board of Directors and Good Governance as Assets

One of an organization’s key assets is its Board of Directors. The Board, needed in most countries to enable an NGO to register and operate legally, mainly provides oversight, but its members may also be advocates and fundraisers for the organization.

Governance is the process of providing overall vision, direction, purpose, and oversight to an organization through a structure—a Board of Directors—separate from the day-to-day management of the organization.

Management, on the other hand, involves the day-to-day operation of the organization.

Organizations are governed in different ways. Some Boards meet frequently, especially when organizations are young or are going through challenging changes. Other Boards are more detached, meeting quarterly or annually to review financial and performance reports and to set goals for the coming year.

Although not an exhaustive list, the Board is essentially responsible for:

- Defining expectations for the organization by:
 - setting and maintaining vision, mission, and values;
 - defining or helping to define direction (for example, helping to develop/approve long-term strategic plan, approving annual workplans); and
 - creating and/or approving the organization's policies.
- Granting authority by:
 - selecting, managing, and supporting the organization's Chief Executive Officer (CEO).
- Verifying performance by:
 - ensuring compliance with governing document (for example, charter);
 - ensuring accountability and compliance with laws and regulations; and
 - maintaining proper fiscal oversight.

Board members may serve as public faces of the NGO, advocating on the organization's behalf. They may also take on fundraising for the organization by donating directly or soliciting support from other sources. (For more information on fundraising, see [chapter 9](#), "Seeking Future Funding.")

The organization's management team receives its authority from the Board of Directors. This helps to ensure that the management team is accountable to the donors, community leaders, and beneficiaries. Management also receives general direction from the Board through the development of annual goals and long-term strategic plans.

Management is responsible for day-to-day implementation of policies, procedures, and

activities to accomplish the goals of the organization. These include:

- communicating expectations—mission, strategy, policies—to the entire staff;
- managing day-to-day operations and program implementation to fulfill expectations; and
- reporting results to the Board.

It is critical to distinguish between the responsibilities of the Board and those of management. When roles are clearly defined, an organization will be better able to function and to meet the needs of clients, beneficiaries, and other stakeholders; deliver quality programs; and comply with rules and regulations.

If an organization is struggling to find the right balance, it should review its charter or other governing document, the Board's terms of reference, and the job descriptions of senior management staff to see how these parameters are defined. If these sources do not provide clarity, the Board should define responsibilities and procedures more precisely. In the end, it is part of governance—and therefore one of the Board's responsibilities—to ensure that organizational roles and structures are clearly defined.

The organizational capacity assessment ([7.3.1](#)) discussed in this chapter is a process the management team should undertake with the approval of and oversight by the Board of Directors. Where possible, the Board may want to be directly involved in some or all activities. If there is no Board of Directors or similar structure governing your organization, you may want to address that before taking on any capacity-building activities. Several online resources are available to help you establish a governance structure for your organization.

7.3.2.2 Inventory Organizational Assets

For this exercise, tour your office, project sites, and other sites where your organization works. Starting with the categories listed below, talk

with staff, volunteers, and others and note the resources you see that make your programs and organization run. If several people in your organization are participating in this exercise, have each person create a list separately, then come together and compare the results.

Consider these asset categories of your organization:

- **People**—Both staff and volunteers, including the Board of Directors. Who are they? What are their roles? Do they understand and fulfill their roles? How long have they been a part of the organization?
- **Equipment**—Computers, office furniture, vehicles, and other important items. Where or how were they obtained? Was anything donated?
- **Space**—Any real estate or property you use—buildings, office space, meeting space, a clinic, a community garden. Does it belong to the organization or the community? Is it rented or donated?
- **Skills**—What formal training have your employees received, whether through degree programs or short-term seminars? What skills do people have, even skills they do not use in their current positions? Is someone a good gardener or mechanic or skilled at working with computers?
- **Funding and Income**—Money, or lack of it, is often the biggest roadblock between what an organization can do and what it wants to do. What are the organization's sources of funding or income? Does it have any money in the bank? What options does the organization have for securing additional funds? Can the organization fund any of the capacity-building efforts out of its own funds, or must it wait to secure additional funds before moving forward?
- **Relationships and Reputation**—What relationships does the organization have with local and regional leaders? What relationships does the organization have with other NGOs in the community or the region, or with private companies and businesses? Does it have any existing relationships with donors? Most important, what is its relationship with the

communities you serve? What is your organization's reputation? Relationships and your organization's reputation are not always easily quantified, but you should not undervalue this network of relationships and your organization's reputation.

- **Knowledge and Experience**—Think about the special knowledge and experience people in your organization, including those on your Board, may have. This is slightly different from what is listed under "skills." Your organization's experience may have taught you important things about your community and its people, culture, traditions, etc.
- **Mission**—Sometimes, what binds people together in a community is a belief in a common mission. For some, that belief is religious faith; for others, it may be community ties, national pride, or patriotism. A strong belief in a mission is a great motivator and can often be more powerful than money in getting things done.

7.3.3 Inventory Activities

Once you have assessed the organization's systems, policies, procedures, and assets, it is time to consider the organization's activities. While the organizational assessment and action plan (7.4.1) provide a blueprint for improving the current operations of an organization, a strategic plan guides the overall programmatic direction an organization will take. When developing a strategic plan, an organization looks at what it is doing now and asks what it would like to do in the future.

An organization may start with a simple inventory; for example, for each activity, you may note who is involved, how often the activity takes place, how much time you spend on it, any costs related to it, and how you measure its outcome. You may estimate time spent by your organization in each area, and you do not have to include every last detail. The goal is to get a general overview of what your organization currently does. An example appears in Figure 45.

Figure 45—Sample List of Organizational Activities

Activity	Who	How Often	How Much Time	Costs	Outcome Measure
Fundraising	Executive Director	Monthly	2–3 days/month	No direct costs	<ul style="list-style-type: none"> • Number of RFPs responded to • Amount of US\$ raised
Palliative Care Home Visits	Volunteers	Daily	30 minutes per visit	Home-based care kits, transportation	Number of households visited per month
Training Volunteers	Training Manager	Monthly	<ul style="list-style-type: none"> • 5 days of training • 10 days of planning, prep time, and post-training assessment 	Training materials, meeting room facility, refreshments for volunteers	Number of volunteers trained

7.3.3.1 Activity Wish List

Organizations often do not have the time to do everything they want to do, nor do they always know what needs to be done. Once you complete the list of current activities, begin a similar list of activities you need or want to do, but for which you do not currently have the time or resources.

Start with these questions:

- What services do our beneficiaries need in addition to those we already provide?
- What activities have we seen other organizations do that we could incorporate into our programs? Why do we want to incorporate them? Are they consistent with our mission and vision?
- What activities have we wanted to implement for a long time but have had to postpone because of other pressing issues?

- What are some administrative management issues that we have not dealt with properly?

As you list each activity, think about when you ideally would like to begin each activity, assuming you had the resources and time. Is a particular activity urgently needed? Is it needed in the next few months, or is it something that would be nice to do?

Finally, for each activity, list what you would need (for example, funding, training, personnel) to make each one happen, as in Figure 46. If you note several things that are preventing you from moving forward, try to determine whether any one particular roadblock is in the way. Keep in mind how the lack of certain assets may be affecting your ability to move forward. Down the line, making this link will help you prioritize your next step. (For more information on securing funding to attain essential assets, see [chapter 9](#).)

Figure 46—Sample List of Activities and Needed Materials

Activity	When is it needed?	What would it take?
Upgrade accounting system	Urgent	New software and training
Implement Voluntary Counseling and Testing (VCT) program	Next 3–6 months	Funding for training and test kits, volunteers, and at least one professional staff
Train volunteers to use TB/HIV home test kits	6–12 months	Technical assistance, TB/HIV home-based care kits

7.4 Guide to Systems and Structures Needed to Succeed

Earlier, you listed current (7.3.3) and potential future activities (7.3.3.1) as well as the resources your organization has on hand. In this section, you compare that picture with a generic picture of the basic systems and structures an organization needs to succeed. This will help your organization think about the gaps it may need to address to successfully manage USAID- or other donor-funded programs.

7.4.1 Defining Your Capacity-Building Objectives and Creating an Action Plan

The final step in assessing your organization is to bring all of your previous work together by comparing your existing organizational capacity, assets, and activities with your goals for the future to help identify gaps and prioritize next steps. The result should be the development of a capacity-building action plan for the organization.

The most difficult task in developing this plan is setting priorities. The best way to help resolve differences of opinion is to have your team refocus on the mission of the organization. A well-developed vision or mission statement can help everyone in the organization to understand the overall priorities and explain why resources are allocated to advance those priorities.

Set Organizational Capacity-Building Objectives

With your capacity-building task force, review the capacity issue lists you created during your organizational assessment (7.3). Then discuss the following questions among staff and even, if appropriate, beneficiaries:

1. Given the work you are currently doing (7.3.3), what are you not doing well? What is inhibiting you from doing these activities better? Is it lack of funding, training, personnel, or something else?
2. Are the activities listed on your activity wish list (7.3.3.1) short-term or long-term priorities? If you were to select the one or two most critical items, which would they be? What do you need to make these priorities happen?
3. Looking at your asset inventory (7.3.2.2), how do your current resources and capacity align with the needs of your programs? Can you handle them with existing resources, or do you need to fill in resource gaps first?

The analysis should identify a number of different things to work on. If there are more than five, they may have to be prioritized. If the capacity-building plan is much bigger than that, it might be hard to get started. Start small and save the rest of the list. As first goals are achieved, begin work on successive items.

Take each priority item and formulate a specific goal statement that articulates what you want to do and sets a deadline—for example, “We want to develop a functional volunteer recruitment and management system in the next six months.”

Next, identify a point person for each goal, but do not expect this person to do all of the work. In fact, many people may contribute to the effort, but that one person should be responsible for facilitating and tracking progress and reporting back to the rest of the team.

Breakdown of Goals into Specific Tasks

What steps are necessary to reach each goal? For each step or task, think about what resources (money, people, etc.) are needed to complete it. Then estimate the time it will take to complete it. Do not worry about getting this exactly right; if you are not sure, do your best to guess. You can always adjust your estimates later.

If time needed to complete each task under a goal is totaled, can you still reach that goal within the originally estimated time? If not, you might want to adjust your goal or figure out ways to complete the tasks more quickly.

Document Your Action Plan

Build a document, spreadsheet, or project plan such as the one in Figure 47:

Figure 47—Action Plan Example

Goal #1: Recruit 10 new volunteers from the community in three months.			
Leader: Mary			
	Task	Resources	Time
1	Define volunteer roles	volunteer coordinator	two days
2	Design and print fliers	paper	one day
3	Host volunteer promotion at local market	all staff members	one day (must coincide with market day)
4	Hold meeting with prospective volunteers	volunteer coordinator	one day (one week after market day)
5	Conduct volunteer training	training coordinator, training materials	one day a week, for three weeks in a row (starting one week after prospective volunteer meeting)
6	Take volunteers out on supervised visits to beneficiaries	experienced volunteers	one day (one week after training)
7	Volunteer graduation ceremony	staff and volunteers, refreshments	one day (one week after completing supervised visits)

Next Steps

The capacity-building task force should continue to meet regularly to assess progress. Be flexible and adjust plans as needed. Also, be sure to communicate regularly with the other members of your organization and create opportunities to involve them.

As your organization learns about itself and strengthens its organizational and technical capacity, staff may want to share their new knowledge and skills with your subrecipient(s) (if any). By applying lessons learned via its own assessment and planning process, the prime recipient can help lead its subs in identifying organizational assets, gaps, and priorities. Building subs' capacity helps them to better implement projects and grow as organizations.

It also can strengthen the relationship between the partners, with the goal of contributing to their mutual success.

When your organization has completed its assessment, the next question to ask is, "Where do we want to go from here?" Are there new services for beneficiaries that we can provide? Are there new technical areas that we should pursue? To answer these questions, the organization needs a plan. Strategic planning is the process of creating the bridge that links current activities, capacities, and funding to a longer-term vision and plan. [Chapter 8](#) of the *Guide* provides a framework for undertaking the strategic planning process.

7.5 Summary and References

Managing USAID-funded programs requires a solid organizational foundation to meet the required technical, administrative, reporting, and other demands. That does not mean that an organization must be perfect before it can take on these programs. But it does mean that, to be effective, one must understand where the organizational strengths and weaknesses exist and put programs in place to address any critical gaps.

At the same time, it is also important to build on your organization's unique abilities and assets. By building on your strengths, your path toward eligibility for USAID funding will be much shorter, and your capacity to carry out and sustain your programs will be much better. Especially when your organization comes together behind a common mission and plan of action going forward.

References

- A Handbook of NGO Governance: The Central and Eastern European Working Group of Nonprofit Governance http://www.icnl.org/knowledge/pubs/Governance_Handbook.pdf
- Expert Discusses Effective Principles, Procedures for Nonprofits <http://useu.usmission.gov/Article.asp?ID=1DE58E9F-10A5-48A1-B002-EF8A788838E2>
- Board Source: Building Effective Nonprofit Boards <http://www.boardsource.org/>

8 Sustainability



Sustainability

8.1 Overview

8.2 Getting Started

8.2.1 Annual versus Strategic Planning

8.2.2 Preparing for Strategic Planning

8.2.3 Twelve Key Questions before Starting Strategic Planning

8.3 Strategic Planning

8.4 Strategic Planning Online Resources

8.5 Summary

8.1 Overview

Whether your organization is newly founded or a well-established one with an office full of experienced workers, planning for the future is essential if you intend to be around for the long term. While you may be certain of your current funding stream and projects, these tend to have a short time horizon—one to three years—after which things are likely to be less certain. Even if you have a good idea about what might happen in the future, such as potential awards and partnership opportunities, there is always the possibility that things will change—funding opportunities may or may not be there, staff may move on, or the needs of the communities you serve may shift.

This chapter briefly defines strategic planning and outlines some benefits that can be gained from the process and its product: the strategic plan. It goes on to provide an overview of the steps involved in strategic planning (8.3) and concludes with links to in-depth resources and tools. Once you have created your strategic plan, it is a good idea to make sure it is a good fit with your annual workplan (chapter 3) and budget.

Objectives

- Determine whether your organization is ready to undertake strategic planning.
- Use what you learned from your organizational capacity assessment (chapter 7) to inform the strategic planning process.
- Walk through the strategic planning process.
- Unite your organization behind a strategic plan that will sustain it in the future.

Key Terms and Acronyms

- **Action Plan**—A specific series of steps describing what needs to be done, how, when, and by whom to accomplish one or more objectives. Written action plans can be used at the organization, project, or activity level.

- **Horizon**—The amount of time an organization will look into the future when preparing a strategic plan.
- **Strategic Planning**—An organization's process of determining its direction or strategy and making decisions related to pursuing it. According to an adaptation from the *Field Guide to Nonprofit Strategic Planning and Facilitation*, "Simply put, strategic planning determines where an organization is going over the next year or more, how it's going to get there and how it will know if it got there or not."
- **SWOT**—Strengths, Weaknesses, Opportunities, and Threats analysis, strategic planning tool that helps an organization examine itself and the external and future environment in which the organization operates.

8.2 Getting Started

How does strategic planning help my program?

The strategic planning process helps prepare your organization for the future by creating a bridge that links your current awards and activities to your long-term vision and the necessary resources, systems, and procedures to achieve that vision. It lets you see how your organization fits into the larger world in which it works. In addition, the resulting plan can serve as a signal to donors that your organization has its house in order—that your organization knows where it is going and how it will get there.

Why Develop a Strategic Plan?

- ▶ It can serve as a framework for decisionmaking.
- ▶ It can provide a basis for more detailed planning at the project level.
- ▶ It can serve as a road map for the future and as a catalyst for change, as well as a benchmark for future strategic plans.

8.2.1 Annual versus Strategic Planning

An annual plan has very clear inputs (for example, the amount of funding you have received and the start and end dates for your award). A strategic plan often has numerous variables. In fact, part of the purpose of a strategic plan is to identify and try to quantify some of these variables.

Annual planning focuses on operations and thus drives the organization forward by setting concrete goals and giving staff specific direction on what needs to be done to achieve intended outcomes. Strategic planning examines the external environment and the fit between the organization and its environment. Although strategic planning also involves goal setting, it is broader in scope—covering all aspects of an organization’s work—and considers longer-term issues than are addressed in annual plans. Typically, strategic plans look three to five years ahead.

8.2.2 Preparing for Strategic Planning

As with an organizational capacity assessment ([chapter 7](#)), the strategic planning process should involve a core team made up of representatives from the organization’s management, administration, finance, and technical departments as well as Board members. The amount of time it takes to complete the process depends on the organization’s size, the nature of its leadership, experience with strategic planning, availability of information, and commitment to the process. It is best to set aside time to focus on strategic planning. It may mean a few hours a week or one day a month. The entire process may take as little as a month or as long a year.

Before getting started, consider doing the following:

- *Talk with Other Organizations.*

Consult with other organizations to find out how they went about their strategic planning. Ask who helped with their plans, what worked well, and what they would do differently next time.

- *Read Online Resources.*

Online resources alone, some of which are listed at the end of this chapter, may not be sufficient to guide your process, but they should give you a good sense of what to expect. You may find tools you like, and you can search online for a consultant with specific experience using these tools.

- *Involve your Board.*

Strategic planning is a process the management team should undertake with the approval of and oversight from the Board of Directors. The Board may want to be directly involved in some or all of the strategic planning activities.

8.2.3 Twelve Key Questions before Starting Strategic Planning

While there is no “right” time to do strategic planning, answering the questions in the following checklist can help you decide whether your organization is ready to go forward.

12 Questions to Determine Whether Your Organization Is Ready to Engage in Strategic Planning

Source: Beryl Levinger*

Your organization is ready to engage in strategic planning if you answer “yes” to each of the following:

1. Is there a willingness to work toward developing the best fit between the organization and its external environment by examining the following questions:

- What outside our organization might affect us positively or negatively (external factors)?
- Where are we now (internal assessment)?
- Where are we going (strategic goals and objectives)?
- How will we get there (activities)?
- How will we know whether we are on track (results)?
- What is our blueprint for action (budget)?
 Yes No

2. Is there a high likelihood that consensus can be reached on the following issues:

- What do we hope to achieve?
- What do we believe?
- What is our purpose?
- What makes us distinctive or unique?
 Yes No

3. Is there an absence of impending doom and crisis? Yes No

4. Is there a deeply held commitment on the part of top leadership to engage in strategic planning? Yes No

5. Is there a shared understanding about the nature of strategic planning among organizational stakeholders? Yes No

6. Is there a competent group of people willing and able to serve on the strategic planning team? Yes No

7. Is there access to data that reflect the trends—political, economic, social, and technological—that affect the organization’s beneficiaries, donors, partners, and competitors? Yes No

8. Is there access to data that reflect the organization’s current resources and performance level? Yes No

9. Is there the ability within the organization to respond to problems with new solutions? Yes No

10. Is there consensus regarding the organizational mandate given to the planning team? Yes No

11. Are there adequate resources (including facilitators from within or outside the organization), so that the planning team can do each of the following tasks:

- Clarify organizational mission and values.
- Identify clients/stakeholders.
- Assess the external environment
- Assess the internal environment.
- Identify the strategic issues it faces
- Formulate strategies to manage these issues.
- Establish an effective organizational vision for the future
- Convert the vision into activity plans, budgets, and key result areas that can be monitored.
- Monitor performance “actuals” versus “expectations.”
- Make adjustments to the plan.
 Yes No

12. Is there agreement on the planning process/model to be used? Yes No

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8.3 Strategic Planning

A strategic planning process and its results are only as good as they are honest and useful—honest means looking at internal and external factors objectively, and useful means putting into words the specific goals and action steps to help guide the organization forward.

Step 1. Prepare to Plan: Clarify the Mandate and Scope of Work

- *Create a strategic planning team.*

To get buy-in and improve the chances that the plan will not sit on the shelf, involve the people who will be responsible for implementing the plan. Make a list of the needed skills and experience of those who might be involved in the process. Invite a cross-functional team (representatives from programs and services, management and operations, finances and fundraising, and governance) to ensure that the plan is developed collaboratively and realistic.

- *Assign an internal point person and/or engage a consultant.*

Although you may have someone on staff with the right expertise to guide a team through an in-depth examination, it is often preferable to have a consultant who has no vested interest in the organization. An outsider can bring an objective, fresh view of your organization and the perspective of what has worked for other organizations facing similar issues. If you decide to have someone in your organization conduct the strategic planning rather than a consultant, you should ask the following questions:

- Is that person able to be unbiased in looking at both the strengths and weaknesses of the organization?
- Can that person diplomatically and effectively guide the group to consensus?
- Can that person manage conflict that might arise during an examination of the organization?

If you hire a consultant to guide your strategic planning process, you might also want to assign an internal point person or team to work with the consultant and to manage implementation of the strategic plan in moving the organization forward. That way, when the consultant finishes, the strategic plan can be left with the point person(s), who will understand the plan and what is expected after the planning process ends.

Each consultant or facilitator will have his or her own approach. However, be sure the consultant and internal point person(s) clearly understand what the desired outcomes are and what is expected of each of them in order to avoid confusion and other problems during the process.

- *Develop a workplan and timetable and assign specific tasks to individuals.*

Develop a workplan and allot time to the process. Be clear about the roles each participant will play. Among the most important tasks are coordinating and recording the process. Designate one or two people who will provide administrative support and capture discussions in writing.

With strategic planning, it is important to separate the work you can do from that which you must do. Set goals that focus on what must be done and make sure these goals are achievable. If getting started becomes a challenge, take on a few simple tasks first. The momentum from a small amount of progress can help energize the organization to take on bigger challenges.

Step 2. Review your Vision, Mission, and Values Statements

Strategic planning starts with a focus on the organization's mission, vision, and values. Although these terms are often used interchangeably, they are not identical. They represent a framework to define and communicate the purpose of your organization starting from the highest, long-term level (vision), down to the very specific, short-term level (objectives).

Vision

An organization's vision is often an inspiring statement of what it is striving to achieve. NGOs often focus on the problem they hope to solve by painting a picture of a vision they have for the future after the problem has been solved or mitigated.

Example: "XYZ NGO envisions our community free of poverty and hunger, where everyone has access to basic education, health care, and economic opportunities."

Mission Statement

Your mission statement takes your vision a step further, by summarizing the actions your organization is going to take to make the vision a reality. It is a statement that clarifies the purpose of the organization and its daily business.

Example: "Our mission is to fight poverty and hunger in our community by building education, health care, and economic development programs that meet the needs of the community."

Values

An organization's values are its deeply held beliefs that shape the organization's actions. Your organization may have several core values.

Examples: "Our organization believes in providing equal opportunities for everyone in the community, regardless of gender, religious beliefs, or ethnicity."

"Our organization believes that all children have the right to basic education."

"Our organization believes that our priorities must be driven by and be in harmony with the desires of the community."

While an organization's purpose is not likely to change, it may change its way of thinking and approach to a problem as time goes on and it implements activities. While one does not want to change a strategy continually, organizations should periodically review their mission and vision statements. This is an opportunity to bring staff together and align the mission of the employees with the overall mission and vision of the organization.

To begin, answer the following basic questions:

- What do we hope to achieve (vision)?
- What is our purpose (mission)?

- What do we believe (values)?
- What outside our organization might affect us positively or negatively? (external factors)?
- Where are we now (internal assessment)?
- Where are we going (strategic goals and objectives)?
- How will we get there (activities)?
- How will we know whether we have arrived (results)?

Figure 48—Goals and Objectives Examples

Goals	Objectives
Broad, long-term	Narrow, short-term
Where we want to be	The steps needed to get there
Abstract, general	Precise, measurable
Expand community participation in youth development program.	<ul style="list-style-type: none"> • Recruit 10 new volunteers from local churches/mosques. • Pair volunteers with staff mentors. • Meet monthly at youth center with all volunteers. • Develop an annual program/event to recognize the top three individuals who were invaluable to the program.
Remove the barriers to education and expand educational opportunities to attend secondary school.	<ul style="list-style-type: none"> • Expand access, ensure that at least 15 children from community complete their education. • Raise funds from businesses in the region to pay school fees and other expenses for at least 15 children from the community. • Organize volunteers from the community to work one day a month on projects to renovate and expand the existing school.

Step 3. Identify the Strategic Goals

Strategic goals are broad statements of intent that link directly to the mission statement. While your vision, mission, and values may never change, your strategic goals will likely evolve over time.

Example: Strategic Goal—Increase the income of female-headed households in X province through better animal husbandry and marketing.

Step 4. Define the Strategic Objectives

Your organization should determine how to accomplish its strategic goals in the next three to five years by developing objectives that are Specific, Measureable, Achievable, Realistic, and Time-based (S.M.A.R.T.):

- **Specific**—Is there a description of a precise or specific behavior/outcome that is linked to a rate, number, percentage, or frequency?
- **Measurable**—Is there a reliable way to measure progress toward achieving the objective?
- **Achievable**—Are we attempting too much? With a reasonable amount of effort, can we do what we set out to do?
- **Realistic**—Do we have the resources—staff, money, materials, etc.—to make a real impact?
- **Time-based**—Is there a finish and/or a start date clearly stated or defined?

Sample SMART objective:

- By [year], our NGO will support initiatives aimed at increasing the income of [Y number of] female-headed households in X province

through improved livestock breeding and raising practices and better marketing.

Not Very SMART objective:

- Change animal husbandry practices (not specific, measurable, or time-bound).

Steps 5 and 6. Look at Strengths, Weaknesses, Opportunities, and Threats (SWOT)

“SWOT” (pronounced swat) stands for Strengths, Weaknesses, Opportunities, and Threats. This is a key tool for strategic planning because it examines the organization itself and the external and future environments in which the organization operates.

Strengths and weaknesses refer to the internal workings of the organization; they are akin to current assets and liabilities. Opportunities and threats exist outside the organization, and they refer to the future.

A SWOT analysis may be part of the planning process or applied to a specific problem or situation. A quick and easy way to approach the analysis is by doing the [exercise](#) on the next page.

Figure 49—Example of the Types of Information to Include in a SWOT Analysis Matrix

Internal Factors	
<p>Strengths (Assets) ASK: What do we do well? How do we know? For example:</p> <ul style="list-style-type: none"> • Capacity • Resources (funding, supplies, etc.) • Location and geography • Innovation • Management • Reach, awareness • Volunteers • Competitive advantages 	<p>Weaknesses (Liabilities) ASK: What could we do better? How would we measure that we are doing better? For example:</p> <ul style="list-style-type: none"> • Financial management • Human resources • Monitoring • Resources • Raising funds • Recruiting volunteers
External Factors	
<p>Opportunities ASK: What factors outside the NGO could help us do better? For example:</p> <ul style="list-style-type: none"> • Trends in our sector • What are government agencies doing? • Partnerships, agencies, networks? 	<p>Threats (Challenges) ASK: What factors outside the NGO might hinder our doing better? Classify them by their “seriousness” and “probability of occurrence.” For example:</p> <ul style="list-style-type: none"> • Change in government • Natural disaster

Exercise

To conduct a SWOT analysis, use the data and findings from your self-assessment ([chapter 7](#)) and communication planning ([chapter 3](#)) to pinpoint key themes; then take the following steps:

- Specify an objective of the organization.
- Ask each person on the team to identify the organization's strengths related to this objective, and provide each one with three cards to write the three strengths, one on each card. Then collect and cluster the cards to identify the main themes the team has identified.
- Repeat the exercise for internal weaknesses, external opportunities, and external challenges or threats. Collect and cluster the cards to identify the main themes the team has identified for each of the SWOT elements.
- Develop a matrix (see Figure 49).

The following are some points to think about when going through the different parts of the analysis:

- **Strengths Section**—Factors that will help your organization achieve its programmatic objectives, such as the ability to satisfy your beneficiaries' needs, highly efficient methods of delivering your service, outstanding personnel, or a key location.
- **Weaknesses Section**—Factors that will make it hard to achieve your programmatic objectives, such as a lack of skilled human resources, which, with correction, you can convert into strengths.
- **Opportunities Section**—External factors that can assist your program, such as the government deciding to increase access to health services in your project area.
- **Threats Section**—External factors over which you have no control and which can adversely affect your program, such as security issues that make it hard for you to work in an area or changes in government legislation that affect your services and compel you to adjust your program.

In documenting your SWOT analysis, highlight how you plan to build on strengths, address weaknesses so they do not constrain your organization, and ensure that opportunities and threats do not adversely affect your ability to perform the tasks that you outline in your action plan.

Step 7. Define How You will Realize Each Strategic Goal; Create an Action Plan

Define the steps you will take to achieve your strategic goals—these will be the backbone of your action plan. Remember, strategies are the paths that the organization will take toward achieving the identified strategic goals. It is advisable to select a combination of strategies for each strategic goal to maximize impact. In your annual workplan ([chapter 3](#)) the steps are spelled out in great detail. But in strategic planning, you look at the big picture across a broader time horizon. Consider creating a spreadsheet, or project plan, to capture each task, what and who are needed to accomplish it, and by when it should be accomplished (see section [7.4](#)).

Step 8. Identify the Resources Needed to Carry Out Your Action Plan

Answer basic questions, including:

- What funding sources do we have? Where else might we find funding?
- What human resources do we need? Who among our staff has the necessary knowledge, skills, and experience?

Add the answers to your action plan.

Step 9. Create a Budget for Implementing the Plan

Once you have developed the action plan and identified the necessary resources, estimate how much it will cost to carry it out over the next three years.

Step 10. Monitor and Evaluate Progress; Adjust the Plan as Required

The strategic planning committee should continue to meet regularly to look at internal progress and external realities. Furthermore, it should be flexible and make changes to the plan as needed.

8.4 Strategic Planning Online Resources

There are many excellent resources available online to help guide your strategic planning process. Figure 50 lists a few to get you started.

Figure 50—Selected Online Resources on Strategic Planning

Tools and Resources	Description
Civicus Strategic Planning Toolkit http://www.civicus.org/new/media/Strategic%20Planning.pdf	This toolkit offers you a method for detailed strategic planning. You can replicate the method in any organization or project that needs to do strategic planning.
Developing Strategic Plans (pdf) http://www.coreinitiative.org/Resources/Publications/AllianceStrategicPlanningTool.pdf	A tool for community- and faith-based organizations from the Core Initiative and the International HIV/AIDS Alliance, 2007
NGO Self-Assessment through a SWOT Exercise http://www.networklearning.org	A simple four-step process that guides an organization through the process of identifying its internal Strengths and Weaknesses as well as the external Opportunities and Threats it faces. One of many resources
Problem Solving: SWOTs & Strategic Plans http://www.networklearning.org/index.php?searchword=SWOT&ordering=&searchphrase=all&Itemid=1&option=com_search	One of many resources and tools available for free to NGOs working in the development or humanitarian fields. Networklearning.org makes or finds manuals that can help NGOs build skills and suggests other Web sites with good resources.

Strategic Planning Chapter (pdf) www.ciiir.org/Templates/System/Basket.asp?NodelD=91675	<i>Capacity Building for Local NGOs: A Guidance Manual for Good Practice</i> , published by the Catholic Institute for International Relations, 2005
Strategic Planning Checklist (NGO Café) http://www.gdrc.org/ngo/bl-stratpla.htm	This checklist can be used to assess the readiness of an organization to engage in strategic planning. Its primary utility is to plan for training and technical assistance that can help overcome the obstacles noted.
Strategic Planning (in nonprofit or not-for-profit organizations) http://www.wmich.edu/nonprofit/Guide/guide7.htm	Adapted from <i>The Field Guide to Nonprofit Strategic Planning and Facilitation</i> by Carter McNamara, Authenticity Consulting, 2008
Strategic Planning in Smaller Nonprofit Organizations: A Practical Guide for the Process http://www.wmich.edu/nonprofit/Guide/guide7.htm	This short guide is designed to help Board members and the staff of smaller nonprofit organizations develop strategic plans to strengthen and sustain their organization.

8.5 Summary

Organizations that undertake sound strategic planning are better situated to secure future funding as well as gain perspective on experience and their potential to strengthen their impact in the future. Ultimately, organizations that take the time necessary for strategic planning are more likely to become self-sustaining and make a difference over the long term.

9 Seeking Future Funding



Seeking Future Funding

9.1 Overview

9.2 Getting Started

9.2.1 Five Tips for Seeking Funding

9.3 Researching Funding Opportunities

9.3.1 Defining Donors

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9.3.3 Private Sources of Funding

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9.4.1 USG Funding Mechanisms

9.4.1.1 Acquisition versus Assistance

9.4.1.2 Cooperative Agreements versus Grants

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9.4.2.1 Annual Program Statement (APS)

9.4.2.2 Request for Applications (RFA)

9.4.2.3 Request for Proposals (RFP)

9.4.2.4 Re-Competes

9.4.2.5 Multiple-Stage Competitions

9.4.2.6 Subgranting Mechanisms

9.4.2.7 Pre-Solicitation Notices

9.5 Designing Programs

9.5.1 Developing Targets

9.5.1.1 Defining Indicators

9.5.1.2 In-Country Demographic and Other Data

9.5.1.3 Past Program Data

9.6 Budgeting

9.6.1 Standard Budget Categories

9.6.2 Direct versus Indirect Costs

9.6.3 Cost Share

9.7 Eligibility Rules to Receive USG Funds

9.8 Partnerships

9.8.1 Seeking Subrecipients

9.8.2 Seeking Funds as a Subrecipient

9.9 Summary and References

9.1 Overview

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

Skip Ahead

- ▶ Research Funding Opportunities
- ▶ USG Funding Mechanisms
- ▶ Funding Competitions
- ▶ Designing Programs
- ▶ Budgeting
- ▶ Partnerships

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 (9.3), apply for funding (9.4), and design programs (9.5) and budgets (9.6). You will also find special sections on funding eligibility (9.7) and building and leveraging partnerships (9.8) for increased funding opportunities.

Objectives

- Understand different USG funding mechanisms and competition processes.
- Learn about strategies for fundraising and applying for funding.
- Improve your ability to develop strong applications for funding.

Key Terms and Acronyms

- **Acquisition**—A USG purchase or contract to obtain something for its own use. This includes products, commodities, or services.
- **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 Agreement**—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 the USG does not cover. 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 an organization tracks to monitor program progress.
- **Indirect Costs**—Costs that are required to carry out a project but are not attributable to a specific project, such as electricity or administrative support staff.
- **In-Kind Contribution**—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.
- **Key Personnel**—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a Cooperative Agreement as Key Personnel are those leadership slots considered essential to successful implementation of the overall project.
- **Matching Funds**—A percentage or fixed amount of non-USG resources that USAID sometimes requires recipients to provide for a project to be eligible to receive funds.
- **MOU**—Memorandum of Understanding, a document that may be used as a confirmation of agreed-upon terms when an oral agreement has not been captured in a formal contract. It may also set forth the basic principles and guidelines under which parties will work together to accomplish their goals. This should not be used if a transfer of funds is involved.
- **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID's *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **Obligated Amount or Obligation**—The amount USAID has committed to the program. There is no guarantee that USAID 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 USAID 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 for for-profits.
- **Standard Budget Categories**—Standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Consultants, Travel/Transportation, Equipment, Supplies, Contractual Services (subcontractors), Program Costs (sometimes replaced with “construction costs”), Other Expenses, and Indirect Costs.
- **Substantial Involvement**—The right that the USG retains to provide input into an assistance project funded through a **Cooperative Agreement**. This right usually includes the ability to approve work-plans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. The Cooperative Agreement specifies the areas of substantial involvement.

9.2 Getting Started

While there may be countless funding opportunities out there, an organization must weigh a number of factors and decide which specific sources to pursue. When considering future funding, it is important to know your organization, have a clear mission and vision, and understand what you do well. This will help your organization decide which funding sources to pursue and what kind of programs to consider implementing. Such a thoughtful, realistic assessment will lead to a better funder-recipient match.

Once an organization has found an appropriate funding opportunity, the next step is to sell itself as the best organization 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 take advantage of an important resource? Faith-based organizations (FBOs) commonly leverage private funds and volunteers who are motivated by their faith to support the organization’s initiatives. Similarly, NGOs attached to specific universities and professional organizations often leverage university staff or corporate resources.

Large organizations may use a combination of these strategies, but many smaller organizations usually have one primary asset on which they focus their fundraising strategies. For example, an organization that specializes in providing services in a particular country is going to focus on exploring 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 or end up going after funds for activities that do not fit with your mission. Developing a targeted fundraising strategy allows you to maximize your efforts, stay true to your mission as an organization, and ultimately increase your chances of winning the awards you seek.

9.2.1 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 section [9.6](#) on Budgeting.)

2. 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?

3. 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 the organizations' willingness to work together on a common cause leveraging the different strengths of each. The wider your network of relationships, the more potential partnership opportunities you will have.

4. Be precise in responding to solicitations.

Common mistakes made in responding to solicitations include failing to address key points or criteria, 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 examine 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.

5. Start pilot projects with private funds if possible.

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, 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 a new program. This gives the donor more assurance that the proposed project has a strong chance of succeeding.

9.3 Researching Funding Opportunities

Choosing the best methods for your organization to raise funds 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 ([9.9](#)) on various fundraising strategies.

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.

9.3.1 Defining Donors

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

Hundreds of donors provide funding to address a variety of issues 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 recipient 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 outlines common types of donors.

9.3.2 Common Types of Donor Organizations

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

- **Host Governments**—Government ministries often have programs that provide funding to NGOs to implement 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 various agencies like USAID, the U.S. Department of Health and Human Services, or the U.S. Department of Labor, other governments provide development funding as well. Generally, this funding is organized by an agency similar to USAID, for example, The United Kingdom's Department for International Development (DFID—www.dfid.gov.uk), the Canadian International Development Agency (CIDA—www.acdi-cida.gc.ca), the Australian Agency for International Development (AusAID—www.ausaid.gov.au), and the World Bank (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 (<http://www.theglobalfund.org/en/>), and United Nations agencies (United Nations Joint Programme

on HIV/AIDS [UNAIDS—www.unaids.org] and United Nations Children's Fund [UNICEF—www.unicef.org/]) are common examples.

- **Private Foundations**—Large charitable foundations sometimes have grants for programs. For more information, go to 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**—This pairs corporate support of a charitable cause with the purchase or promotion of a service or product. One example is the Product Red Campaign promoted by rock band U2 lead singer Bono since its launch in 2006. By 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.

9.3.3 Private Sources of Funding

Support from private sources may come in the form of monetary and/or in-kind contributions. Obtaining donations 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 USAID-funded program further (and potentially make you a more attractive partner in the process). In addition, private funds are often available immediately and have fewer regulations, restrictions on procurement, and reporting requirements.

There are numerous strategies for raising money from private sources. Some organizations tap into connections to faith-based groups or other organizations that share their 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, synagogues, or mosques or individuals who share your faith to raise funds. If members of your Board, or 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 their 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 support or do not explain how to support your organization, then potential donors will not be aware you are soliciting donations. Ask forthrightly and offer different options 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, that is, resources other than monetary. Instead of buying everything with cash, look for donations from the community. In-kind support, or noncash contributions, might involve items you would otherwise pay for. For example, when someone volunteers to offer you a service, supplies, or free help, you are 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 51 lists a number of potential sources of funds discussed above, along with some of the advantages and disadvantages of each to consider before deciding what mix of actions to take.

Figure 51—Overview of Sources of Fundraising*

Source	Advantages	Disadvantages
Individuals	<ul style="list-style-type: none"> • Grassroots source one can build • Donors may become potential advocates • Volunteers may be source of money and/or connections to other sources 	<ul style="list-style-type: none"> • Costly to develop, likely to generate small return for big effort • Risky for inexperienced NGO • Needs significant buy-in from Board of Directors, management, staff, and volunteers • In-kind volunteer service likely
Private Foundations	<ul style="list-style-type: none"> • May be source of large sums of money • Smaller funding may be ongoing • Clear guidelines, processes • Accessible, professional staff • Committed to social change • May have rolling deadlines 	<ul style="list-style-type: none"> • Large sums of money may be one-time • May be tied to very specific goals not aligned with NGO’s

Figure 51—Overview of Sources of Fundraising (continued)

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

*Based on E.M. Hatfield at http://www.managementhelp.org/fndrsng/np_raise/np_raise.htm

To help find the right mix of fundraising approaches, you may consider creating a chart like the one in Figure 52 for an NGO looking for support for its orphans and vulnerable children (OVC) program.

Figure 52—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 weekly OVC Planning Sessions 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 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.

9.4 Applying for USG Funds

Funding opportunities from USG agencies may be found on two Web sites:

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

Both sites contain helpful user guides, tutorials, and other tips. In addition, you can search by both agency and 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 the site to see who received an award, and then contact the recipient to determine whether it is seeking subrecipients to help implement the program.

Looking over past announcements, which are archived on the sites listed below, offers a sense of what was required in the past when applying for a particular source of funds. For example, if you are seeking 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)
- FedBizOpps Vendor Guide (https://www.fbo.gov/downloads/FBO_Vendor_Guide.pdf)

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

9.4.1 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.

9.4.1.1 Acquisition versus Assistance

Acquisition is when USAID buys something. This can be anything from pens and paper to special services, such as information technology, printing services, or health services, and is achieved through contracts.

Assistance is when USAID provides funding (or something else of value) to another party for the implementation of programs that will contribute to the public good.

9.4.1.2 Cooperative Agreements versus Grants

The primary difference between grants and Cooperative Agreements is that the USG retains greater involvement in Cooperative Agreements through what it terms “substantial involvement” (2.6). Depending on the specifics of the award, substantial involvement may include the right to approve implementation plans, workplans, M&E plans, Key Personnel, and subrecipients.

9.4.2 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 are competitive mechanisms such as Annual Program Statements (APS), Requests for Applications (RFA), or Requests for Proposals (RFP), often involving execution of one or more contracts/agreements for a fixed period. However, the USG uses many variations and strategies to achieve different programming results.

9.4.2.1 Annual Program Statement (APS)

An APS is a funding solicitation that allows the USG to make multiple awards over a defined period. Sometimes, the USG uses APSs to make awards from different agencies.

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, and applying local NGOs propose 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.

9.4.2.2 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.

9.4.2.3 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, since payment of fees (that is, profit) is allowable under this mechanism.

9.4.2.4 Re-Competes

A USG-funded project usually has a limited period of performance, for example, five years. However, if the circumstance that the project was attempting to address still exists when the project ends, the USG may decide to “re-compete” the program, starting a new bidding process to continue the work. The organization with the original award, called the “incumbent,” is eligible to apply but 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 problems 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. Incorporate the lessons you learned from your experience into your application and suggest new approaches you will take if you win a second award.

9.4.2.5 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.

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

9.4.2.6 Subgranting Mechanisms

One strategy the USG uses to limit the number of awards it directly manages, while still allowing it 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 an 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 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 a USAID Mission, which represents the agency in-country. Since a third party manages them, these opportunities are not posted on <http://www.Grants.gov> or <http://www.fbo.gov>. Network with other organizations or contact your local USAID Mission to find out whether subgranting programs already exist in your country and when the next round of solicitations will be available.

9.4.2.7 Pre-Solicitation Notices

Sometimes, prior to an announced opportunity, the USG will post a pre-solicitation notice on <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.

9.5 Designing Programs

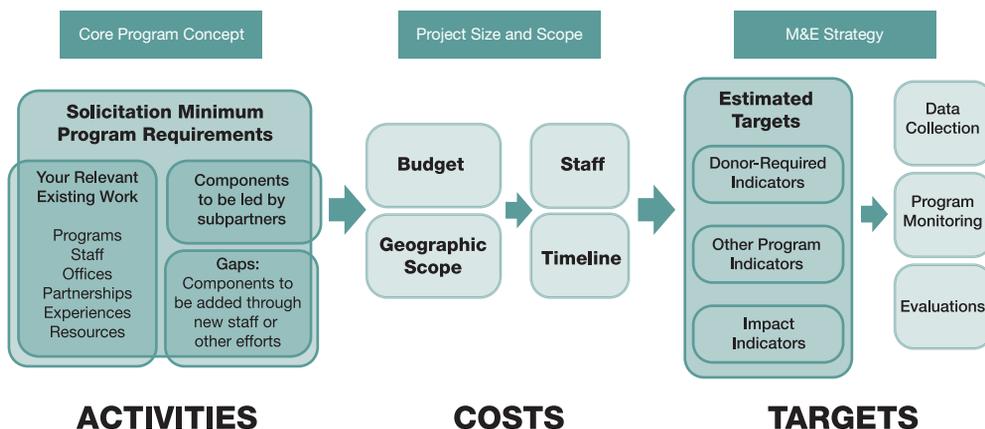
Once you find a funding opportunity you wish to pursue, the next step is developing a program concept that builds on your existing work and meets the program requirements in the solicitation. The core of your program design should leverage your relevant existing projects, experience, partnerships, and 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 53) that includes estimating the total number of targets you believe your program can reach. This plan should also include how you will count targets, monitor progress, and measure impact.

These are not stand-alone components; in fact, they comprise the three parts of your implementation model: activities, costs, and targets (3.4.1.1). This model presents how you perform your work, the inputs required, and the expected results; it is the basis of your entire program design.

Figure 53—Key Parts of an M&E Implementation Plan



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 local experience. You may also need input from people who have experience with USG regulations and 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 developing targets (9.5.1) and budgeting (9.6).

9.5.1 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.

9.5.1.1 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. Some donors may have a common set of indicators on which programs must report. In addition, the host government may define its own 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 in 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.

9.5.1.2 In-Country Demographic and Other Data

The next step in selecting your targets is to gather demographic and other data for the geographic area you are targeting. These help you to estimate the total potential population in a particular area.

If the solicitation to which you are responding does not specify a geographic area, you can also use demographic and other data to determine where needs are greatest. You can combine these data with research on existing projects to determine where there are gaps in the existing program. Some countries also publish more detailed data, which include organizations, in what geographic areas they work, and what services they provide.

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

9.5.1.3 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 publicly available evaluations of previous projects, 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, remember that potential differences from one geographic area to the next may affect your project estimates.

9.6 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 (9.4.2.1) 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.

9.6.1 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
- travel
- supplies
- construction (or program costs)
- other
- fringe benefits
- equipment
- contractual
- indirect costs

Find It Online

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

In some cases, USAID modifies this list to better fit the program. For example, USAID programs sometimes remove the “construction” category and add a category for “program costs.” (For more information on financial management, see [chapter 4](#).)

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 U. S., 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 for lodging and meals and incidental expenses); and
- international travel.

The travel budget should include the following:

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

The travel budget should not include:

- vehicles to be purchased;
- maintenance of vehicles; or
- 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;
- purpose; and
- duration.

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. 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 (Standard Form-1420, <http://www.usaid.gov/forms/a1420-17-1.pdf>). Other contractors, 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.”

Program Costs

Program costs cover beneficiary-related items, such as test kits, training materials, charges for renting training facilities, promotional materials, services for beneficiaries, 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.

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, 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

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 NICRA (2.5.2) 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.

9.6.2 Direct versus Indirect Costs

Costs that are easily attributable to a specific project, such as the salaries of individuals working directly on the project, are called “direct costs.” Shared costs are called “indirect costs.” (For more information on direct and indirect costs, see section 2.5.2)

Know Your Cost-Share Commitment

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”

9.6.3 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 (non-USG). This commitment is referred to as cost share, either in cash or other resources, and increases the overall project budget.

While there may not be a matching funds requirement for recipients to be eligible to receive funding from a USG agency, many partners commit to providing non-USG resources as a way to share project costs.

To qualify as cost share, the contribution must be from non-USG sources, such as private foundations or individual donations. You can

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.

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 that 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 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.

Although the solicitation may not require cost share, once you commit to a cost-share amount, you are obligated to provide it.

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.

Therefore, only commit to cost share that you know you can generate. If you are unable to fulfill your cost-share requirement, your AO 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. You 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 lent equipment, and the temporary use of donated space or facilities. The value of land and buildings should be established by an independent appraiser (for example, certified real property appraiser) and certified by an official in your organization. For donated and lent equipment and the use of space, the value should not exceed its fair market/rental value.

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 AO, you may capture cost-share contributions from subrecipients (if any) on the project to meet your obligation. Require subrecipients to follow the same considerations described above.

Figure 54—Summary of Cost-Share Valuation and Documentation

Type of Cost-Share Contribution	Valuation	Supporting Documentation
Volunteer services	<ul style="list-style-type: none"> Rates must be consistent with those paid for similar work within the organization. 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. 	<ul style="list-style-type: none"> Signed time sheet showing the hours worked A rate calculation of how the time should be valued
Donated employee time by another organization	<ul style="list-style-type: none"> Employee's regular rate of pay 	<ul style="list-style-type: none"> Signed time sheet showing the hours worked A rate calculation of how the time should be valued (for example, pay stub)
Donated supplies	<ul style="list-style-type: none"> Fair market value of the supplies at the time of the donation 	<ul style="list-style-type: none"> Letter of donation being made Valuation of the donated supplies from catalogue or Internet prices, bills/invoices, or quotes for same supplies
Cash contributions	<ul style="list-style-type: none"> Actual costs incurred 	<ul style="list-style-type: none"> Letter from the donor documenting the amount of cash donated and the name of the project supported A bank statement showing the date and the amount the grantee received and spent
Donated equipment, building, or land	<ul style="list-style-type: none"> Normally, depreciation (in accordance with the organization's policy) or use charges for equipment and buildings may be made. Full value of equipment or other capital assets and fair rental charges for land may be allowed provided the AO or Grants Management Officer has approved the charges. 	<ul style="list-style-type: none"> Letter stating what was donated Accounting policy reflecting depreciation policy of organization Comparable catalogue or market survey prices Independent appraisal of the value of land
Project co-funding	<ul style="list-style-type: none"> Actual cost incurred 	<ul style="list-style-type: none"> Letter from donor stating what was donated or copy of agreement or contract Copy of invoice paid by the other donor

9.7 Eligibility Rules to Receive USG Funds

The pre-award survey (see section 2.3.1) 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.

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.

9.8 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 is probably under contract with its prime. For example, a contractor may provide training or consult on the development of an M&E system.
3. *Beneficiary Organization*—A beneficiary organization is 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 an 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, usually some form of contract document 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 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.

9.8.1 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 your skills 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 local 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 with which you have met, 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 fit 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.

9.8.2 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 may add you to its team before the program starts.

9.9 Summary and References

Fundraising is a challenging task, but with a thoughtful strategy, program design, budget, and solid partnerships, you will increase your chances of success and continue to serve the beneficiaries who rely on your programs.

References

Forms

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

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- 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
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<http://www.fundraising123.org/fundraising>
- Selecting Fundraising Software
<http://www.techsoup.org/learningcenter/software/archives/page9939.cfm>

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Annex I

Annex I

Glossary of Terms and Acronyms

A

A-122—This U.S. Office of Management and Budget Circular, “Cost Principles for Non-Profit Organizations,” establishes principles for determining the cost of grants, contracts, and other agreements with non-profit organizations. By design, the principles provide that the USG bear its fair share of costs except where restricted or prohibited by law.

A-133—This U.S. Office of Management and Budget Circular, “Audits of States, Local Governments and Non-Profit Organizations,” sets forth standards for obtaining consistency and uniformity among USG agencies for the audit of states, local governments, and non-profit organizations expending USG funds. Currently, for U.S.-based organizations the threshold for an A-133 audit is \$500,000 per annum, and for non-U.S.-based organizations the threshold is \$300,000 per annum.

Accrual Accounting System—An accounting method that records financial events based on economic activity rather than financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received. See also **Cash-Basis Accounting System**.

Acquisition—A USG purchase or contract to obtain something for its own use. This includes products, commodities, or services. See also **Assistance**.

Action Plan—A specific series of steps describing what needs to be done, how, when, and by whom to accomplish one or more objectives. Written action plans can be used at the organization, project, or activity level.

ADS—The Automated Directives System (ADS—<http://www.usaid.gov/policy/ads/>) encompasses the totality of USAID’s regulatory body. Additionally, it includes suggested but not mandatory procedures and links to examples of best practices.

Allocable Cost—A cost incurred specifically to support or advance an award.

Allowable Cost—An incurred cost determined to be an acceptable charge.

AO—Agreement Officer, the USAID official with the authority to enter into, administer, terminate, and/or close out assistance agreements and make determinations and findings on behalf of USAID.

AOTR—Agreement Officer’s Technical Representative (formerly referred to as the Cognizant Technical Officer. Under a **contract**, this position is referred to as the Contracting Officer’s Technical Representative), the USAID official responsible for monitoring a grantee’s progress toward achieving the agreement’s purpose and for serving as technical liaison between the grantee and the Agreement Officer (AO). The AO will name and delegate authority for specific responsibilities to the AOTR named in a Cooperative Agreement.

APR—Annual Program Report, a report due upon completing implementation of an organization’s annual workplan. See also **SAPR**.

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. See also **Acquisition**.

Assistance Objective Team—The USAID group that makes a preliminary determination on the duration and type of funding instrument.

Audit—An independent review and examination of system records and activities.

Audit Package—A package of forms and information that includes the findings of an audit and a corrective action plan to address each finding in the auditor’s report.

Authorized Class of Service—Unless travel falls under certain exceptions, air travel purchased with USG funds requires the customary standard commercial airfare (economy class or equivalent).

Award Amount (or Award)—The total amount that is anticipated to be spent over the life of the project. See also **Total Estimated Cost**.

B

Baseline (or Baseline Assessment)—A snapshot of the community or targeted beneficiary group prior to the start of a project.

Beneficiary—The individual, group, or organization, whether targeted or not,

that benefits, directly or indirectly, from the development intervention.

Board of Directors—The group governing the overall direction and mission of an organization.

Brand—A visual representation of a product or service, such as a logo or graphic that is easily recognizable. It is a project's "signature."

Branding—The process of developing an identity for a product or service using images and words to evoke positive emotional responses in beneficiaries, which are influenced by their interactions with the implementation of the brand (promotion, customer service, other customers, etc.). See also **Marking**.

Burn Rate—The rate at which an organization spend its award funds on a periodic basis, typically monthly. See also **Pipeline**.

C

CAP—Capable Partners Program, a USAID-funded program that works to strengthen the organizational and technical capacities of non-governmental organizations, community-based organizations, faith-based organizations, intermediary support organizations, and NGO networks across technical sectors. CAP provides technical assistance, training, and grants management to USAID Missions and operating units to enhance their NGO programs.

Capacity Building—Strengthening the ability of an organization to manage itself and achieve its mission effectively.

Cash-Basis Accounting System—A method of bookkeeping that records financial events based on cash flow and cash position. Income is recorded when cash is received, and expense is recognized when cash is paid out. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, or pre-paid or accrued expenses. This system is simpler for individuals and organizations that do not have significant numbers of these transactions, or when the time lag between initiation of the transaction and the cash flow is very short. See also **Accrual Accounting System**.

CBO—Community-Based Organization.

CFR—Code of Federal Regulations, the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the USG.

Close Out—The final phase of a project in which activities are finalized and administrative tasks completed.

Commodity—Any item that can be bought or sold, usually a product or raw material (lumber, wheat, coffee, metals, etc.).

Communication—The process of transmitting ideas and information about the nature of an organization and the issues with which it deals; an ongoing, core activity that is key to sustaining an organization. See also **Marketing**.

Contract—The mechanism the USG uses in awarding acquisitions.

Cooperative Agreement—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. See also **Grants**.

Cost Objective—The cost limit of an activity within budget limits. A project cannot exceed the cost objective that has been set for it.

Cost Share—The portion of project or program costs the USG does not cover. This may be in the form of cash or in-kind contributions. See also **In-Kind Contributions** and **Matching Funds**.

CTO—Cognizant Technical Officer (outdated term, replaced by either AOTR, Agreement Officer's Technical Representative, or COTR, Contract Officer's Technical Representative).

D

Debarment—An action taken by a an official to exclude a contractor from USG contracting and USG-approved subcontracting for a reasonable, specified period; a contractor so excluded is "debarred."

DEC—USAID's Development Experience Clearinghouse, the largest online resource of USAID-funded technical and program documentation.

Direct Costs—Goods and services specifically purchased for the exclusive benefit of one project that are charged to that project.

Disallowed Cost—An incurred cost questioned by the audit organization that USAID has agreed is not chargeable to the U.S. Government.

Due Diligence—The necessary assessment of the past performance, reputation, and future plans of a prospective partner or other entity, with regard to various business practices and principles. This normally involves, at a minimum, examining their social, environmental, and financial records.

DUNS Number—A unique nine-character number assigned to all businesses, which is required to do business with the U.S. Government for contracts or grants (see <http://fedgov.dnb.com/webform>).

E

EIN—Employer Identification Number (also known as a U.S. Federal identification number that identifies a business or nonprofit entity); USAID uses it to facilitate payment for an award.

Excluded Parties List—A database of individuals and organizations that are not eligible to receive funding from USAID or any USG agency. Recipients are responsible for using this online database to check vendors, consultants, and applicants prior to making any purchases or hiring decisions (<http://www.epls.gov>). Other online sources for verifying eligibility include the UN Consolidated List (<http://www.un.org/sc/committees/1267/consolist.shtml>) and the U.S. Department of Treasury's Designated Nationals List (<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>).

External Relations—Refers to the efforts of an organization to enhance communications, foster relationships, and build public understanding and support for the organization and its work.

F

FAR—Federal Acquisition Regulations, the body of U.S. laws that govern the USG's procurement process.

FBO—Faith-Based Organization.

Federal—Pertaining to the U.S. Government.

Federal Audit Clearinghouse—An office within the USG in charge of receiving, processing, and distributing to USG agencies the Single Audit reporting packages of thousands of recipients of USG funding.

Federal Financial Report (FFR)—Also known as SF-425, a new USG financial reporting form that replaces, and consolidates into

a single form, the two most common USG financial reports—the Financial Status Report and the Federal Cash Transaction Report.

Finding—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.

Fiscal Year—Sometimes called a financial year or budget year, a period used for calculating annual (“yearly”) financial statements (http://en.wikipedia.org/wiki/Financial_statement) in businesses and other organizations. It may or may not correspond to the calendar year, which is January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.

Fly America Act—A regulation that applies to all USG-funded travel and requires the use of U.S. flag air carriers, with a few exceptions.

FM (or FMO)—USAID's Financial Management Office.

Foreign Tax Report—The report that all USG recipients must fill out annually to report the Value-Added Tax (VAT) that was paid to the host government. The reports are used to ensure that U.S. foreign assistance is not being taxed.

Fundraising—The process of soliciting and gathering contributions (money or other resources), by requesting donations from individuals, businesses, charitable foundations, or governmental agencies.

G

Generally Accepted Accounting Procedures (GAAP)—A standard framework of guidelines for accounting and financial reporting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. Many countries use the International Financial Reporting Standards (IFRS, http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards), established and maintained by the International Accounting Standards Board (http://en.wikipedia.org/wiki/International_Accounting_Standards_Board), which also provides a framework of accounting standards and financial reporting.

Geographic Code—The code that USAID assigns to grantees to designate the specific countries from which they are authorized to purchase goods and services.

Gift—Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services as well, such as gifts of training, transportation, local travel, lodging, and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

Governance—The process of providing overall vision, direction, purpose, and oversight to an organization through a structure—a **Board of Directors**—separate from the day-to-day management of the organization.

Grants—A method the USG uses to provide assistance. Under grants, the USG retains less control over the program, compared to **Cooperative Agreements**.

H

HIV/AIDS—HIV—Human Immunodeficiency Virus, a virus that can infect people and destroy their immune system, the body's mechanism for fighting infection. **AIDS**—Acquired Immune Deficiency Syndrome, the illness that results in the body's inability to fight infection.

Horizon—The amount of time an organization will look into the future when preparing a strategic plan.

HR Policies—A set of rules, values, or guiding principles that define how an organization addresses human resources-related matters. **Human resources** policies should reflect sound practice, be written down, be communicated across the organization, and be reviewed and modified periodically to reflect changing circumstances.

Human Resources—Refers to how employees are managed by organizations, or to the personnel department charged with that role.

I

Impact—The identifiable, measurable results of project activities.

Incidental Expenses—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries, etc.

Indicator—A specific data point an organization tracks to monitor program progress. See also **Target**.

Indirect Costs—Costs that are required to carry out a project but are not attributable to a specific project, such as electricity or administrative support staff. See also **NICRA**.

In-Kind Contribution—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.

International Travel—Any travel between two countries.

K

Key Personnel—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a **Cooperative Agreement** as Key Personnel are those leadership slots considered essential to the successful implementation of the overall project.

M

M&E—Monitoring and Evaluation, the process of collecting and analyzing data and information for the purpose of identifying and measuring a project's impact.

M&IE—Meals and Incidental Expenses, costs incurred during travel, such as breakfast, lunch, dinner, gratuities and tips for services, laundry, toiletries, etc.

Management—The day-to-day operation of the organization. See also **Governance**.

Management Decision—The evaluation of a recommendation by management and a decision on an appropriate course of action.

Mandatory Standard Provisions—The set of rules and regulations that must be followed by recipients of USAID funds. (For more information, go to <http://www.usaid.gov/policy/ads/300/303mab.pdf>.)

Marketing—The processes and activities that contribute to an organization's public image that, when developed effectively—and reinforced by the good work of staff—help earn the trust and confidence of beneficiaries, local leaders, and donors. See also **Communication**.

Marking—Applying graphic identities or logos to program materials or project signage to visibly acknowledge contributors; identifies organizations supporting the work.

Matching Funds—A percentage or fixed amount of non-USG resources that USAID sometimes requires recipients to provide for a project to be eligible to receive funds. See also **Cost Share**.

Micro-Purchase Threshold—The amount your organization sets under which your procurement process may be simplified. For example, if your micro-purchase threshold is \$1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount.

Mission—The USAID representative body in a country receiving USAID assistance.

Modification—Changes requested over the life of an award, such as additional obligations, program alterations, and changes in **Key Personnel**, which require approval.

MOU—Memorandum of Understanding, a document that may be used as a confirmation of agreed-upon terms when an oral agreement has not been captured in a formal contract. It may also set forth the basic principles and guidelines under which parties will work together to accomplish their goals. This should not be used if a transfer of funds is involved.

N

NGO—Non-Governmental Organization.

NICRA—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on **indirect costs** and **NICRA**, see USAID's *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)

No-Cost Extension (also called a Non-Funded Extension)—When the recipient requests and is given additional time beyond the award end date to use unspent funds from the original award to complete activities.

O

Obligated Amount or Obligation—The amount USAID has committed to the program. There is no guarantee that USAID will reimburse the recipient for any spending above the obligated amount. See also **Award Amount**.

Origin—Where an item was originally grown or manufactured. See also **Source**.

OVC—Orphans and other Vulnerable Children.

P

Per Diem—The maximum amount of money that the USG allows an individual to be reimbursed for per day to cover lodging and meals and incidental expenses when traveling on behalf of a project.

Pipeline—The amount of funds obligated but not yet spent, which is calculated by adding all funds spent to date and subtracting that amount from the total obligation to date. See also **Burn Rate**.

Pre-Award Survey—A review of an organization's financial system to determine whether the system meets USAID's minimum requirements before funding is awarded.

Prime (Recipient)—The recipient of USG funding that directly receives the funds and is ultimately responsible for accurate completion of each reporting cycle and program targets.

Prior Approval—Written authorization from the USAID Agreement Officer prior to a procurement or other action.

Procurement—Acquiring goods and services in a fair, transparent way in accordance with applicable rules and regulations.

Program Income—Funds earned by the program for the benefit of the program itself. For example, program income comes from charging fees for services or from the sale of commodities. It is also earned by selling equipment purchased with program funds that is no longer needed. **Note:** Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.

Prohibited Items—Goods or services that cannot be purchased with USG funds under any circumstances. See also **Restricted Items**.

Prohibited Source—Any person seeking official action by the USG employee's agency, or who does business or seeks to do business with the employee's agency.

Promotion—Any type of tactic other than advertising (for example, special events, posters, T-shirts, fliers) used by a marketer (for example, an NGO) to increase the awareness of a product, service, or idea among specific target audiences.

Q

QPR—Quarterly Performance Report.

R

Reasonable Cost—A cost that is generally recognized as ordinary and necessary and that a prudent person would incur in the conduct of normal business.

Recipient—An organization receiving direct financial assistance (a **grant** or **Cooperative Agreement**) to carry out an activity or program. See also **Subrecipient**.

Restricted Items (or Restricted Commodities)—Goods or services that may not be purchased without specific written permission in advance. See also **Prohibited Items**.

RFA—Request for Applications, a mechanism for **grants** or **Cooperative Agreements**, which means that USAID 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 for for-profits.

S

SAPR—Semi-Annual Performance Report (sometimes pronounced “Sapper”), a report due six months into the implementation of an organization’s annual **workplan** that updates the USG on the project’s progression. See also **APR**.

SF-270—Standard Form-270, Request for Advance, used to request funds for a **grant** or **Cooperative Agreement**.

SF-424—Standard Form-424, Assurance of Compliance, used by organizations to assure USAID that they will comply with the necessary regulations and requirements and are able to complete their programs successfully.

SF-425—Standard Form-425, Federal Financial Report, used to prepare financial reports for a **grant** or **Cooperative Agreement**.

SF-1034—Standard Form-1034, Public Voucher for Purchases and Services Other Than Personal, used to request funds and liquidate advances for a **grant** or **Cooperative Agreement**.

SF-1408—Standard Form-1408, Pre-award Survey of Prospective Contractor Accounting System, used to assess the adequacy of an organization’s accounting system.

SF-1420—Standard Form-1420, Contractor Employee Biographical Data Sheet, used during the hiring process to gather relevant information, including salary history.

Shared Costs—Goods and services benefiting multiple projects and for which a vendor cannot invoice each project separately; therefore, the costs are charged to each benefiting project based on a pre-determined formula.

Significant Rebudgeting—Moving funds between budget categories above a certain threshold set by USAID.

Source—Where one procures an item or a service, regardless of its origin (where it was originally grown or manufactured). This is generally the physical location of the vendor. See also **Origin**.

SOW—Scope (or Statement) of Work, also called **Terms of Reference (TOR)**.

Standard Budget Categories—Standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Consultants, Travel/Transportation, Equipment, Supplies, Contractual Services (subcontractors), Program Costs (sometimes replaced with “construction costs”), Other Expenses, and Indirect Costs.

Strategic Planning—An organization’s process of determining its direction or strategy and making decisions related to pursuing it. According to an adaptation from the *Field Guide to Nonprofit Strategic Planning and Facilitation*, “Simply put, strategic planning determines where an organization is going over the next year or more, how it’s going to get there and how it will know if it got there or not.”

Subaward—Funding issued to an organization through an intermediary that manages the funds for the original funder.

Subrecipient (or Sub)—An organization receiving financial assistance to carry out an activity or program through a primary recipient (or other subrecipient). See also **Recipient**.

Substantial Involvement—The right that the USG retains to provide input into an assistance project funded through a **Cooperative Agreement**. This right usually includes the ability to approve work-

plans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. The Cooperative Agreement specifies the areas of substantial involvement.

SWOT—Strengths, Weaknesses, Opportunities, and Threats, a strategic planning tool that helps an organization examine itself and the external and future environment in which the organization operates.

T

TA—Technical Assistance.

Target—An estimated number of beneficiaries a program expects to reach for a particular indicator within a defined period.

Terms of Reference—Provisions that describe the purpose and structure of a project, usually created during the early stages of project management. See also **Scope of Work**.

Total Estimated Cost—The total projected cost of a project included in an organization's Cooperative Agreement.

U

Unallowable Costs—Costs that cannot be reimbursed either because of regulations or because they are not reasonable or appropriate.

Unit Cost—The actual cost of a program divided by the actual number of targets reached. For example, a \$100,000 prevention program that reaches 1,000 people has a unit cost of \$100 per person reached.

USAID—United States Agency for International Development, an independent USG agency that supports long-term and equitable economic growth and advances U.S. foreign policy objectives.

USG—United States Government.

V

VAT—Value-Added Tax, levied on the purchase of goods and services, similar to U.S. sales tax.

Vehicle—“[S]elf-propelled vehicles with passenger carriage capacity, such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized bicycles and utility vehicles” (22 Code of Federal Regulations 228.13 [b]).

W

Waiver—The written permission required to eliminate the requirements of a specific policy. Authorized individuals, such as Agreement Officers, may grant waivers to meet specific project needs.

Workplan—A document that lays out a program's planned activities, associated resources, and targets.

Annex II

Annex II

Common USAID Standard Provisions

Standard provisions are a variety of laws, regulations and requirements that apply to entities receiving federal funding from USAID. Though they are “standard,” the actual provisions that you find in your Cooperative Agreement may vary based on the following criteria:

- U.S.-based vs. non-U.S.-based organizations have different standard provisions, with some overlap.
- Some standard provisions must be included in all Cooperative Agreements (“mandatory standard provisions”), whereas others are only included if they are relevant to your specific program (“required as applicable standard provisions”).

Some standard provisions provide informational notices to the recipient, while others require the recipient to take specific action.

The following list is not a complete list of all the standard provisions you may find in your award. However, the list does include major items that may affect your award, especially those that require you to do something to be in compliance.

Legend



Applies to Non-U.S. Organizations



Applies to U.S. Organizations

Accounting, Audit and Records

Summarizes the requirements for record keeping and performing annual audit for non-U.S.-based recipients and subrecipients.

- *Applies To:* All Recipients
- *Action Required:*
 - Maintain records for three years following the end of the award.

- Conduct **annual audits** when certain criteria are met.
- Submit reports on audit conclusions.
- Monitor subaward financial performance.

Allowable Costs

Defines the concept of allowable costs, and explains your organization’s responsibility for ensuring that costs are allowable.

- *Applies To:* All Recipients

Amendment

Describes the process to amend the Cooperative Agreement. (See **Modifications to Your Agreement.**)

- *Applies To:* All Recipients

Applicability of 22 CFR 226

Applies all of the regulations under 22 CFR 226 to the recipient and subrecipients of the award. (See **Subrecipient Requirements.**)

- *Applies To:* U.S.-based Recipients
- *Actions Required:* Ensure subrecipients have a copy of the standard provisions. Non-U.S.-based NGOs must be given the standard provisions relevant to them.

Condoms

States that information provided about condoms under this award must be medically accurate and in line with information in the Condom Fact Sheet (http://www.usaid.gov/our_work/global_health/aids/TechAreas/prevention/condomfactsheet.html) available on USAID’s website.

- *Applies To:* All Recipients

Conversion of US Dollars to Local Currency

States that your organization’s chief of party in-country must consult with the USAID Mission on the process for converting dollars into local currency.

- *Applies To:* U.S.-based Recipients
- *Actions Required:* Consult with the in-country mission.

Cost Share (Matching)

Defines the rules and requirements for **cost share and matching**.

- *Applies To:* All Recipients with a cost-share or matching requirement defined in the schedule of the award
- *Actions Required:* Document and report the cost-share contribution from your organization.

Debarment, Suspension, and Other Responsibility Matters

States that you agree to notify the Agreement Officer (AO) immediately if you learn that your organization or any of its principle officers are disqualified from receiving U.S. government (USG) funds, which occurs when someone is convicted of a crime. It also provides a clause you must include in your subagreements and contracts.

- *Applies To:* All Recipients

Disputes

Provides a process for resolving disputes under this award.

- *Applies To:* Non-U.S.-based Recipients

Drug-Free Workplace

Outlines the requirements of a drug-free workplace policy that must be implemented within 30 days of the award.

- *Applies To:* All Recipients
- *Actions Required:* Distribute a drug-free workplace policy within 30 days of the award to employees who will be involved in the federally funded program.

Equal Protection of the Laws for Faith- and Community- Based Organizations

States that beneficiaries of your program must not be discriminated against based on their religious beliefs. It further states that faith-based organizations must separate their religious activities from the activities supported under this award, either in time or location. Finally, states that if the organization receiving funding under this award makes subawards, it must not discriminate against potential

subrecipients on the basis of the religious character or affiliation.

- *Applies To:* All Recipients

Implementation of E.O. 13224 - Executive Order on Terrorist Financing

Reminds recipients that they are prohibited from providing financing to individuals and organizations associated with terrorism.

- *Applies To:* All Recipients
- *Actions Required:* You must check the Excluded Parties List to ensure your subrecipients, suppliers and contractors are not ineligible to receive USG funding. (See **Ineligible Suppliers and the Excluded Parties List**.)

International Air Travel and Transportation

States the rules surrounding international air travel funded under your agreement.

- *Applies To:* All Recipients

Local Procurement

Describes the circumstances in which local procurement is permitted.

- *Applies To:* All Recipients

Marking under USAID-Funded Assistance

Describes the **marking and branding requirements** under USAID-funded programs.

- *Applies To:* All Recipients

Negotiated Indirect Cost Rate (NICRA)

The provisions in this section will vary from one organization to the next, based on whether or not you had a provisional or predetermined NICRA established when your Cooperative Agreement was awarded. There are important follow-up steps you must take, which are described in detail in the **NICRA** section of this document.

- *Applies To:* All Recipients who pursue a NICRA
- *Actions Required:* Following the completion of your annual audit, partners with a provisional NICRA will need to propose a final NICRA to your Agreement Officer

Nondiscrimination

No U.S. citizen may be discriminated against based on the basis of race, color, national origin, age, handicap or sex. This is primarily only applicable to NPI partners if they plan to recruit and hire positions funded under their award in the U.S.

- *Applies To:* U.S.-based Recipients

Non-liability

If you are sued or taken to court by someone because of something that happened in the execution of your program, the USG will not be held responsible.

- *Applies To:* All Recipients

Notices

Describes the official process for communicating between your organization and USAID. This process applies to key formal notices, not everyday communications.

- *Applies To:* All Recipients

Ocean Shipment of Goods

States that, if you plan to ship goods to the country you are working in via ocean cargo, you must send at least half your cargo on privately-owned U.S. flag commercial ocean vessels. A process is also described for applying for waivers, if shipping via a U.S. flag vessel is not a viable option.

- *Applies To:* All Recipients
- *Action Required:* You must submit copies of the ocean bills of lading to specified USG offices at USAID and the U.S. Department of Transportation.

OMB Approval under the Paperwork Reduction Act

Lists the various information you are required to provide the USG under the standard provisions, and provides an estimate of how long it should take you to comply.

- *Applies To:* U.S.-based Recipients

Organizations Eligible (HIV/AIDS Funding)

This provision states that organizations eligible to receive funding can not be required to endorse or participate in a multi-sectoral approach, or endorse or utilize a prevention

or treatment method to which they are morally opposed.

- *Applies To:* All Recipients

Organizations Eligible (Human Trafficking/Prostitution)

This provision states that none of the funds under this agreement may be used to promote, support or advocate the legalization or practice of prostitution. However, that does not mean that prostitutes are ineligible to receive the services you may be providing, so long as those services are not promoting or supporting prostitution. A similar provision entitled “Prohibition on the Use of Federal Funds to Promote, Support, or Advocate for the Legalization or Practice of Prostitution” may also appear in your agreement, and reinforces this policy.

- *Applies To:* All Recipients

Participant Training

This provision provides regulations that must be followed if your program includes training non-U.S. individuals outside their home country. That includes training any of your non-U.S. staff in the U.S., or a third country, or if you train third-country nationals in the country where you are implementing. These regulations are outlined in the **Participant Training** section.

- *Applies To:* All Recipients

Payment

Non-U.S. NGOs have three separate provisions on payment topics: 1) Payment Advances and Refunds, 2) Payment - Advances, and 3) Payment - Reimbursements. These provisions lay out the following: 1) The processes for **requesting and disbursing funds from the USG**, 2) What happens if there are **remaining funds at the end of the award**, and 3) That USAID reserves the right to require you to refund any amount which is not spent in accordance with the terms and conditions of the award (i.e. costs not allowable under the regulations outlined in the **Procurement** section of this guide.) Please note that, the process outlined in these provisions calls for the use of **SF-1034** for requesting advances, and reporting the liquidation of funds. However, USAID’s Financial Management Office has instead asked NPI partners to use the **SF-270** for requesting funds (both advances and reimbursements), and the **SF-269 A** for reporting the status of funds.

- *Applies To:* Non-U.S.-based Recipients

Procurement of Goods and Services

Outlines the minimum standards that must be included in an organization's procurement policies. (See **Procurement Policy Standards**.)

- *Applies To:* All Recipients

Prohibition of Assistance to Drug Traffickers

This provision only applies to certain countries, as defined in USAID ADS Chapter 206 (<http://www.usaid.gov/policy/ads/200/206.pdf>). Currently, only three PEPFAR countries are listed: Haiti, Vietnam and Nigeria. Organizations operating in those countries must follow a special procedure for gaining approval of subrecipients, and must include a special clause in their subawards.

- *Applies To:* Recipients operating in Haiti, Vietnam or Nigeria

Public Notices

This provision encourages you to notify the public about your work, and requests you include a statement in any press releases related to your USAID-funded project. Further, you are requested to provide your AOTR/COTR and the USAID public affairs office copies of press releases related to your USAID-funded project as far in advance as possible. (See **Marking and Branding**.)

- *Applies To:* All Recipients

Publications and Media Releases

A copy of all publications that result from your work funded by USAID must be sent to the address specified, in the format specified. This provision also clarifies copyrights of these materials.

- *Applies To:* All Recipients
- *Action Required:* Copies of publications must be sent to the address specified in your agreement.

Regulations Governing Employees and Standards of Conduct

This provision outlines standards of conduct of employees operating in foreign countries under

this award. It includes regulations governing the sale of personal property, which are designed to ensure that they do not profit by selling items that were brought into the country duty-free.

- *Applies To:* All Recipients

Reporting Foreign Taxes

Requires you to submit a report of any foreign taxes that have been assessed and reimbursed to your organization.

- *Applies To:* All Recipients
- *Action Required:* Submit report annually on April 16. (See **Foreign Tax Reporting**.)

Revision of Award Budget

This provision states that you must seek approval for **significant rebudgeting**, as well as other **major changes in your scope**.

- *Applies To:* All Recipients

Standards of Accessibility for the Disabled in Construction

For projects that include either new construction or renovation, the resulting structure must meet or exceed U.S. accessibility standards for the disabled.

- *Applies To:* Recipients with construction or renovation components in their program

Subagreements

The subagreements provision differs between U.S.-based NGOs and non-U.S.-based NGOs.

The provision in agreements with U.S.-based NGOs states that all communication with subrecipients, subrecipients, and contractors under the award must be directed through the recipient to USAID. These subrecipients are not to communicate with USAID directly for issues relating to this award.

The provision for non-U.S.-based NGOs states that subrecipients must be screened through the **Excluded Parties List**, and should be made only with responsible organizations that possess the potential ability to perform successfully under the terms and conditions of a proposed agreement. Further, this provision states that **subagreements must include certain required language and provisions**.

- *Applies To:* Recipients with subrecipients

Termination and Suspension

This provision provides the grounds and process for terminating the award.

- *Applies To:* All Recipients

Title to Property

There are five different provisions that are found in Cooperative Agreements that related to the title to, use and care of property. Non-U.S.-based NGOs may see provisions describing the restrictions on use of property that they retain the title to, and use and care of property when the title is with the USG or the cooperating country government. U.S.-based NGOs will see a provision describing the use and care of property in which the title remains with the cooperating country government.

See the **Equipment** section of the chapter on Procurement for more details on the use of property purchased under this award.

- *Applies To:* All Recipients

USAID Disability Policy

Requires that you not discriminate against men, women or children with disabilities in your programming.

- *Applies To:* All Recipients

USAID Eligibility Rules for Goods and Services

Summarizes procurement regulations and restrictions relevant to your award. These regulations and restrictions do not apply to procurements made with private sources of funds to meet any cost-sharing requirement under your award. (See Procurement.)

- *Applies To:* All Recipients

Action Required:

- Maintain records justifying certain procurement decisions.
- Ensure vendors are not ineligible by checking the Excluded Parties List.
- Include section in subagreements with procurements of \$5,000 or more.

Use of Pouch Facilities

In some cases, the in-country mission and U.S. Embassy may permit you to use the diplomatic pouch to transmit documents relating to your program, such as submitting hard copies of signed reports. The U.S. Embassy may also permit your employees to send and receive small amounts of personal mail, but not boxes or magazines. Please contact your in-country mission to see if the Embassy in the country you are working in permits such use of the pouch facilities.

- *Applies To:* All Recipients

Voluntary Population Planning Activities

There are two provisions relating to population or family planning. The first states that USG funds may not be used for involuntary sterilization or abortions. The second states that USG funds cannot be used to coerce someone into using a family planning method that is contrary to his or her moral beliefs. This provision has further detailed regulations around family planning that is important to understand if your NPI program, or a future USG-funded program you undertake, includes a family planning component.

- *Applies To:* All Recipients

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