CAPABLE
PARTNERS PROGRAM
New Partners Initiative

New Partners Initiative

The **NPI** Resource Guide

to Managing U.S. Government-Funded HIV/AIDS Programs

Second Edition

Program Officer workplan Partners Targets Cooperative Agreement 22 CFR 226 Community www.grants.gov branding Audit indirect rate **capacity building** Monitoring award date AOTR Cost Share Compliance Planning ADS 303 **sustainability** site visit Recipients A-122 Lessons Learned modification Agreement Officer Budget allocable,allowable,reasonable 45 CFR 74 A-133 Assessment www.npi-connect.net

USAID FROM THE AMERICAN PEOPLE HRSA CDC AED Ideas Changing Lives JSI MSI MANAGEMENT SYSTEMS INTERNATIONAL initiatives inc.

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About NPI

The New Partners Initiative (NPI), launched in 2005 on World AIDS Day, is PEPFAR's signature effort to help new and diverse partners build their capacity to fight HIV/AIDS at the local level. Created under the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), this US$200 million program aims to provide treatment for two million HIV-infected people; prevent the infection of seven million people with HIV; and care for 10 million people infected and affected by HIV/AIDS in 15 focus countries. Through NPI, the U.S. Government (USG) funds selected non-governmental organizations (NGOs) as partners capable of reaching people who need HIV/AIDS services, but who lacked the experience in working with the USG. These NGOs, including community- and faith-based organizations, implement HIV/AIDS prevention and care programs in the focus countries. Through customized technical assistance (TA) and broad-based trainings, NPI seeks to enhance partners' technical and organizational capacities as well as ensure the quality and sustainability of HIV programs.

This 2nd Edition of the *NPI Guide to Managing U.S. Government-Funded HIV/AIDS Programs* (hereafter referred to as the "*Guide*") is one of the technical assistance tools provided to the partners to help them effectively manage USG funds under NPI. Through this *Guide*, as well as trainings, skills-building activities, and the Web site, www.NPI-Connect.Net, which serves as a resource and information exchange for grantees, the NPI technical assistance program works to:

1. strengthen the capacity of partners;
2. build community ownership; and
3. improve the quality of HIV prevention and care services.

This emphasis on building effective organizations in addition to strong programs is a defining aspect of NPI.

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List of Figures

Abbreviations and Acronyms

ADS	Automated Directives System
AED	Academy for Educational Development
AM	Activity Manager
AO	Agreement Officer
AOTR	Agreement Officer's Technical Representative
APR	Annual Performance Report
APS	Annual Program Statement
AUSAID	Australian Agency for International Development
CAM	Contract Audit Management Branch
CAP	Capable Partners Program
CBO	Community-Based Organization
CCM	Country Coordinating Mechanism
CDC	The Centers for Disease Control and Prevention (an HHS agency)
CFR	U.S. Code of Federal Regulations
CIDA	Canadian International Development Agency
CLOCA	Close-Out Organizational Capacity Assessment
COP	Country Operational Plan
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
FMO	Financial Management Office
GAAP	Generally Accepted Accounting Principles
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GMO	Grants Management Officer
GMS	Grants Management Specialist
HHS	U.S. Department of Health and Human Services
HR	Human Resources
HRSA	Health Resource and Services Administration (an HHS agency)
M&E	Monitoring and Evaluation
M&IE	Meals and Incidental Expenses
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization

Abbreviations and Acronyms (*continued*)

NICRA	Negotiated Indirect Cost Rate Agreement
NoA	Notice of Award (primarily used by HHS)
NPI	New Partners Initiative
OAA	Office of Acquisition and Assistance (USAID)
OCA	Organizational Capacity Assessment
OD	Organizational Development
OGAC	Office of the U.S. Global AIDS Coordinator
OHA	USAID Office of HIV/AIDS
OVC	Orphans and Vulnerable Children
PD	Program or Project Director
PEPFAR	President's Emergency Plan for AIDS Relief
PLHIV	People Living with HIV
PLWHA	People Living with HIV/AIDS
PMTCT	Prevention of Mother-to-Child Transmission
PO	Program Officer
RFA	Request for Application
RFP	Request for Proposal
SAPR	Semi-Annual Performance Report
SF	Standard Form
SI	Strategic Initiative
SO	Strategic Objective
SOW	Scope of Work
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TA	Technical Assistance
TEC	Technical Evaluation Committee
TOCA	Technical Organizational Capacity Assessment
TWG	Technical Working Group
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
VCT	Voluntary Counseling and Testing
WB	World Bank

Foreword

Capacity building has been much discussed in the past decade, but successfully redressing the gap between theory and practice has remained daunting until now. Under the leadership of PEPFAR, the New Partners Initiative (NPI) set out to address HIV/AIDS prevention, care, and support, while concurrently investing in building the capacity of new U.S. Government (USG) partners to ensure the quality and sustainability of their HIV/AIDS programs. This *NPI Resource Guide* is one of many significant products to emerge from this ongoing commitment.

Users of this *Guide* will recognize the work of many development experts whose efforts have been harnessed to create a comprehensive, dual-purpose "how to" manual. First, this *Guide* seeks to provide a road map for any current or future partners to better navigate the maze of USG rules, regulations, practices, and preferences set forth in Cooperative Agreements. Secondly, by offering a variety of practical steps and strategies, it aims to help partner organizations become more effective at achieving their goals. Thus, it is hoped that this *Guide* will prove beneficial to our NPI partners first and foremost but also will persuade potential partners in other technical areas to realize that they, too, can manage the system.

Finally, I would like to thank all three rounds of our NPI partners for your commitment and creativity. Through your dedication and flexibility, you have proven that capacity can be built and built successfully throughout an organization over an extended time frame. I commend your many accomplishments and applaud your successes. I look forward to the day I can say, "I remember when they were NPI partners…"

Pamela Wyville-Staples
USAID's NPI Team Leader
U.S. Agency for International Development

Acknowledgments

The *Guide* is the fruit of the efforts and experience of numerous USAID and AED staff members who have spent their careers helping non-governmental organizations implement effective and compliant USG-funded programs. The authors are especially indebted to the following individuals who reviewed the manuscript and provided extensive comments that greatly enriched this publication. They include the following from USAID: Pamela Wyville-Staples, Kelly Wolfe, Elizabeth Berard, Ken Sklaw, Uchechi Roxo, Benjamin Duodu, Robert Combs, Carl Dempsey, Alice Munthali, Elizabeth Baldwin, Laurie Rushton, and Emily Hughes; and from HRSA, Blanch Brown.

In addition, the following AED staff were instrumental in producing the *Guide*: David Hughes, Barney Singer, Cate Cowan, Bethany Mahler, Amita Mehrotra, and Colin Bonner. Finally, special thanks go to Christopher O'Connell whose research and initial drafts provided the foundation on which to build.

Funding for this *Guide* came from the U.S. Agency for International Development (USAID), under the Capable Partners Program (CAP) New Partners Initiative. Its contents and views do not necessarily reflect the views of either USAID or the USG.

The *Guide*, while comprehensive and current, addresses changes that affect the content. The electronic version, posted on www.NPI-Connect.Net, will be updated periodically to reflect changes in policy and practice that affect NPI awardees.

From the Editors

The *NPI Guide to Managing U.S. Government-Funded HIV/AIDS Programs* was developed to fill a gap in available capacity-building resources to help NGOs effectively manage PEPFAR funds under the New Partners Initiative.

The *Guide* seeks to help NPI partners (also referred to as grantees and recipients) sort out what is required, by whom, and when. In service to readers unfamiliar with USG assistance regulations, we sought to avoid legalistic terms and other jargon associated with managing a USG award.

It is hoped that adapting USG requirements to your organization will help establish the good practices needed to build a strong organization capable of implementing effective programs and delivering on your mission. Of course, your success also depends on listening to beneficiaries; developing close ties with community leaders; working hand-in-hand with government officials at the local, regional, and national levels; building a network of partnerships with other organizations, businesses, and donors; and constantly searching for new, creative, and innovative solutions to meet the challenges your community faces.

Building an organization's capacity can sometimes seem a daunting task. But once the foundation is built, it will make providing effective, quality services much easier to do. We hope this *Guide* will be an essential tool to help your organization not only manage its award more effectively but strengthen the organization as a whole.

If you have comments, please write to the editors at NPI@aed.org.

A Note on Technical Terms Used in the Guide:

AOTR—In January 2009, USAID changed the official title of the Cognizant Technical Officer, or CTO, to Agreement Officer's Technical Representative (AOTR). The Resource Guide reflects this terminology and uses AOTR generically throughout to refer to the primary, day-to-day technical contact named in the USAID partner's Cooperative Agreement.

Program Official or Project Officer (PO)—Terms used in HHS agreements to refer to the primary, day-to-day technical contact.

quick reference

award phase online tips

managing your award NPI Grantee

tool

Chapter 1: 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 the *Guide*
1.5 Ties to Organizational Development

1.1 Why This *Guide*?

While there are numerous HIV/AIDS technical resources and general non-government organization (NGO) management resources available, both the U.S. Agency for International Development (USAID) and the New Partners Initiative (NPI) technical assistance team agreed that there is no easy-to-use primer to help NPI grantees meet the twin challenges of managing PEPFAR resources and implementing programs successfully.

The *Guide* was developed to be both a capacity-building tool and desktop reference. To create this *Guide*, the authors consulted a range of documents issued by USAID, the U.S. Department of Health and Human Services (HHS) Grants Policy Statement, and the U.S. Code (USC). Because HHS grantees traditionally have been U.S.-based, while USAID's traditionally have been outside the United States, a high proportion of policies and examples cited reflect USAID's years of expertise and authority working with international organizations. Where there are differences among the USC, USAID, and HHS rules and regulations, respectively, the *Guide* notes them. Otherwise, discussion of the regulations and requirements reflects general USG principles applicable to all NPI grantees.

Above all, this *Guide* is intended to serve as an engaging and informative resource to bolster an NGO's capacity-building efforts and a practical resource to help an organization navigate USG regulations as an NPI grantee.

1.2 Who Is the *Guide* For?

The *Guide* is not just for the heads of NPI partner organizations; it is for all staff members of an organization who play important roles in managing an NPI award. Many of the topics covered in the *Guide* apply to both prime partners and subgrantees, whether U.S. or non-U.S. organizations.

The *Guide* explains the processes and tools organizations need to steer a course from organizational self-appraisal, award, program start-up, and implementation through monitoring, evaluation, and reporting.

NGOs that seek USG funds may also find the recommendations in this *Guide* useful in helping them to become more competitive in efforts to seek PEPFAR funding.

1.3 How Is the *Guide* Organized?

This *Guide* is organized to help you manage a current award from examining capacity to receiving funds to implementing programs, through demonstrating effectiveness and then sustaining the program or closing it out. It leads through the phases of managing an award: chapter 2 covers the Award Phase; chapters 3–4 discuss the Start-Up Phase; chapters 5–6 address the Implementation Phase; and chapters 7–9 guide you through the Close-Out Phase. Each chapter provides links to useful tools that can help you implement your organization's work and references to specific documents and Web sites to obtain more detailed information on a particular subject.

1.4 How to Use the *Guide*

The *Guide* is designed to be read like a book or to be used as a quick reference. The table of contents at the beginning and the index at the end of Chapter 9 can assist you in quickly finding specific, needed information. Many of the sections provide detailed, step-by-step instructions for meeting certain USG requirements.

Online Tips

Online readers will be able to jump from one page in the *Guide* to another whenever a word or phrase is in purple 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 some of the phrase underlined and in blue 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" showing at the top of your Web browser "window."

1.5 Ties to Organizational Development

While the *Guide* is organized according to the life cycle of an award, another way of viewing its resources is through an organizational development lens. The chart below does so by categorizing the content of the *Guide*'s chapters according to seven capacity-building domains: compliance, external relations, financial management, governance, human resources, monitoring and evaluation and program management.

The Guide as Seen through an Organizational Development Lens

Compliance

- Cooperative Agreement Basics (ch. 2)
- Procurement Policy Standards (ch. 3+5)
- Reporting (ch. 6)
- Close Out (ch. 9)

Governance

- Assessing Strengths and Weaknesses (ch. 4)
- Governance and Management (ch. 4)
- Strategic Planning (ch. 8)

External Relations

- Marking and Branding (ch. 3)
- Communication Planning (ch. 3)

External Relations

- Financial Systems Minimum Requirements (ch. 3)
- Financial Management (ch. 5)

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. 5)

Program/Project Management

- Project Planning (ch. 3)
- Writing Your Workplan (ch. 3)
- Technical Program Management (ch. 5)
- Learning and Sharing (ch. 5)

key personnel

standard provisions

survey findings

Cooperative Agreement

notice of award

pre-award survey

Chapter 2: Your Award

2.1 Overview

As soon as you receive notice that you are a finalist to receive funding from the U.S. Government (USG) to carry out a program, 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 the USG and PEPFAR.

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.

Skip Ahead

- Award Phase Tasks
- Pre-Award Survey
- Pre-Award Assurances
- Pre-Award Findings
- Designating Key Personnel
- Contracts and MOUs with Subrecipients
- Cooperative Agreement Basics

Objectives

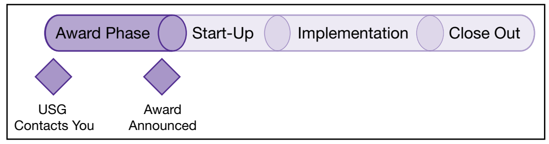
- Understand important award-related concepts and the basics of your agreement.
- Learn the key tasks necessary to finalize your award.
- Learn what needs to be in place before starting your program.

Key Terms and Acronyms

- **ADS**—The Automated Directives System (ADS) encompasses the totality of USAID's regulatory body. Additionally, it includes suggested but not mandatory procedures and links to examples of best practices. (For the full ADS, go to http://www.usaid.gov/policy/ads/500/501sae.pdf.)
- **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 the agency.
- **AOTR**—Agreement Officer's Technical Representative, the USAID official responsible for monitoring grantee progress toward achieving the assistance agreement's purpose and serving as technical liaison between the grantee and the Agreement Officer.
- **Assistance Objective Team**—The USAID group that makes a preliminary determination on the duration and type of funding instrument.
- **Award Amount**—The anticipated estimated amount the recipient will receive over the lifetime of the agreement.
- **Budget Period**—The increment of time that the funding is approved for—often a subset of the entire project period (HHS term).
- **Cost Objective**—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 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.
- **EIN**—Employer Identification Number (also known as a U.S. Federal identification number that identifies a business or nonprofit entity); USAID and HHS use 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.
- **GMO**—Grants Management Officer, the official responsible for business management and other nonprogrammatic aspects of an award (HHS term).
- **GMS**—Grants Management Specialist, assists the GMO by performing day-to-day activities on behalf of the GMO and is usually the primary point of contact for the recipient when dealing with grant-related issues (HHS term).
- **Indirect Costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff. If a NICRA (Negotiated Indirect Cost Rate Agreement) is established, include the rate and how it is calculated. Also state whether the NICRA is the provisional or final rate. (For more information on indirect costs and NICRA, see USAID online document http://www.usaid.gov/business/regulations/BestPractices.pdf.)
- **In-Kind Contribution**—Noncash resources contributed to a project; may include volunteer services, equipment or property.
- **Key Personnel**—Key Personnel refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in the Cooperative Agreement as Key Personnel are those leadership slots considered essential to successful implementation of the overall project.
- **MOU**—Memorandum of Understanding. A document describing an agreement between two or more parties, usually less formal than a contract.
- **Notice of Award (NoA)**—The common term for HHS awards, it applies to both grants and Cooperative Agreements.
- **Obligated Amount or Obligation**—The amount the USG has committed to the program. There is no guarantee that the USG will reimburse the recipient for any spending above the obligated amount.
- **PD**—Program or Project Director, HHS term for the key day-to-day technical contact at the recipient organization.
- **PO**—Program Officer, official at HHS responsible for the programmatic and technical aspects of your agreement.
- **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. PEPFAR programs rarely include program income. ***Note:*** *Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.*
- **Project Period**—The period of time estimated for the entire project (HHS term).
- **Substantial Involvement**—The right the USG retains to maintain some control over an assistance project funded through a Cooperative Agreement. This right usually includes the ability to approve workplans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. The Agreement specifies the areas of substantial involvement.
- **Unallowable Costs**—Costs that cannot be reimbursed either because of regulations or because the cost is not reasonable or appropriate.

2.2 Getting Started: The Award Phase Begins



The award phase begins when the USG notifies your organization that it has been selected to receive an award. Generally, the notification comes to the individual designated in the organization's application from a person in the funding agency's assistance or acquisitions office. This begins a series of events that includes a pre-award survey (2.3.1), negotiations (2.4), and finalizing an award. Some tasks started 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 (2.4.1), but all award-phase tasks must be completed before implementation begins.

Keep in mind that the initial USG contact regarding your application for funding is 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. The USG will then investigate your organization further to determine whether it has the systems and policies in place to accomplish the program proposed in the application. This step is called the pre-award survey (2.3.1).

Further, the USG may be interested in funding your organization only if it agrees to make certain changes to your proposal. This is an opportunity to negotiate the specific terms of your agreement with the USG.

Once your organization has undergone the pre-award survey and negotiations have ended regarding the program description, budget, and targets, the USG will make a final decision based on its priorities. Contingent upon the availability of funding, the USG will offer you the award. Before the final notification of an award, the USG can decide not to fund your program based on, but not limited to, the following:

- Pre-award survey findings that the organization is not responsible due to financial, managerial, or ethical defects, which leads the USG to believe that the organization does not have the systems or policies in place to properly manage USG funding or may otherwise not be able to complete the proposed program.
- Your organization and the USG cannot come to agreement on specific aspects of the award, such as irreconcilable budget differences.
- Alternate superior proposal(s) by other competitors were deemed to be a higher priority.
- Unavailability of Agency funding for the project.

It is important to approach the award phase carefully and understand each of the tasks (2.2.2) necessary to finalize your award. This phase can be quick or can take a long time. If you make it this far, you have a very good chance of getting funding, but you should not get your expectations too high. Note that you may also choose to withdraw from the negotiations at any time.

Though nothing is signed yet, your partnership with the USG begins now. You will want to work diligently to provide the information needed to make a final decision. At the same time, you must ensure your organization is not promising something it cannot deliver. If the USG asks you to take on additional work or change your program, it is your responsibility to evaluate that request and determine whether you are capable of delivering. If you feel the request requires more funding or affects targets, be sure to discuss this with your USG counterparts. Both you and the USG want to sign an award that meets USG priorities and describes a project that you are capable of successfully completing on time and on budget.

2.2.1 Five Key Award Phase Concepts

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 the USG has committed to the project at the time of the award, which may be the full amount of the award or a portion of the award amount. As needed and as funds become available, the USG will obligate additional funds, assuming your program is progressing smoothly. Throughout the award, it is important to track actual expenditures against your obligation amount to make sure you do not exceed that amount. Please note, the USG is only authorized to provide your organization up to the obligated amount and is not responsible for any expenses incurred over that 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**

2. *Note USG Substantial Involvement.*

   The USG has various vehicles through which it channels funds to organizations to carry out different objectives. All NPI funding is channeled through Cooperative Agreements. This funding mechanism allows the USG the right to be *substantially involved* in overseeing the implementation of the program. This means the USG maintains some control over your project, typically including the authority to approve workplans, budgets, Key Personnel, monitoring and evaluation (M&E) plans, and subrecipients. The intention is to give the USG the ability to coordinate the wider HIV/AIDS response, while giving the grantee the flexibility to implement and innovate within the boundaries of the program description. During the award phase, it is helpful for you to begin to understand the amount of flexibility the organization has and what specific items the USG will want to review before implementing of the agreement.

3. *Address Pre-Award Survey Conditions.*

   During the pre-award phase, if the USG uncovers any deficiencies, these have to be corrected prior to implementation unless there is a special clause in the award. Some of these findings may be simple to correct, such as the need to use time sheets. Others may be much more expensive and time-consuming, such as the need to implement a better financial management system. Address the issues raised immediately. Consult your Agreement Officer's Technical Representative (AOTR) when addressing the more difficult issues.

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 USG personnel. In the middle of the rush, the USG 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. Ideally, these changes can be incorporated into the program description of your Cooperative Agreement before signing. Your organization remains responsible for the Cooperative Agreement you sign.

5. *Do Not Start Implementing Yet.*

   A signed award does not mean "Go!" Several key planning tasks and approvals still need to take place. 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 Tasks

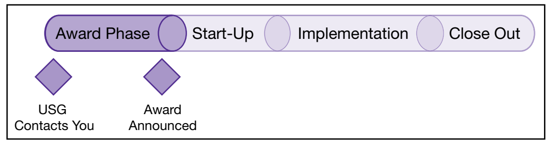


Figure 2—Award Phase Timeline and Task List

Event/Task	Description	Timeline	Reference
◊USG informs you that your organization has been selected as a finalist.	The assistance and acquisitions office will contact you about your application for funding and inform you that your organization is selected as a finalist. However, the USG has made no funding commitment at this time.	Will begin sometime after the final application deadline	Section 2.3
Pre-award survey	An auditor will review your organization's systems, policies, and capabilities to determine whether you meet the minimum standards to successfully manage USG funding.	Immediately, must be completed prior to award by awarding agency unless pre-award conditions lengthened to correct deficiencies are included	Section 2.3.1
Pre-award assurances	Pre-award assurances are various promises your organization must make to be eligible for USG funding. These are forms that are usually included in your application process. The USG will make sure these are completed prior to award.	Must complete prior to award	Section 2.3.2
Negotiate program details	The USG may request geographic, technical, target, budget, or other changes to your proposal to better align it with USG priorities. 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 adverse "findings," the USG will ask you to address these.	Immediately	Section 2.4.1
Designate Key Personnel	Key Personnel are individuals specifically listed in your Cooperative Agreement. It is not necessary to list all your staff, just 2–3 key people. Also, it is not necessary to have all Key Personnel decided at award, but you should designate those critical to start-up by the time the award is signed if possible.	Those critical to the start-up phase should be designated by the time the award is signed	Section 2.5.1
Establish sub-agreements, contracts or MOUs with partners	Because of the complexity of requirements under USG funding, you will want to establish formal agreements with the organizations you plan to work with to implement your award.	Must begin prior to implementation	Section 2.5.2
Final USG review	The USG will take a final look at its budget, priorities, and the other finalists for the award, then make a final decision.	Timeline will depend on USG workload and priorities	Section 2.4
◊Sign and announce award	Successful organizations are notified, and a final version of the agreement is delivered for signature.		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

2.3 Pre-Award Phase

The pre-award phrase begins when your organization receives notification that it is a finalist for the award. Being selected as a finalist is a very good sign, but it does not mean your organization has actually won an award. You must complete several more tasks before the USG makes a final decision on whether to fund your program.

Before the specifics of an award are discussed, the USG will likely conduct a pre-award survey and ask you to sign the pre-award assurances, steps the USG takes to make sure that an organization is capable of managing the program conceived in its application and is willing to comply with USG regulations.

2.3.1 Pre-Award Survey

Pre-award surveys check to see whether organizations have the policies, systems, and capabilities to manage USG funding. Although these surveys may cover a variety of issues, including your organization's structure, management, and governance, the focus is often on accounting and record-keeping systems. The reason for this emphasis is simple: no matter what strengths your organization may have, if it cannot manage funds, the USG will not award it assistance.

If the Agreement Officer (AO) determines that a formal survey team must assess a prospective recipient's responsibility, the AO must assemble a team with appropriate expertise. A team may consist of:

- an Assistance Objective Team member;
- the AO;
- the Financial Officer (Bureau for Management, Office of the Chief Financial Officer [M/CFO], or Mission or Regional Controller's Office); and
- one or more representatives of either 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 reviews the applicant's systems against standards (http://www.usaid.gov/policy/ads/300/303.pdf) set out in the ADS and submits its findings to the AO for review and consideration. The AO makes the final determination of the applicant's eligibility for an award.

Pre-Award Survey of Accounting System Adequacy

A Pre-Award Survey for Nonprofit Organization's form is used as the basis for assessing your accounting system.

This form contains a list of criteria the auditor will investigate to determine whether your accounting system meets the minimum standards to be eligible for USG funding.

These requirements include accounting software requirements and requirements for written financial management policies and accounting procedures. The auditor will check whether these things are in place and the organization is actively implementing them.

Following are the 15 questions on the form. In evaluating each item, the auditor will answer "Yes" or "No." If your system partially meets a certain criterion, the answer will most likely be "No," and the auditor may provide further explanation in the report.

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. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. The auditor 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 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 hard to divide among the different projects, these are considered "indirect costs."

     For example, if you have an HIV-testing program, the test kits would be direct costs. If you have an office that houses staff who work on different projects, the office rent, utilities, Internet access, etc., might be classified as 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 Chapter 5.)
   - *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 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. Just because your accounting system "can" do this, the auditor 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 the 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 auditor will look into your policies, procedures, and historical records to see whether you are reconciling your books at least monthly.

- *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 auditor will examine your procurement process and policies to see whether you define and identify unallowable costs—those items the USG will not cover, based on the provisions in your Cooperative Agreement. Your reporting system must exclude these costs from being charged to the USG and/or you must have policies in place to prevent those items from being purchased in the first place. (For more on allowable costs, see Chapter 5.)

- *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 tie back to the original budget (either the budget in your Cooperative Agreement or your workplan budget) down to the unit level. For example, if your budget proposed that you would purchase 300 test kits at US$2 each, your system needs to be able to show later the actual cost and quantity purchased.

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 can provide 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 6.)

- *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 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 advance funds the USG 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 the USG 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 audit occurs, this is the opportunity for the auditor to note the progress you are making and the estimated timeline for completing the upgrade.

Pre-Award Survey Results

The auditor will provide the USG with a report, based on which the USG will write a letter to the applicant regarding any deficiencies. The applicant will then have an opportunity to respond and clarify any issues. The USG 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 is in the section, Addressing Pre-Award Survey Findings/Conditions (2.4.1).

2.3.2 Pre-Award Assurances

Pre-award certifications, assurances, and other statements are promises your organization makes prior to receiving funding from the USG.

These statements are usually included in a form that is signed by your executive director or responsible senior officer of your organization and states that your organization:

- will comply with various regulations and requirements necessary to receive USG funding;
- has the capacity to successfully complete the program; and
- is willing to comply with agency requirements to monitor your program.

Find It Online

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

HHS Form 690 Assurance of Compliance
http://www.hhs.gov/forms/HHS690.pdf

USAID uses Standard Form-424B (SF-424B) and HHS uses Form 690. In many cases these forms are submitted with the original application. If you did not complete these with your application, the USG may ask a director or other executive in your organization to sign these forms during the award phase. These assurances are also incorporated into the standard provisions in your Cooperative Agreement.

Specifically, these assurances include statements that your organization:

- has the funds or resources necessary to meet any cost-share or match commitment you agreed to;
- authorizes the USG 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 a purpose that constitutes or presents 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; and
- will comply with USG audit requirements.

USAID requires that certain standard provisions be included in subagreements but does not require assurance forms from subrecipients. (For more information on contracts and MOUs with subrecipients, see section 2.5.2.)

HHS requires U.S.-based subrecipients who receive funding under grants and Cooperative Agreements to sign assurance forms. The prime recipient is responsible for determining whether those organizations have the required assurance on file and, if not, ensuring these forms are signed and submitted to the relevant office and the funding agency. HHS does not require assurance forms for non-U.S.-based subrecipients (see the HHS Grants Policy Statement, http://www.hhs.gov/grantsnet/docs/HHSGPS_107.doc, p. I-33).

2.4 Negotiation Phase

Prior to finalizing the award, your organization will discuss with the USG issues related to your program, including how your organization will receive funding and what administrative issues your organization must address to be eligible to receive the award.

This section outlines each of these tasks and gives 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 the USG does not necessarily mean you will receive funding.

During the application review process, various technical and in-country experts from the USG will have reviewed your proposed application. These experts may provide suggestions and recommendations to improve your proposed program description or bring it more in line with the specific priorities of the HIV/AIDS program in the country where the organization proposes to work.

During the negotiation phase, the USG may ask you to change certain aspects of your program based on the recommendations of the technical evaluation committee (TEC) or simply make sure the organization's program fits within the program regulations.

The changes the USG might request may include:

- Increase or decrease targets,
- Add, reduce, or change geographic areas,
- Change subrecipients or select a specific subrecipient (reasons for this could include past performance issues with the proposed subrecipient on other USG-funded grants),
- Change proposed Key Personnel (for example, if a proposed individual does not have the necessary qualifications),
- Remove budget items that are not allowed under USG-funded projects,
- Change targeted beneficiary group,
- Select a specific curriculum (for example, if there is one the host government prefers),
- Change activities to something more aligned to approved practices in-country,
- Add or remove specific activities,
- Reduce your budget or specific budget line items to lower costs.

During this negotiation phase, you must carefully work through the suggested changes and think about the following:

- Does the proposed change affect targets?
- Does it affect the budget?
- Does it affect the implementation time?
- Will it require a change in subrecipients?
- Will it require a change in personnel?
- Is there any reason why our organization would be unable to implement the requested change?

For example, an organization proposes to implement a program in a specific village where it is already doing similar activities, but on a smaller scale. In the feedback on the proposal, the USG states that it already has an existing partner in the proposed area, but has identified a gap in a program in another district and asks that the organization implement its program there instead.

Before agreeing to any changes, the organization should research the new area to determine whether it has similar demographics; a bigger population or a higher HIV-prevalence rate might provide the opportunity to reach higher targets. A smaller population may mean it will be a struggle to reach the organization's originally proposed targets. Also, an organization may need to find a subrecipient in that area. Depending on the location, when compared to the one originally proposed, the organization may need to increase or decrease transportation costs.

In some cases, there may be a number of unknowns that make it difficult to respond in the time frame the USG requested. If this is the case, staff at the organization should talk to their AOTR or Program Official (PO). She or he may have data that can help, or, if there is an upcoming deadline to finalize the award, the USG contact may be willing to allow the organization to address its concerns through a modification to the program description after the award is made.

The USG's goal is simple—to reach agreement on a program that both meets the USG's priorities and is achievable given the budget and time frame of the award. Your role is to incorporate the requested changes in your program description, ensuring they are achievable and realistic.

2.4.1 Addressing Pre-Award Survey Findings

Both USAID and HHS conduct pre-award surveys. An organization receives the results of its pre-award survey in a letter that details any "findings" or "deficiencies" with its systems. Where a pre-award survey audit reveals deficiencies, the assistance instrument may include a "Special Award Conditions" provision that says the grantee must address these deficiencies within a certain time after the agreement start date to continue to receive funding. It is possible, however, for the AO/GMO or AOTR/Program Officer to grant you additional time to satisfy this requirement.

As mentioned earlier, some findings may be simple to address, while others may be more expensive and time-consuming to complete. Remember this during the negotiation phase. If the USG 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 the USG 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 an organization and the USG sign the award, any expenses incurred are the responsibility of the organization, not the USG.

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

When you have corrected all the findings, write the AO to explain what you have done to correct the deficiencies. At that time, the USG may conduct a follow-up project-specific review or ask that the grantee include a review of the deficiencies in the next annual audit. To do this, the organization must furnish the pre-award report to the auditor before she or he conducts your regular annual audit. Your auditor can then include a statement explaining whether the pre-award findings were resolved in the final report. (For more information on conducting an annual audit, see chapter 6.)

2.5 Other Pre-Award-Related Activities

Under a Cooperative Agreement, the USG has clearly defined roles in reviewing and approving certain aspects of your program. Referred to as "substantial involvement," it may include:

- Approval of Key Personnel
- Approval of Implementation Plan
- Approval of Subrecipients
- Approval of and Changes to the M&E Plan

Each of these areas is discussed in detail in this chapter (2.6.2.1).

2.5.1 Naming Key Personnel and Requesting Changes

In a solicitation, the USG may designate certain positions on the project team as "Key Personnel." These positions, identified as leadership slots, are considered essential to successful implementation of the overall project. It is important to note that Key Personnel refers to project positions as well as the individuals who fill the particular slots.

In Your Agreement

The Key Personnel clause is found under the Substantial Involvement section of the Schedule. In USAID agreements, this is generally found in Attachment A, subsection A.9 (b). The clause contains both the terms of the requirement and the list of Key Personnel named in your agreement. In HHS agreements, Key Personnel are usually listed on the first page.

Typically, an organization will identify and propose individuals to fill these Key Personnel positions in its application for funding. If no one is identified in a key position, for example, Project Director, 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 can request approval. You should not offer a job or sign a contract without USG approval. If a named individual is no longer available when the award phase begins, then you will have an opportunity to recruit and recommend an alternate for approval.

All changes to the Key Personnel named in your Cooperative Agreement can significantly affect a project, so the AO/Grants Management Officer (GMO) must approve them.

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

When a change to Key Personnel does occur (for example, when a Key Person resigns or is fired), notify your AOTR immediately. In the case of a firing, 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. Do not offer a job or sign a contract without this condition.

Form 1420-17—Contractor Employee Biographical Data Sheet http://www.usaid.gov/forms/AID142017.doc (opens as a MS Word document with macros)

Submit a request for approval in writing to your AO and copy your AOTR; include the CV of the individual you wish to hire. If there is a change in the budgeted salary, be sure to let the AO know this as well. If the proposed salary is above or below the budget, it may be a good idea to submit the salary history of the individual you intend to hire. You may choose to use at Standard Form 1420-17 to summarize the information, but it is not required.

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; she or he is mainly ensuring the new candidate is qualified and capable of meeting the responsibilities of the particular key position. Your AOTR may also want to make sure the hiring process was fair and in line with in-country standards and practices. And, again, if the proposed salary, rate, or compensation package varies from the budget, your AOTR will likely want to review the candidate's salary history to ensure the change is justified.

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

Be sure your HR policies note the required forms and approvals, so you can get back on track quickly.

2.5.2 Contracts and MOUs with Subrecipients

During the award phase, you may want to begin the process of formalizing your relationships with subrecipients, especially those on whom you may be relying during the start-up phase to provide significant contributions and input to the project planning tasks.

Similar to designating Key Personnel, you are required to name certain key subrecipients in your award and enter into formal agreements with these organizations. Also, like Key Personnel, you must request approvals to change subrecipients named in your Cooperative Agreement.

What Qualifies as a Subrecipient?

A subrecipient is any organization to which you provide financial assistance in the form of money or property under your USG-funded award. A subrecipient can be under the prime partner or another subrecipient.

The following are not considered subrecipients:

- a company from which you buy goods and services;
- payments to individuals (for example, school fees for OVC); or
- organizations to which you only provide technical assistance or other services but no funding or tangible goods.

This does not apply to all organizations with which you partner. Since organizations adopt different partnership models, there is no simple formula for determining which organizations you name as subrecipients in your award. However, below are some basic guidelines to help you make your decision.

Consider naming an organization in your proposal if . . .

- The organization is critical to the program's success (that is, without it you would have significant difficulty implementing).
- The organization is receiving a significant portion of the award.
- The organization is playing a broad role in implementing your project, perhaps working in several places or on several different activities.

You probably do not need to name an organization in your proposal if . . .

- The organization is more of a beneficiary, such as a community NGO to which you will be providing capacity-building support or in-kind material support.
- The organization is a contractor providing a specific service, such as training or technical support.

Since changing named subrecipients requires approval, be careful when identifying appropriate organizations in your proposal.

Regardless of whether they are named in its proposal, a grantee should seek to establish a formal relationship with all prospective partners. This may mean entering into a contract or Memorandum of Understanding (MOU), depending on the nature of your relationship.

For organizations you will be supporting, such as small community groups, an MOU is probably sufficient. For "named" subrecipients and recipients providing specific services, such as training or some sort of technical assistance, you must have a legally binding document. Your Cooperative Agreement states that special clauses must be inserted into formal agreements between you and your subrecipients.

Figure 3 summarizes the types of agreements you may want to engage in with different partners.

Figure 3—Types of Agreements and Partners

Type of Agreement/Relationship	Examples
Subagreement—Subrecipients named in your Cooperative Agreement with which you have a formal contractual agreement	• Organizations playing a significant role in implementing your program • Organizations receiving a large portion of your award funding • Organizations with which you will be working throughout the award
Contract—Subrecipients not named in your Cooperative Agreement but with which you have a formal contractual relationship	• Organizations providing a specific service, such as training or technical assistance • Organizations that play a smaller role in implementing your program, but do receive direct funding • Organizations you work with that may be working for only a short period
Memorandum of Understanding—Organizations with which you have an MOU	• Organizations that are more like beneficiaries in that you provide training and technical assistance, but do not necessarily receive direct funding • Organizations to which you provide small, limited amounts of in-kind material support • Organizations with which you partner in a local referral network
No formal agreement—Organizations with which you may not have any type of agreement	• Groups of beneficiaries to which you provide services • Host government institutions and other major national or regional service providers, such as hospitals, to which you refer patients

2.5.3 Subrecipient Requirements

There are special requirements you must comply with when part of your USG award goes to a subrecipient. All subs are required to have signed formal agreements; memoranda of understanding (MOUs) or other less-formal arrangements are insufficient.

The USG agency funding an award has an assistance relationship with the prime recipient. Under the agreement, there are various requirements and provisions by which the prime must abide. The agreement specifies or references these.

The prime recipient has a similar relationship with a subrecipient. As the USG 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 or references the requirements and practices by which the subrecipient must abide.

The following are major areas a prime partner needs to 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 of its selection decisions. Suggested practices for selecting subrecipients include issuing a Request for Application (RFA) or soliciting bids 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 a program. If possible, visit the finalists.
- **USG Approval**—Because of the substantial involvement clause in your Cooperative Agreement, the USG must approve any subrecipient before it can receive funding. If you named a subrecipient (sub) in your original proposal and budget, then it should be approved in your Cooperative Agreement; if not, seek AO approval (via your AOTR).
- **Agreement**—When making a subaward, the recommended agreement is the Standard Grant Agreement, although a Fixed Obligation Grant agreement may be used in certain circumstances. An MOU or other less formal agreement is not a valid means of contracting a subrecipient, because these agreements are not legally binding. Prior to entering into a contractual relationship, ensure that all parties understand the legal obligations involved.

Items Required in Agreements with USAID-Funded Subrecipients

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 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.

Planning and Implementation

- **Requirements and Regulations**—Check your award to see what provisions also apply to subs, and work with subs to review the requirements and USG regulations related to the type of agreement you use with them (standard or fixed obligation). Examples:
  - **Procurement**—Ensure that subs are aware of cost principles and allowable costs and that they properly document procurement actions.
  - **Marking and Branding**—Ensure that subs understand the marking and branding requirements.
- **Cost Share**—Any cost share a subrecipient contributes may be aggregated and applied toward your cost-share contribution. Therefore, you should work with your sub to record things such as volunteer hours and other in-kind contributions.

Reporting

- **Timelines**—Give your subrecipients deadlines that allow you to receive reports early enough to review and consolidate your reports for submission to the USG.
- **Audits**—Determine whether subs will need to have an outside audit. The threshold for foreign NGOs funded primarily by USAID is whether they receive US$300,000 or more in a given year. The threshold for U.S.-based NGOs funded by USAID is US$500,000. HHS-funded subs must have an audit conducted if they receive US$500,000 or more. 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 USG funds.
- **Records**—Ensure that subs are aware of what 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 you receive a signed Cooperative Agreement from the USG. This document contains the expectations and regulations that govern your award. Everyone on the project management team should read it carefully and thoroughly. The Cooperative Agreement must be reviewed as soon as it is received fully executed, and a copy kept on hand for reference.

2.6.1 Cooperative Agreement Basics

A Cooperative Agreement outlines the relationship between the USG donor agency and an implementing partner to enable the organization to execute a program over a specified period. A Cooperative Agreement may also be referred to as a Notice of Award (NoA), a term HHS uses to refer to both Cooperative Agreements and grant agreements.

For simplicity's sake, this *Guide* refers to all agreements between PEPFAR partners and their respective USG agencies as Cooperative Agreements. Also AOTR is used interchangeably for the HHS Program Officer.

When an organization enters into a relationship with the USG, the organization is bound to follow the rules and regulations in its Cooperative Agreement. Some of these rules are clearly spelled out; others may be incorporated by reference. The grantee must comply with these regulations and can be penalized if it does not.

At the same time, the Cooperative Agreement also protects a grantee. For example, some clauses prohibit the USG from putting unreasonable reporting burdens on a grantee; others state that a grantee 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?
The Cooperative Agreement outlines the following:

1. How much funding the USG plans to provide to an awardee,
2. What an awardee is expected to accomplish with the funding, and how it plans to do it,
3. How an awardee proposes to spend the money to achieve those goals,
4. The time frame in which the USG plans to provide support to an awardee's program,
5. Who in the awardee's organization is primarily responsible for the program's success,
6. Who in the USG is responsible for assisting and overseeing an awardee's program,
7. What an awardee must do to actually receive the funds,
8. What role the USG may play in executing the program,
9. What obligations an awardee has to the USG during the life of the program,
10. What obligations are owed to the USG after the program is completed,

11. Specific protections and rights the organization retains,
12. Procedures for various interactions between an awardee and the USG,
13. Consequences and contingencies if the organization fails to meet its obligations, or wishes to withdraw from the agreement or the USG cancels the program for other reasons.

Each Cooperative Agreement may be slightly different. You may use the following sections as a general reference source, but note that what is specifically stated in the Cooperative Agreement is the organization's legal obligation to the USG.

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

The following outline, based on the standard agreements awarded to NPI partners, explains the contents of each of these sections and generally applies to USAID agreements. There are some variations with each award, especially between agreements with U.S.-based organizations and those with non-U.S. organizations. One important difference between agreements with U.S.- and non-U.S.-based organizations is in the Standard Provisions section. These differences are discussed here briefly, but they are covered more fully in Annex 3, Common USAID Standard Provisions.

Award Letter

The award letter contains the following information of the 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 project.
- **Obligated Amount**—This is the amount made readily available for an awardee. The initial obligated amount is stated first 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 initial obligated amount under "Amount Obligated to This Action." Each obligation increase is accompanied by a modification from the AO specifying the new total obligated amount. The USG is only authorized to provide your organization up to the obligated amount and is not responsible for any expenses incurred over that amount. You will receive copies of these modifications, which can help you track your current obligated amount.

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/policyads/300/303mab.pdf

- Standard Mandatory Provisions for U.S. NGOs

http://www.usaid.gov/policy/ads/300/303maa.pdf

- **Agreement Dates**—The effective date, or start date, is the date stated in the letter. 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 (or the contribution) the recipient organization has agreed to provide for this program. Whether the cost share is in-kind contributions or cash, your organization will be required to meet its cost-share obligation.
- **Agreement Officer**—The AO, the legal representative of the U.S. Government signs the letter to make the award.
- **Payment Office**—The payment office is your key contact for financial reporting and general financial issues.

2.6.2.1 Attachment A—Schedule

Attachment A is the Schedule. We briefly explain each element here and provide links to additional details elsewhere in this document.

- **A.1: The Purpose of Cooperative Agreement**—Reference Attachment B—the program description. This explicitly ties the funding to the program described in your program description.
- **A.2: Period of Cooperative Agreement**—Two sets of dates: the dates for the entire award and the dates for the initial obligated funds.
- **A.3: Amount of Cooperative Agreement and Payment**—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, 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 reports (SF-425)
  - **Program reporting**—(a) annual and semi-annual performance reports, (b) annual workplans, (c) the Country Operational Plan and (d) other in-country reporting requirements
  - **Final report**—the final report to be submitted at the end of the project

> **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.6: Indirect Cost Rate** (if applicable)—Details on the 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 set).
- **A.7: Title to Property**—Property purchased under this agreement, such as vehicles, that may remain with your organization.

- **A.8: Authorized Geographic Code**—USAID's regulations on procurement differ based on the specific geographic area where the project will be implemented. The geographic code in the Cooperative Agreement defines which set of rules will apply to this project. NPI Round 1, 2, and 3 grantees under USAID, HRSA, and CDC are all assigned geographic code 935. This is found under the Schedule Attachment A of your Cooperative Agreement. (For more on geographic code 935, see section 5.3.2.3.)
- **A.9: Cost Share**—The organization's cost-share obligation. If the organization promised a cost-share contribution to the project, it is required to report the cost-share contribution in the quarterly financial reports.
- **A.10: Substantial Involvement**—"Substantial Involvement" means that USAID has clearly defined roles in reviewing and approving certain aspects of your program, which may include the following:
  - **Approval of Your Implementation Plan**—The workplan describes how the organization will implement its program to reach your objectives. USAID will review the workplan and provide you with feedback. Implementation cannot begin until the workplan receives official approval. Typically, workplans are required annually.
  - **Approval of Key Personnel**—Several positions may be listed in this section of the Cooperative Agreement as Key Personnel, along with the names of the individuals who currently hold each position. (For more information, see section 2.5.1 in chapter 2.)
  - **Approval of Subrecipients**—If your project relies on subrecipients to help with implementation, the AOTR must approve these partners. If you identified all of your subrecipients at the outset, and they are listed in the agreement, you only need approval if you change subrecipients or add new ones.
  - **Approval of and Changes to the M&E Plan**—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, an approval should be sought before moving forward.
- **A.11: Program Income**—This is the gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes fees for services trainings or other services provided and funds earned from selling equipment purchased with USG funds. Funds raised by selling equipment even after the agreement has ended are still subject to these regulations. Please see the topic on Equipment in the section on Procurement in chapter 5 to review the policies involved in selling items purchased with USG funds. Income-generating activities do not fall under program income if the income generated goes directly to the beneficiaries, not the project.
- **A.12: Special Provisions**—Special provisions 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 this agreement.
  - **A.12.3: Special Award Condition**—If your pre-award survey resulted in any findings or deficiencies, your organization has a specific amount of time to address those issues.
  - **A.12.4: NPI Capacity Building**—NPI partners can take advantage of technical and organizational development assistance offered as part of the program to the awardees through a designated capacity-building provider. This provision outlines the capacity-building services available to your organization.

2.6.2.2 *Attachment B—Program Description*

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, you will include your revised program description. You should clearly document any significant changes from that, including changes in targets, budgets, or technical approach, and have USAID approve them in writing before you act on the changes.

2.6.2.3 *Attachment C—Standard Provisions*

Standard provisions are a variety of laws, regulations, and requirements that apply to entities receiving USG funding. Though they are "standard," the actual provisions you find in your Cooperative Agreement will vary from one partner to the next based on the following criteria:

- U.S.- versus non-U.S.-based organizations have different standard provisions, with some overlap,
- Standard provisions vary among different USG agencies,
- Some standard provisions must be included in all Cooperative Agreements ("mandatory standard provisions"); others are only included if they are relevant to your specific program ("required as applicable standard provisions").

For a detailed explanation of selected provisions most common and relevant to USAID partners, see Annex 3, Common USAID Standard Provisions.

2.6.3 HHS Notice of Award

As mentioned above, the document outlining the provisions for HHS grants and Cooperative Agreements is referred to as the Notice of Award (NoA).

The NoA includes, at a minimum, the following:

1. grant identification number;
2. statutory authority for the award and any applicable program regulations;
3. name of recipient organization;
4. name of the recipient's Program or Project Director (PD), who is the key day-to-day technical contact;
5. approved project period (period estimated for the entire project) and budget period (period funding is approved for, often a subset of the entire project period) with start and end dates;
6. amount of USG funds authorized (obligated amount);
7. amount of matching or cost sharing, if applicable;
8. amount of anticipated future-year commitments, if applicable (equivalent to the full award amount);

9. names of:
    - HHS agency that will administer the award, such as HRSA or CDC;
    - Project Officer or Program Official (PO), who is responsible for the programmatic and technical aspects of the agreement;
    - Grants Management Officer (GMO), who is responsible for the business management and other nonprogrammatic aspects; and
    - Grants Management Specialist (GMS), who assists the GMO by performing day-to-day activities and is usually the primary point of contact for the recipient when dealing with grant-related issues;
10. terms and conditions of award; and
11. HHS-assigned Employer Identification Number (EIN), which is used to request payments to your award.

Project Period and Budget Period

HHS uses the project period system of funding. Under this system, projects are programmatically approved for support in their entirety (the project period), but are funded in increments, called budget periods. Budget periods are usually 12 months, but they can be longer.

Find It Online

HHS Grants Policy Statement

(http://www.hhsgov/grantsnet/docs/HHSGPS_107.doc)

Public Policy Requirements

Public policy requirements are a set of rules and regulations with which your organization must comply to receive HHS funds. These requirements have a broader purpose beyond the specific program or award, and you must adhere to them as a condition of the award.

Public policy requirements under HHS awards are similar to the "standard provisions" under USAID agreements. In fact, many of them are the same, because they apply to all USG funding.

All public policy requirements with which you are required to comply are outlined in your NoA, pre-award certifications, assurances, and other statements.

Examples of HHS public policy requirements include:

- standards of conduct for recipient employees;
- antidiscrimination rules;
- restrictions on funding abortions;
- drug-free workplace; and
- acknowledgement of USG funding (that is, marking and branding requirements).

There are more public policy requirements, which are outlined in the HHS Grants Policy Statement (http://www.hhs.gov/grantsnet/docs/HHSGPS_107.doc). In addition, many of the common Public Policy Requirements are explained in Annex 4 of this *Guide*.

2.7 Summary and References

The award phase is the first step in managing a USG-funded program. During this time you will begin to build a relationship with the USG 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; explained the key tasks necessary to finalize your award; and outlined what you need to have in place before getting started with your program.

The next chapter continues with the start-up phase of your program, which you will begin as soon as the USG and your organization sign the 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
- HHS Grants Policy Statement
  http://www.hhs.gov/grantsnet/docs/HHSGPS_107.doc

workplan

Start-Up

requesting funds

your team

HR policies

branding and marking

Chapter 3: Program Start-Up

3.1 Overview

The start-up period is one of the most critical phases of your program. The more attention you give to establishing a solid foundation (by developing management policies and systems and setting up specific implementation plans), the smoother the program implementation will be.

Skip Ahead

- Start-Up Timeline and Checklist
- Financial Systems
- Procurement Process HR Policies
- M&E Start-Up
- Project Plan
- Workplan
- Marking Plan
- Demonstrating Impact

This chapter introduces the major tasks that need to be accomplished between finalizing the award and starting implementation. The first part, "Getting Started" (3.2), discusses tips for ensuring a successful start-up and includes a timeline and checklist (3.2.2) for this phase. This section also outlines the practical issues of staffing (3.2.3) and start-up funding (3.2.4). A special section on "Who's Who on the USG Team" (box in 3.2.3) is included to help you understand the roles and responsibilities of staff. Finally, this section looks at the practical matter 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, as well as important steps for starting your monitoring and evaluation (M&E) system (3.4.3).

The section on "Planning" (3.4) discusses project planning (3.4.1) and writing your workplan (3.4.2), and the next section includes information on developing a marking plan (3.5.3.1).

Objectives

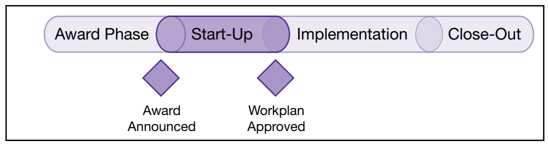
- Understand what needs to be accomplished during the start-up phase.
- Learn the minimum requirements for key management systems.
- Walk through the initial planning process.

Key Terms and Acronyms

- **Allocable Cost**—A cost incurred specifically to support or advance the award.
- **Allowable Cost**—An incurred cost determined to be an acceptable cost to USAID.
- **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.
- **FM (or FMO)**—Your Agency's Financial Management Office.
- **Indicator**—A specific data point you track to monitor program progress. There are standard PEPFAR indicators, in-country standard indicators, and your own program-specific indicators.
- **Key Personnel**—Key Personnel refers to project positions as well as to the individuals who fill the particular slots. Typically, positions identified in the Cooperative Agreement as Key Personnel are those leadership slots considered essential to the successful implementation of the overall project.
- **NICRA**—Negotiated Indirect Cost Rate Agreement (a rate negotiated individually between an organization and the USG to cover indirect cost).
- **Obligated Amount or Obligation**—The amount the USG has committed to the program. There is no guarantee that the USG will reimburse the recipient for any spending above the obligated amount.

- **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.
- **Significant Rebudgeting**—Moving funds between budget categories above a certain threshold set by your funding agency.
- **Standard Budget Categories**—Nine standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, Construction (sometimes replaced with "program costs" for nonconstruction projects), Other, and Indirect Costs (may covered by a NICRA).
- **Workplan**—A document that lays out a grantee's planned activities, timelines, the resources required to carry out the activities, and the program's 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 an award is likely to energize everyone, including field office staff, subrecipients, and the communities involved. Ensure that everyone is informed and involved during the start-up phase to maintain momentum through to the implementation phase.

2. *Involve Field Offices, Subs, and Communities in Planning.*

   The easiest way to retain enthusiasm is to involve the field offices, subrecipients, and communities in planning. Resist the temptation to write a workplan based solely on your understanding of the situation. Experience shows that the extra time invested in the beginning can foster broad ownership of the process and the product.

3. *Note When Award Compliance Begins.*

   Compliance begins before the start date of your award.

4. *Begin Building Strong Relationships with Your U.S. Government (USG) Counterparts.*

   You will meet new counterparts in the United States and in-country offices all working toward the same goal of getting your program ready for implementation. Establishing good relationships with these people will help make the entire process easier.

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 on the field: How much training will be necessary? Are excessive costs involved? Is there infrastructure to support high-tech solutions? Be sure to test new systems with your counterparts 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 announced and continues until your workplan is approved and you receive funding designated for implementation. Generally, there will be some overlap between this phase and some activities in the award phase, such as addressing pre-award conditions. Figure 4 provides an overview of the key tasks to be completed during start-up.

Figure 4—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
Project planning	Develop detailed project plans from the outset of your program. This will help you manage tasks, resources, and funding through the start-up phase and throughout the program's life cycle.	Begin immediately, and manage ongoing	Section 3.4.1
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:*** *This funding may not be used to start implementation.*	As needed	Section 3.2.4
Workplan	Develop a detailed plan for the first year of the project and each subsequent year.	Start after project planning	Section 3.4.2
Financial systems	Make sure your financial manager understands the financial reporting requirements of the award and has everything necessary to meet the minimum requirements. This will involve opening up a new bank account.	Must complete certain aspects before receiving funds	Section 3.3.1
Procurement policies and procedures	Put an effective procurement process in place to ensure that all procurements made under your award meet the donor's requirements.	Must complete prior to making purchases	Section 3.3.2 and Chapter 5
HR policies	Develop any required HR policies and communicate them to your staff.	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 record data properly.	Coordinate with development of workplan	Section 3.4.3
Baseline assessment	Conduct a program-specific baseline assessment and research any major baseline data that may already be available.	Coordinate with development of M&E system	Section 3.4.3
Workplan review	Assist the USG with conducting technical and field reviews of your workplan, which involves gathering input from in-country staff as well as your AOTR. Adjust your program to be responsive to the in-country program or other technical guidance, if necessary, and notify your AOTR immediately if any of the changes affect your budget or targets.	Timing varies	Section 3.4.2.5
Marking/ communications plan	Develop a marking/communication plan. Whether required or not, it is a good idea to have one.	Complete prior to implementation	Section 3.5
Workplan approved	Receive notification when the USG field staff and your AOTR approves your workplan. (If you are operating on a reimbursement basis rather than an advance basis, you may begin implementing at that time.)		Section 3.4.2.5
Funding for implementation	1. Request funding to cover implementation. Be aware that the process for the USG to obligate funds may sometimes take several weeks, so be sure to plan accordingly. 2. Receive funding from your USG agency. Organizations operating on an advance-funding basis may begin implementing once you receive your first installment of implementation funds.	As long as one month to obligate additional funds, plus as long as two weeks to disburse funds	Chapter 5

3.2.3 Your Implementation Team

The team implementing the project will include a range of stakeholders. 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 delegating tasks and keeping them informed of the project's status. This will get things done more quickly and will help staff cultivate expertise and leadership skills, which will be critical for problem solving and achieving goals going forward.

During your award, team members will be working with host-government officials at the local and national levels as well as the USG team in-country and at the funding agency's headquarters. It is important to request an introductory meeting with the in-country Activity Manager (AM). He or she is a key player at the USG who is involved in reviewing your field-level implementation plans and alerting you to aspects that might need revision. Discussing intended plans with the Activity Manager may help to avoid misunderstandings and ensure that your program is integrated with the host government's strategy and the country's PEPFAR plan. During this process, please be aware that your contact's time is limited.

Who's Who on the USG Team?

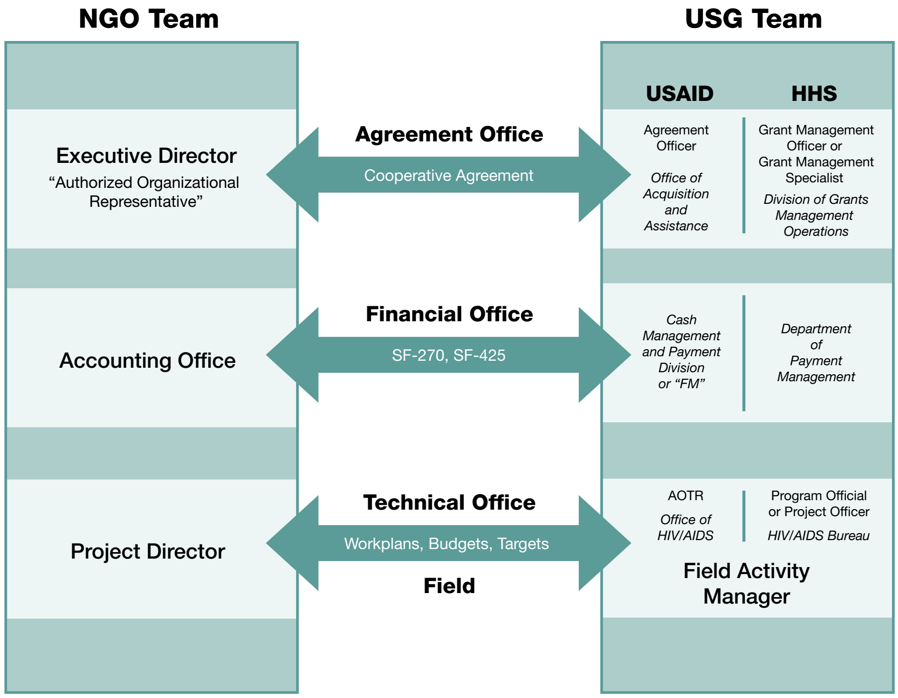
During the life of your award, you will deal with three primary offices in your funding agency: the agreement office, financial office, and technical office. In addition, as an NPI implementer, you will work with an in-country USG office, which may include staff from an agency different from your funding agency.

As shown in Figure 5, USAID and HHS have different names for these offices and different titles for the people with whom you will work, although their roles and responsibilities are similar. This figure also shows your organization's counterparts to the individuals on the USG team.

The Agreement Office, known as the Office of Acquisition and Assistance (OAA) at USAID or the Office of Grants at HRSA, 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 award agreement.

The title of the key USG individual with whom you will work in this office is the Agreement Officer (AO) at USAID or the Grants Management Officer (GMO) at HRSA. The AO/GMO will need to approve many major administrative issues and changes in writing. You should raise any financial, technical, and/or programmatic issues under the award first with your corresponding agency's financial and technical offices. The AO or GMO's 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.

Figure 5—Contacts on the NGO Team and USG Teams



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. At HRSA, the financial office is called the Department of Payment Management (DPM).

In most cases, the **Technical Office** will be your primary, day-to-day point of contact. The technical office deals with all the program aspects of your award. USAID's Office of HIV/AIDS (OHA), under the Bureau of Global Health (GH), is the technical office with which USAID NPI grantees will be working. Recipients whose agreements are handled by USAID field missions interact with the health or HIV/AIDS office within the USAID mission. HRSA's HIV/AIDS Bureau (HAB) is the technical office with which HHS NPI grantees work.

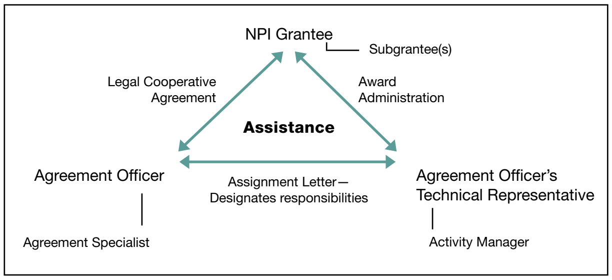
USAID agreements identify the Agreement Officer's Technical Representative (AOTR) as the primary point of contact in the technical office (named in your Cooperative Agreement by the AO). (For more information on the responsibilities of the AOTR, see Annex 5, the AOTR designation letter.) HRSA agreements identify a Program Official or Project Officer (PO) as the primary point of contact in the technical office.

All PEPFAR programs are coordinated and monitored in-country, where an interagency USG team works with the host government to establish country-wide priorities, strategies, and technical approaches. While a Washington, D.C.-based technical office may be managing your agreement, a high level of coordination with the in-country team is required. This means certain documents, activities, and actions may require review and sign-off from both the Washington, D.C., and field USG offices.

Generally, all agreements have been assigned a field-level Activity Manager. It does not matter if your agreement is with USAID or HRSA; the Activity Manager could be from any USG agency, such as USAID or the Centers for Disease Control and Prevention (CDC).

During the start-up phase, you should begin building relationships between your staff and all of your USG counterparts.

Figure 6—Relationships in a Cooperative Agreement



3.2.4 Requesting Funds during Program Start-Up

Your funding agency will obligate a small portion of your award to fund your start-up activities. Request the funds by completing the Standard Form-270 (SF-270) (http://www.whitehouse.gov/omb/grants/sf270.pdf). 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 USG funds, see Chapter 5.)

In addition, you may be asked to prepare a special start-up budget to show exactly how you intend to use the funds. Use the same standard budget categories you used in your application or the template supplied for your workplan.

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 comes out 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 you to spend during implementation.

Before the USG approves your workplan, it may ask you to make changes. Thus, it is important to wait for approval before you begin delivering services to beneficiaries. Note that dozens of 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 for personnel, planning for purchases, etc. (This limitation on implementation during workplan approval applies only during approval of your initial workplan. During subsequent USG workplan reviews, maintain current implementation activities, but await official approval to expand activities.) Be creative and use this time wisely to get your organization and any partners and subs ready to go once the workplan is approved.

Figure 7 lists some examples of how you may or may not spend start-up funds. Keep in mind that whatever you spend money on must be part of your original budget.

Figure 7—Appropriate Uses of Start-Up Funds

YES—May Fund during Start-Up	NO—May NOT Fund during Start-Up
• Addressing pre-award survey findings	
• Salaries, or a portion of salaries, for personnel contributing to start-up tasks, such as work planning, setting up financial systems, or building the M&E system • Advertising for implementation-specific positions, recruiting, and even making a job offer contingent on workplan approval	• Salaries of personnel who work only on implementation; (e.g., service delivery)
• Training staff and subrecipients named in your Cooperative Agreement	• Training unapproved subrecipients or conducting trainings at the community level
• Purchasing items necessary to complete your start-up tasks, such as office equipment and supplies	• Purchasing items for implementation, such as test kits, or printing implementation-specific materials
	• Anything not in writing in your original budget, unless specifically authorized, including via e-mail, by your AOTR.

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 Management (3.3.1)
- Procurement (3.3.2)
- Human Resources (3.3.3)
- Monitoring and Evaluation (3.4.3)
- Baseline Assessments (box in 3.4.3.1).

3.3.1 Financial System Minimum Requirements

In the *U.S. Code of Federal Regulations (CFR)*, there is a set of minimum requirements that your financial system must meet before you can receive USG funds. The purpose of these requirements is to ensure that you do not mishandle USG funds and that you document the use of the funds to the level that an audit can review them (if necessary).

22ndm 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: U.S. Code of Federal Regulations (CFR) "Financial Systems Minimum Requirements"

(22 CFR 226.21—http://www.access.gpo.gov/nara/cfr/waisidx_06/22cfr226_06.html)

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 be extremely difficult for you to get future funding.

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 to the appropriate accounts, and you are able to report financial information accurately, as required by your agreement.

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.

Pre-award Survey of Your Financial System

If your funding agency 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 of the deficiencies in your system.

Regulation Specifics

Good financial management requires:
- accounting software;
- written financial policies; and
- trained professional staff.

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

The USG 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 USG-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 USG cost principles and the terms and conditions of the award (see Procurement Policy Standards [3.3.2] on the following page).
- Maintain accounting records, including cost accounting records, supported by source documentation.
- Keep your USG funds for the project in a separate interest-bearing account, separate from all other funds, and even separate from other USG 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.) Advise your AOTR before forwarding interest payments to:

  Federal Reserve Bank New York (FRBNY)

  33 Liberty Street, New York, New York 10045

  TREAS/NYC FUNDS TRANSFER DIVISION

  ABA # 0210-3000-4
- Accurately produce data necessary to complete the financial reporting requirements, including the SF-425. (For details on financial reporting requirements, see Chapter 6.)
- 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.

Figure 8—Accrual versus Cash-Basis Accounting System

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, the USG may require fidelity bond coverage if your organization lacks sufficient coverage to protect the USG'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 USG standards.

3.3.2 Procurement Policy Standards

The USG 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 5, but this section discusses the procurement policies needed to govern your purchasing process.

How does this help my program?

As a steward of USG funds, one of your goals is to make sure your organization uses this money effectively to deliver needed services to beneficiaries. The procurement regulations are meant to ensure that you do not mishandle

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, agency regulations, and the terms of your award funding or use it 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, and helps ensure that money is 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 and overseeing procurement, 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, 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 parties. 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**—Include in your procurement policies:
  - Avoid purchasing unnecessary items.
  - Consider lease and purchase alternatives, where appropriate.
  - Elements to be included in your solicitations, such 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, prime U.S.-based recipients try to use U.S. small businesses 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.
- **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 suppliers are not listed on the Excluded Parties List (see Chapter 5).
- **Documentation Procedure**—Include a process that records some form of price or cost analysis in connection with every procurement action. The cost analysis should include the allowability test (see Chapter 5).
- **Records for Large Purchases**—At a minimum, keep records with the following information on all procurements that exceed your small purchase threshold:
  - the basis for contractor selection;
  - justification for lack of competition when competitive bids were not obtained;
  - documentation on terrorism search (excluded parties list) and,
  - basis for award cost or price.
- **Contract Administration System**—Include a system for ensuring that contractors meet the terms, conditions, and specifications in the contract. You should also have a process for evaluating contractor performance that documents whether the contractor met the terms, conditions, and specifications of the contract.
- **USG Pre-Award Review**—If your organization does not have procurement policies in place that meet the minimum standards listed above (for example, if your organization had pre-award survey findings to this effect), your funding agency may impose increased monitoring of your award procurements, for example, by requiring a review of various documents (e.g., solicitation, cost estimates, etc.) for any procurements of US$10,000 or more.

Small Purchase Threshold

The amount your organization sets, under which your procurement process may be simplified. For example, if your small 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.

3.3.3 Human Resources (HR) Policies

While a number of USG regulations touch on human resources-related issues (see Standards of Conduct regarding conflict of interest, gratuities, and disciplinary actions in Procurement Policy Standards, above), only a few human resources (HR)-specific USG regulations apply to all recipients.

Human Resources Policies Key Points

Applies to: All recipients of USG funds

Required for: Annual Audit (particularly time tracking)

Verified by: Annual Audit

Governed by: Your Cooperative Agreement and funding agency regulations and in-country laws

How Do HR Policies Help My Program?

People are your program's most valuable assets. Having 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 of the HR policies included in this section are required by local laws, U.S. law or your funding agency, while others are just practical recommendations for managing a positive, effective organization. Your organization should compile all these requirements in 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 additional policies or benefits.
- **Standards of Conduct**—Standards of conduct related to procurement are described above. You may want to broaden this to include other common workplace standards, such as barring sexual harassment or discrimination.
- **Time Sheet Tracking**—Time sheets are required for your annual audit for all personnel who are paid with USG funds, including contractors and part-time staff. In addition, volunteers must fill out simplified time sheets so you can track their hours if counting their contribution toward your cost-share contribution.
- **Due Diligence in Hiring Decisions**—You are required to have a summary of the candidate's academic and work history (a curriculum vitae or CV) for every employee hired under your award and 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) to gather the information. However, the "1420" is often used during the hiring process because it is an easy way to capture relevant information.
- **Faith-Based Organization Hiring Protections**—Under U.S. Equal Employment Opportunity laws, a faith-based organization (FBO) implementing a PEPFAR 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. You may wish to have a lawyer or HR expert review your policies before implementing them. Also, be aware that different rules may apply if you choose to pursue funding under a different USG program (that is, non-PEPFAR).
- **Drug-Free Workplace Policy**—Your Cooperative Agreement requires you to issue a drug-free workplace statement and provide a copy for each employee who will be working on your award. This statement must be signed, dated, kept on file, and available on request. The statement must include:
  - a declaration that the unlawful manufacture, distribution, dispensing, possession, or illegal 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, which 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 your AOTR and AO immediately if an employee is convicted of a drug violation in the workplace. You must send such notification 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.

3.4 Planning

The most important deliverable you are required to develop during the start-up phase is your workplan. A good workplan synthesizes all 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 and budget that your funding agency must approve before you can start working.

This section begins with project planning (3.4.1), which should occur before you begin writing your workplan. Then, it covers workplan development (3.4.2) in detail. Finally, this section discusses another important deliverable required of many PEPFAR partners—the marking plan (3.5.3.1).

3.4.1 Project Planning

A project plan is the management foundation for your entire program. It sets the path to reach your goals by organizing activities along a timeline and links each task to human, material, and financial resource requirements.

A good project plan will help you:

- Estimate how long it will take to reach your goals,
- Understand the impact of changes in resources or targets,
- Explore alternatives by testing different resource-allocation scenarios.

Your implementation model is your organization's unique approach to reaching your targets. A project plan expresses this model in a timeline, along with all other activities required to execute your program.

An Example of How a Project Plan Works

Let us assume an organization's goal is to provide psychosocial support to orphans and vulnerable children (OVC) in a geographic area with an estimated OVC population of 2,000. The organization places the children in groups of 20 and takes them through a 5-week activity. Each group is led by a trained community volunteer, and the organization hopes to recruit 10 volunteers. It takes two weeks to train a community volunteer, and each year, the volunteer is required to take another one-week refresher course.

A project plan will consider these parameters in a timeline and show how long it will take to reach a goal with the given resources.

In our example, if each volunteer works with just one group at a time, he or she can conduct 10 group sessions per year, reaching a total of 200 kids per year. With 10 community volunteers, the organization could expect to reach all 2,000 children in 1 year.

A project plan will also go into much greater detail about all of the tasks and costs necessary to recruit and train the volunteers, identify the beneficiaries, and monitor the groups. If the funding agency were to ask the organization how much it would cost to put an additional 3,000 children into the program in the next year, the program manager could turn to the project plan, see that it would take recruiting and training an additional 15 community volunteers, and then estimate the total time and costs necessary to do so.

Getting Started with a Project Plan

Every program manager approaches project planning differently, and numerous books and online resources detail various approaches. This section covers several common questions to consider as you get started with your project plan.

- ***Where do I start?***

  Start by breaking down your project into lists of:

  - major project phases, such as Start-Up, Implementation, and Close Out;
  - major deliverables with known fixed dates, such as workplans, performance, and financial reports; and
  - major activities, such as training, implementation activities, and evaluations.

Begin laying these out in a timeline with your best guess about how long things will take. Refine your timeline by breaking down each activity into specific tasks and showing when one must be completed before another can begin. For example, to train volunteers, you must recruit the volunteers, hire a trainer, develop training materials, and conduct the training. You cannot start the training until the first three tasks are complete.

Assign tasks to individuals and estimate any associated costs. This helps you make resource-allocation decisions along the way. For example, it will help you decide whether you have enough training demands to require a full-time trainer or you need to hire a consultant for a specific training.

Before you know it, you are putting together a very detailed picture of your entire program.

- ***Do I need special software?***

  Many project managers use project-planning software. This is helpful in automating many planning tasks and visualizing the timeline. Once you become familiar with some of the more advanced features, you can also use project-planning software to develop different resource-allocation scenarios and show budget effects of changes in resources. Project management software ranges greatly in price, but many free, open-source tools are available online with features similar to the more expensive packages.

If you find that project planning software helps, then use it, but it is not a requirement. If it causes you problems, then develop a plan using whatever system works best for you and consider taking a project-planning software training course at some point.

- ***Am I tied to this plan?***
  Do not worry; a project plan is flexible. As you implement, you will refine your plan by documenting what really happens. This way, your project plan becomes a wealth of information you can draw on if you expand your project or start a similar project elsewhere.

3.4.2 Workplan

As you begin developing your workplan, remember that the Cooperative Agreement describes what you will do; the workplan describes how you will do it.

Your workplan is a detailed, narrative description of your project plan. It outlines exactly how you plan to implement the first year of your program. Although your award may be for several years, you generally do 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 further details.

The three major components of a workplan include:

- Activity Descriptions (or Implementation Plans)
- Budget
- M&E plan

These three sections should be linked together, so the activities explain the steps taken to implement each activity; the budget shows how the funding ties in; and the M&E plan tracks progress and demonstrates the effectiveness of your program.

Workplans also include summary information, management and staffing plans, marking and branding plans, other supporting materials, and other sections, as requested by the donor.

The workplan is a key component of both your annual responsibility to the donor and your own internal project management process. When the USG provides funding under Cooperative Agreements, the funding agency retains the right to approve your workplan before it releases funding. Therefore, the workplan is a tool for you to communicate to the donor how you will be executing your program. In addition, the workplan is an excellent tool for you to use internally to better plan and manage your activities.

3.4.2.1 Workplan Sections

Sometimes the donor may require you to use a template, but often you will be on your own to develop your workplan. Below are six major sections that workplans generally include:

I. Executive Summary
II. Implementation Plan
    a. Workplan Logic Matrix
III. Monitoring and Evaluation Plan
IV. Budget
V. Management and Staffing
VI. Marking and Branding Plan

In addition, workplans often include appendices with supporting material and other sections the funding agency requests.

I. Executive Summary

The executive summary, no more than two pages in length, describes your project at a high level. It includes the total budget required for the year broken down by major activities and a summary table of PEPFAR 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 implementing multiple projects or distinct activities, provide a brief (one paragraph maximum) description of each.

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 annual and semi-annual performance reports. Also, resist getting overly detailed about how you are adjusting each activity. Put that detail in the activity descriptions in the implementation plan.

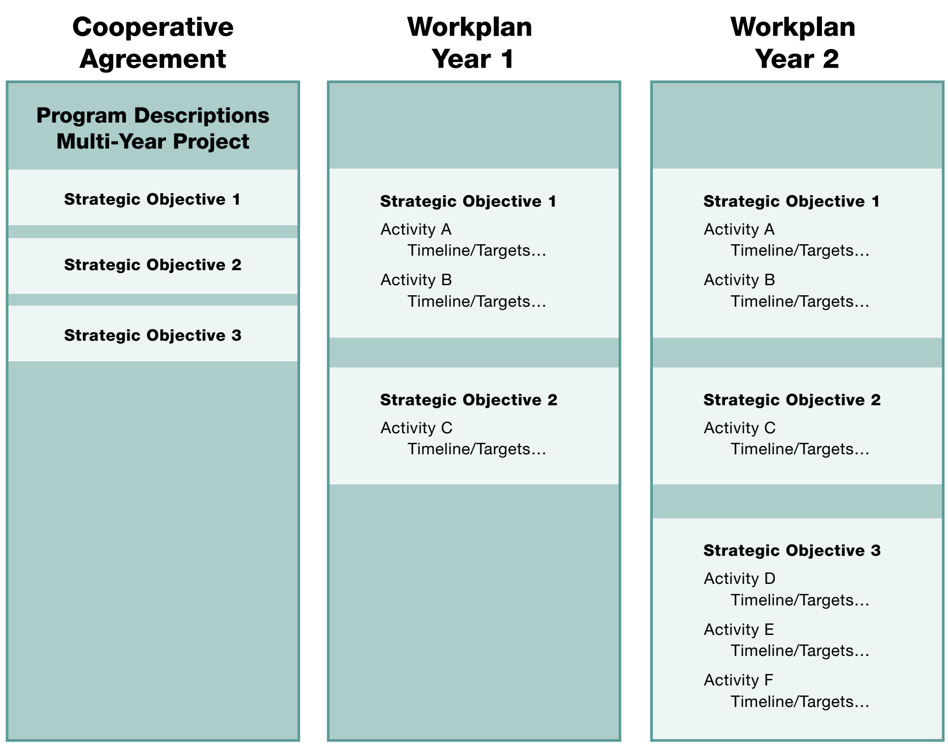
II. Implementation Plan

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

Some partners start with headquarters-level activities that apply to all countries—for example, development of training materials. You should discuss activities that are implemented in multiple countries, even if they are the same activities, separately at the country level. This is for the convenience of the in-country teams reviewing your workplan, and because the same activities will have different timelines, budgets, and targets at the country level.

At the country level, programs are then broken down into strategic objectives, which link directly to the program description in your Cooperative Agreement. Your activity descriptions then fall under your strategic objectives as shown in Figure 9. Generally, your activities should align closely with the PEPFAR targets—that is, if you are reporting on the number of individuals tested, then one of your activities might be Voluntary Counseling and Testing (VCT). Be sure to explain all targets that you have promised to achieve. If you plan to report on a target, there must be an activity description explaining how it will be achieved (see section 3.4.2.2 on Activity Descriptions below).

Figure 9—Workplan Implementation



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 portrayed in Figure 10, laid out in the same order as your workplan (Countries, Strategic Objectives, and Activities). For each activity, 6-month and 12-month outputs are listed. The 12-month goals will be cumulative. The 6- and 12-month outputs will align with your semi-annual and annual performance reports. The Workplan Logic Matrix also shows your targets, subrecipients, and geographic location for each activity.

Figure 10—Sample Workplan Logic Matrix

Activity	Outputs—6 Month	Outputs—12 Month	PEPFAR Target	National Indicators	Subrecipients	Location
Kenya						
Strategic Objective 1: Prevent the spread of HIV/AIDS to high-risk population.						
Activity 1: Youth Clubs	Establish 3 clubs	Establish 6 clubs	Reach 60 individuals through community outreach that promotes HIV/AIDS prevention through abstinence	Reach 60 youth under 25 with HIV/AIDS prevention messages	Nairobi Youth Alliance	Nairobi
Activity 2: Preventions with Positives	Train 5 peer educators	Train 10 peer educators	Train 10 individuals to promote HIV/AIDS prevention through other behavior change beyond abstinence and/or being faithful	Train 10 individuals on prevention with positives	Nakuru Positive Living Club	Nakuru

III. Monitoring and Evaluation Plan

Monitoring and evaluation plans have the following elements:

- PEPFAR Indicators, broken down by country and activity;
- additional USG in-country indicators broken down by country and activity;
- additional indicators you plan to use to monitor your programs, broken down by country and activity;
- detailed narrative that describes your M&E process; and
- precise definitions you use to measure targets.

The narrative should include information on:

- how data are gathered;
- how they are input into your M&E system;
- frequency with which data are gathered and entered;
- what, if any, error-checking or other controls 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,” what is your threshold? Is there a test or a minimum number of classes the individual must attend? (For additional help, refer to the PEPFAR Indicators Reference—http://www.pepfar.gov/documents/organization/81097%20.pdf.)

IV. Budget

The budget section includes a budget narrative, refers to an attached budget, and identifies any international travel planned. The budget spreadsheet and the budget narrative should break down the budget into standard USG budget categories.

> **Significant Rebudgeting**
>
> Moving funds between budget categories above a certain threshold set by your funding agency requires agency approval.

The narrative should have a one- or two-paragraph overview on overall spending. Is the program on track from a spending perspective? If not, what adjustments do you plan to shift, slow down, or speed up spending? Your narrative should then give at least a one-paragraph description of the primary costs each category will incur.

In addition, if you foresee rebudgeting, discuss whether these changes will meet the significant rebudgeting threshold. Explain your plans 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 involved. 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 human resources changes 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. Semi-annual and annual performance reports are a better vehicle for discussing past-year issues and progress.

VI. Marking and Branding Plan

The marking and branding plan, submitted to USAID before award and included only in the first year work plan, explains how you will comply with the marking and branding requirements of your award. Requirements for marking and branding your program deliverables vary by agency and are outlined in your Cooperative Agreement (see Marking and Donor Requirements (3.5.3)).

This section also contains your strategy for marketing and promoting your programs and outlines the costs associated with implementing marking and branding requirements.

Appendices

The inclusion of appendices 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 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 short synopsis of each item. This list may include data-gathering forms, training manuals, information pamphlets, handouts, etc. The list should include the language in which it is written, the number of pages, who developed the document, and when it was last revised. Your AOTR then may request an individual document later if needed.

3.4.2.2 *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 "strategic objectives."

What Is an Activity?

Sometimes, it is difficult to define an "activity." Is "prevention" an activity? Or do you break that down into youth prevention, training of trainers, and curriculum development? Do you go further and break down youth prevention into specific campaigns? What about cross-cutting activities such as fighting stigma—where do those fit in? What do you do when several different "activities" are all interrelated?

Consider the following guidelines if you are having difficulty organizing your activities:

- An activity is a series of tasks with one or two primary outcomes.
- The outcome(s) should tie directly to your targets. These targets can be PEPFAR targets or your own, internally defined 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.

Activities and Strategic Objectives

Workplans group activities under strategic objectives (SOs). A strategic objective is a high-level goal that your activities work together to achieve. It ties back to the program description in your Cooperative Agreement and sometimes even back to the organization's mission statement. If the goal is to improve the lives of OVC, then that may be one of the organization's strategic objectives. The activities that work toward that goal will fall under that SO.

If an activity does not fit easily under one SO, try to determine what the primary outcome is. For example, perhaps an event being sponsored promotes prevention and voluntary HIV/AIDS counseling and testing (VCT); fights stigma; and encourages the prevention of mother-to-child HIV transmission (PMTCT), but the primary goal is prevention. If there are other strategic objectives for VCT, stigma, and PMTCT, you can always mention how this activity links to those other strategic objectives in your activity description.

There is no right or wrong way to break down the work into activities and strategic objectives. Keep it simple and focus more on the content than the organization.

Writing Activity Descriptions

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

- what the plan is to do;
- how it will be done;
- how long it will take;
- who will be doing it;
- 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;
- outcomes you expect; and
- how you plan to measure these outcomes.

The primary purpose of activity descriptions is to lay out the technical details and timelines, which should be covered 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 the organization's 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 area
- Geographic scope of activity
- Technical description of project
  - Include details on curricula, test kits, drugs, and any other details about interventions.
- 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 the project 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
- Other indicators you will monitor to measure impact and quality
- Linkages with other programs and any additional effects the program may have

Figure 11—Sample Activity Description: Community Home-Based Care

Community Home-Based Care

The Community Home-Based Care (HBC) 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 project 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 languages 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 village, they will work with the local community 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 those 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 program. 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.

3.4.2.3 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.

It is recommended that the budget spreadsheets—both the summary and detail—be in Microsoft Excel® format, and it is best to put them in one file under 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 broken down by headquarter costs and costs in each country. The spreadsheet should also show the cost share. The standard budget categories are incorporated into the sample summary budget spreadsheet in Figure 12.

Figure 12—Sample Summary Budget

Summary Budget for NGO X					
		Year 1	**Year 2**	**Year 3**	**Total**
A.	Personnel	US$45,000	US$47,250	US$49,612	US$141,862
B.	Fringe Benefits	US$9,000	US$9,450	US$9,922	US$28,372
C.	Consultants	US$10,000	US$10,500	US$11,025	US$31,525
D.	Travel, Transportation	US$22,000	US$23,100	US$24,255	US$69,355
E.	Equipment	US$40,000	US$0	US$0	US$40,000
F.	Supplies	US$4,990	US$882	US$926	US$6,798
G.	Contractual Services (subcontracts)	US$135,000	US$141,750	US$148,837	US$425,587
H.	Program Costs	US$75,000	US$78,750	US$82,688	US$236,438
I.	Other Expenses (e.g., audit)	US$25,000	US$26,250	US$27,563	US$78,813
J.	Indirect Costs	US$0	US$0	US$0	US$0
	TOTAL	**US$365,990**	**US$337,932**	**US$354,828**	**US$1,058,750**

Detailed Budget Spreadsheet

The budget detail breaks down the costs further, showing the detailed costs for each country, subrecipient, and activity. Each line item should include unit costs as well.

Ideally, you will calculate the totals in the detailed budget spreadsheet using formulas and will link them directly back to the summary spreadsheet. This will help tremendously if you need to rebudget later.

Figure 13 is a sample of one section—A. Personnel—of the detailed budget spreadsheet for **NGO X**.

Figure 13—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	US$1,000	12	US$12,000
2.	Frank Finance	Finance Manager	US$900	12	US$10,800
3.	Paul Program	Program Officer	US$800	12	US$9,600
4.	Patience Program Assistant	Program Assistant	US$650	12	US$7,800
5.	Robby Receptionist	Receptionist	US$400	6	US$2,400
6.	David Driver	Driver	US$400	6	US$2,400
	SUB-TOTAL				**US$45,000**

*LOE—Level of effort.

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 give 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.
- **Travel**—Identify international travel, as discussed below, and provide justification for it. For each proposed international trip, provide the following:
  - number of people traveling;
  - approximate travel dates;
  - itineraries/destinations; and
  - justification.
  - even if your workplan and budget are approved, you will still need to request specific approval prior to each trip.
- **Equipment**—Identify equipment that will require waivers or approvals, including vehicles, pharmaceuticals and agricultural products, and provide a justification. Also identify procedures you will follow in procuring them (for example, getting multiple bids).
- **Indirect Costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff. If a NICRA (Negotiated Indirect Cost Rate Agreement) is established, include the rate and how it is calculated. Also state whether the NICRA is the provisional or final rate. (For more information on Indirect Costs, see Chapter 7.)

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 spending?

Finally, provide a brief narrative explaining your organization's contributions to the project that apply to your cost share.

3.4.2.4 Four Workplan Writing Tips

1. *The Workplan Must Be a Stand-Alone Document.*

   Your funding agency may receive inquiries about your program from in-country or USG officials. When these questions arise, your AOTR will look first to your workplan for answers. Therefore, your workplan must be a stand-alone document that will answer questions about what you are doing, where and how you plan to do it, associated costs, and other key information about your project and project team.

2. *Develop the Project Plan Before You Write.*

   Your workplan should reflect your project planning (3.4.1) process. One of the biggest mistakes partners make is not allowing enough time to complete their proposed activities. This is because the workplan usually emphasizes targets and budgets, without focusing very much on timelines. However, if you develop a detailed project plan first using a timeline, you will do a better job of writing a workplan with realistic timelines.

3. *Write the Activity Descriptions First, the Executive Summary Last.*

   It is usually easiest to start your workplan with the individual activity descriptions (3.4.2.2). Once you describe all of your activities thoroughly, move to the M&E, Budget, Management, Staffing and Marking and Branding sections. Finally, once all this is finished, write the Executive Summary.

   In addition, if your implementation plan relies on subrecipients, include them as early as possible in the planning process to give them ample opportunity to contribute.

4. *Consider Length.*

   The length of a workplan varies according to the size and complexity of your program. Length may be specified, and good workplans stay within the limits to be responsive. It is not the length that determines the quality of a workplan.

What Makes a Good Workplan?

The workplan describes in detail how you will implement your program. The following are the three components of a good workplan:

- The workplan describes activities thoroughly and completely, so that someone who is unfamiliar with the project will be able to understand it.
- The different sections of the workplan are connected. For example, if the activity description says that 50 people will be tested, then the M&E section will describe how it will determine whether 50 people have been tested, the Budget section will account for the cost of testing 50 people, and the staffing section will show how the organization will hire and train someone to test those 50 people.
- The partner can achieve the proposed activities within the proposed time frame and budget.

3.4.2.5 *Workplan Review and Approval*

Once you complete your draft workplan, submit it electronically to your AOTR. Your AOTR will then coordinate a technical review with various USG experts and a field-level review in coordination with your field Activity Manager.

The review process varies, depending on how well your plan fits with current PEPFAR guidance and the in-country program. The more effort you put into aligning your plans with those of the host government and complying with technical guidance and best practices, the smoother your review process will be.

You may be asked to make changes to your program, ranging from minor fixes to major program reorganization. Again, major changes generally occur only if your program is not in line with 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 will 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 immediately. If you are operating on an advance-funding basis, then your AOTR will arrange for your award 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 exception: If your organization still has outstanding pre-award conditions that you have not met by the time you are ready to implement, the USG may not clear your organization to receive funding. (For more information about pre-award conditions, see Chapter 2.)

3.4.3 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 project, evaluation is not just an end-of-project activity, because to measure change, you must have a starting point or baseline. That means collecting data before the intervention starts and over the course of its implementation.

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 and whom you are reaching. It provides the basis for evaluation. Evaluation is the comparison of actual project impact against the agreed strategic plans. It looks at what you set out to do, at what you have accomplished, and how you accomplished it.

Your monitoring and evaluation (M&E) system is part software, part policy, and part process. It 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 of PEPFAR funds

Required for: Performance Reporting and PEPFAR In-Country Reporting

Verified by: Data Quality Assessments

Governed by: PEPFAR Guidance

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 strategic objectives and figure out how to track activities 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.

3.4.3.1 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 box to the right, for further reading. In addition, a special section on baseline assessments (see the box on page 56) can help you start gathering baseline data.

Five Selected Online M&E Resources

- PEPFAR Indicators Reference Guide http://www.pepfar.gov/documents/organization/81097.pdf
- MEASURE Evaluation's M&E Capacity-Building Tools http://www.cpc.unc.edu/measure/tools/monitoring-evaluation-systems/me-capacity-building
- The Evaluation Wiki http://www.evaluationwiki.org/
- TSF Southern Africa's M&E of HIV/AIDS Program Resource Packs http://www.tsfsouthernafrica.com/guides/me_hivaids/index.htm
- M&E News http://www.mande.co.uk/

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 6, Reporting: Requirements and Benefits)?
     - In-country PEPFAR and host government reporting requirements?
     - Funding agency performance reporting requirements?
     - 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?
     - 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 funding agency reporting requirements, M&E plans should include indicators to track progress toward long-term sustainability

   Map these items out on a timeline to ensure that your system is prepared to deliver the data you need on time.

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

   PEPFAR has several required indicators that will define a portion of the data you collect. The host government may also require programs to report country-specific indicators.

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

3. *Choose Appropriate Data Collection Methods.*

   A strong M&E plan will provide a sense of how many beneficiaries receive project support as well as the 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 a story about your project results.

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

4. *Design a Paper Process First.*

   When staff visit beneficiaries, what data will they need to capture? 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 processes.

5. *Take an Implementation-Friendly Approach.*

   What challenges does your program face in the field? Is travel to your program in rural areas expensive and time-consuming? 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 your partners in the field face, 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.

   One example of a process that may be automated is the regular reporting to PEPFAR. Determine how you will input data into the PEPFAR country team's databases. Some countries have a Web interface; others have spreadsheet templates. Ensure that your system is compatible and can input data directly into these systems if such an option is available.

7. *Design Training and/or Reference Materials for the Field.*

   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 to count.

8. *Test Your System.*

   A practice run of your system, from beginning to end, can spot data-capturing issues and technical problems, so you can address them before 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.

   Consider systems that allow for community-level analysis and ensure that all analysis done at program office headquarters is sent back to the implementers in the field, so everyone can learn from the data.

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, such as the Ministry of Health or National AIDS Council, may contribute to your baseline. In addition, other NGOs 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 are 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.

3.4.3.2 *Linking Program Targets with Impact Indicators*

Another challenging aspect of any project is understanding the impact—showing significant, sustainable changes in a target population or community after an intervention is completed. This is something that your organization should be thinking about in developing the strategic plan and project proposal and during project implementation as part of monitoring and evaluation. The possibility of contributing, with other USAID and other donor-funded activities, to achieving sustained and significant impact should have influenced your programmatic focus.

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, 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. PEPFAR describes impact as a long-range, cumulative effect of programs such as change in HIV infection rate, morbidity, and mortality.

It is unlikely that you will be able to measure the impact of your interventions over the life of the NPI award as impact is rarely the result of one program and often is only seen over a long period. However, understanding to what impact indicators your project might contribute will allow you to look more strategically at your project and at what other indicators may help you understand whether your activities are contributing to the longer-term impact.

Impact indicators may measure, for example: percentage of most-at-risk populations (injection drug users, men who have sex with men, sex workers) who are HIV-infected; or quality of life for People Living with HIV/AIDS (PLWHA). If you are providing care and support services for PLWHA then you are likely contributing to an improved quality of life. You can use these objectives to track impact indicators—for example, you may want to follow up with PLWHA 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 project progress to the impact you want to support 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 Marketing and Communication

Marketing and communication are key components of any program. Not only do they help you communicate with funders, beneficiaries, and other stakeholders, but they also alert people to the great work you do and are critical to meeting the needs of your donors. Over the long term, this can mean building support among local leaders and beneficiaries, developing partnerships, and receiving donor funding.

While the different activities involved in marketing and 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 marketing and communication plan, the more people you are likely to reach and the more people your program will benefit.

What Is Marketing?

Often when we think of "marketing," we think of advertising products for sale, but marketing is much more than that. Anytime you are trying to communicate something to a group of people outside your organization, it can be considered marketing. 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
- informing the public about your work, including crediting your donors.

Marketing includes a variety of communication channels, methods, and strategies, ranging from putting up signs and applying logos to hosting promotional 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.

This section discusses several key concepts in NGO marketing, 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 marketing strategy and can contribute to your organization's ability to sustain its activities through effective communication.

3.5.1 Developing a Communication Plan

A communication plan provides direction on how to shape your image, create demand for your services, and build relationships with key target audiences.

Like a project workplan, a communication plan lays out:

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 special policies related to communication, including ethical guidelines (3.5.5), discussed later in this chapter.

Developing a communication plan for your organization should involve a cross-section of staff, including program and financial managers, who participate in various activities. Your plan should cover communication with beneficiaries, donors, other NGOs, and potential volunteers.

The plan defines what you want from your communication and what you need to do to get it. As with any planning process, it starts with 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).
- 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?

The answers to these questions become your action plan. The next steps involve developing effective materials, disseminating the message, evaluating your efforts, adjusting as needed, and sustaining the effort.

Design "SMART" communication activities—Specific, Measurable, Achievable, Realistic and Time-Bound. Do not forget to include budget considerations, sufficient staff to be effective, best practices, and regulations in your plan.

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 as well as to individual programs, much like a manufacturer does with separate brands for different product lines. Since most organizations have already developed brands for their organizational identity, the following section focuses primarily on program-level branding.

3.5.2.1 *How Do I Develop a Brand for My Program?*

The first step is to ask yourself the following questions:

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

1. *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, or socioeconomic backgrounds.

   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."

2. *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 women in the XYZ region by providing them with comprehensive, compassionate, quality HIV/AIDS services.

3. *How do you want your beneficiaries to view your program?*

   Finally, look at your program from the point of view of your beneficiaries. What do you want them to feel about your program? Examples may be "safe, trustworthy, confidential, helpful, makes me feel better," etc.

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 for you 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:

- 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 organization already uses it. If you do find an organization 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.

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, an OVC program offering health, education, and psychosocial support services may want to put a 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.

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

Figure 14—Sample Brand Identity

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.

> **Find It Online**
> USAID Graphic Standards Manual
> http://www.usaid.gov/branding/gsm.html

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 donors often require it, and it may be included in your funding agreements. Both USAID agreements and HHS regulations include specific marking requirements. In addition, PEPFAR country teams often request all partners operating in-country to incorporate PEPFAR logos into their daily work (see section 3.5.3.6 on Marking Requirements under PEPFAR).

3.5.3.1 Creating a Marking Plan

The best way to ensure you are meeting all your donor's requirements is to create a marking plan outlining exactly when, where, and how you will mark program deliverables, sites and events.

USAID requires that you submit a marking plan to your AOTR that describes how you will implement the marking requirements in your program. The AOTR and AO must review and approve your plan before you begin implementing it.

Although HHS does not require a marking plan of its partners, it is a good practice to develop a similar document, so your staff and subrecipients are aware of your marking policies.

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.
- How you will mark—the type of marking and what you will mark (for example, banners at events, stickers on equipment, etc.).
- 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 donor's logo and any accompanying logos.

3.5.3.2 Marking Program Deliverables

You should mark program deliverables to identify and give credit to both donors 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 logo of the donor that funded it. 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 your donor'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 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 or
- Cause increased security risk for volunteers, staff, or beneficiaries.

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

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 for USAID Partners*

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 document.

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.

3.5.3.5 *Special Requirements for HHS Partners*

HHS awardees (under CDC and HRSA) are required to acknowledge USG funding when issuing any of the following:

- statements or press releases;
- requests for proposals or bid invitations; or
- any other documents describing projects or programs funded in whole or in part with USG funds.

In addition, HHS recipients are required to state:

- percentage and dollar amounts of the total program costs financed with USG funds, and
- percentage and dollar amount of the total costs financed by non-governmental sources.

HHS encourages organizations to publish results and accomplishments of HHS-supported activities, and, under grants and Cooperative Agreements, prior approval is not required. However, you must include the following:

> *This publication was made possible by [or supported by]*
> *Grant Number ________ from [HRSA/CDC].*

You also must include the following disclaimer:

> *Its contents are solely the responsibility of the authors and do not necessarily represent the official views of [HRSA/CDC].*

If you plan to issue a press release concerning the outcome of HHS-supported activities, please notify your funding agency in advance to allow for coordination. Also provide a copy of each publication resulting from your HHS-supported work, with your annual or final progress report.

Figure 15—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—
NGOConnect.Net

C. Program brand and logo—
Capable Partners Program

Footer:

D. Donor disclaimer

E. Prime and sub logos/brands—
AED, MSI

F. Donor brand/logo—USAID

3.5.3.6 *Marking Requirements under PEPFAR*

Neither USAID nor HHS requires you to include the PEPFAR logo in marking your project deliverables. However, you may choose, or the in-country team or your AOTR may ask you, to include the PEPFAR logo. By including the PEPFAR logo, you help support the in-country program and link your program to the trusted brand of the in-country PEPFAR network. If you receive this request, it is a good idea to revise your marking plan and estimate any additional costs of incorporating the logo into your program. For the most part, this cost may be minimal, but if it is more expensive, be sure to discuss that with your AOTR as soon as possible.

3.5.4 Demonstrating the Effect of Your Program

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 a positive effect 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 how many girls graduated from high school because of your intervention.

This goes beyond just measuring the number of people reached. There are numerous ways to highlight the qualitative 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.

Find it online

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

- NPI-Connect.Net
  http://www.npi-connect.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

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, in Zambia, NPI grantee the Luapula Foundation is reviving traditional farming methods and teaching new ones to boost food security and economic independence for hundreds of households caring for orphans and vulnerable children (OVC) affected by HIV and AIDS. The story puts a human face on the numerical evidence of the program's impact (http://www.npi-connect.net/luapulasuccess).

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. These 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 up the story.

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.
- *Don't forget the data:* Though these stories often focus on an individual or group of people for the "human face" of the work, don't 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 don't 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 your donors. They may want to help you promote the story by posting it on their 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

Often, people are happy to let you photograph or videotape them and are eager to tell you 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 videotape, especially patients in clinical settings and children.

The USAID-funded INFO project has posted a list of ethical issues (http://www.photoshare.org/phototips/developethics.php) for you to consider, and even has sample templates for requesting permission to use a photo. You may want to consider these and other ethical practices when developing standards of conduct for your employees. These considerations are not intended to prevent people from taking photos, but rather to help increase respect for individuals' rights to privacy.

3.6 Summary and References

This chapter has reviewed the tasks you need to accomplish during the start-up phase, and has discussed the minimum USG 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.

The USG wants to make sure the HIV/AIDS 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 you hope to serve. 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:

Marketing and Communication

- Resource: Photoshare
  http://www.photoshare.org
- Development Photography Ethics
  http://www.photoshare.org/phototips/developethics.php

Monitoring & Evaluation

- 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

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

OCA

action plan

Assessment

management

organizational assets

capacity building

Chapter 4: Appraising Your Organization

4.1 Overview

Whether you have received your first PEPFAR award, have been working as a subrecipient on another organization's award, or have never received funding from the U.S. Government (USG) or other major donors, your organization can achieve its goals by focusing on a common mission and building the systems and structures necessary to support it.

Organizational development, technical expertise, quality programming, and growth are not attained automatically. Most organizations achieve their goals by using a number of methods, including:

- **Organizational Assessments**—Analyzing your organization's current activities, resources, and capabilities.
- **Building Organizational Capacity**—Expanding your ability to manage additional work.
- **Long-Term Strategic Planning**—Defining where your organization hopes to go in the future, and developing plans for how to get there (see Section 8.5).

Skip Ahead

- Five Capacity-Building Tips
- Organizational Assessment
- The Importance of Good Governance
- Guide to Systems and Structures Needed to Succeed
- Creating Your Capacity-Building Action Plan

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 (4.3.1). 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 (4.3.2), as well as its activities and the services it provides (4.3.3). Taken together, this information will help you create a capacity-building action plan (4.4.1), which will enable your organization to effectively carry out its HIV/AIDS programs and serve the communities in which you work.

Objectives

- Determine what systems and structures your organization should have to be eligible for USG funding and achieve its goals.
- Discover your organization's role by better understanding its unique abilities and assets as an HIV/AIDS service provider.
- Review the activities and services your organization provides to better meet the needs of beneficiaries.
- Unite your organization behind a common mission and plan of action going forward.

Key Terms and Acronyms

- **Activity Manager or "Field Activity Manager"**—For NPI, the USG representative designated to serve as an organization's in-country point of contact. This person may be from any of the USG agencies involved with PEPFAR implementation in your country.
- **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.

4.2 Getting Started

Around the world, thousands of non-governmental organizations (NGOs) are taking up the struggle against HIV/AIDS. They range from small groups of community-based volunteers and faith-based organizations to regional and international NGOs. While some of these organizations employ full-time staff and secure significant donor funding, others operate on a small budget, relying on volunteers and the efforts of the community leaders who support them.

Organizations like these may see incredible needs in their communities, but have very limited resources to address them. Often one or two individuals shuffle between positions to temporarily perform some functions with vacant positions. 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.

4.2.1 What Is Capacity Building?

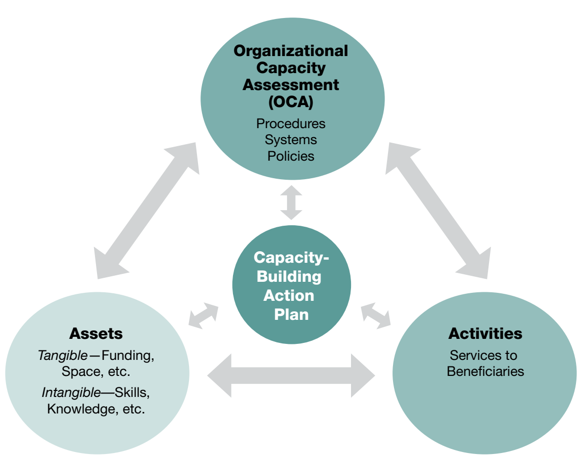
Capacity building is the process of strengthening the management and technical abilities of an organization. This results in delivering quality services more effectively.

Specifically, capacity building attempts to:

1. Build a stronger, more sustainable organization—including establishing formal or systematic organizational structures and developing long-term planning and strategies.
2. Improve administrative and program-management systems and abilities—including setting up an accounting system, improving the process of planning and managing projects, or hiring a monitoring and evaluation (M&E) specialist.
3. Strengthen technical expertise—through hiring or training staff or volunteers in program 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 for helping you create your Capacity-Building Action Plan (see Figure 16).

Figure 16—The Components of a Capacity-Building Action Plan



4.2.2 Linking Current Organization Goals to Long-Term Goals

The first step is taking a thorough look at an organization's systems, assets, and activities and asking the question, "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 in 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.

4.2.3 Who Should Lead the Assessment Process?

Organizational assessments and capacity building are generally inspired by a desire to grow as an organization or to improve effectiveness and efficiency. That desire may come from the Board of Directors, management team, staff, beneficiaries, donors, or a combination of these. Regardless of the source(s), once begun, it is important that everyone in the organization take ownerships of the assessment process and the results and action steps it yields. The organization's leadership must be willing to approve staff time and resources to make the effort successful, and the staff must have the time and commitment to make these efforts successful.

Therefore, the first key decision is to determine who will facilitate capacity building overall. As part of the New Partners Initiative (NPI) program, the organizational capacity of a grantee is assessed by one of the technical assistance (TA) providers. There are several benefits to using external experts to conduct an assessment. A consultant to the organization has an objective view of the organization, while the staff may be more comfortable offering ideas. Ideally, a good consultant brings knowledge of what other organizations have gone through in similar situations and helps to tap in to a network of other experts who can help you. That said, this process can be managed effectively by organization staff, particularly if financial resources are not available to pay for consultants.

As grantees receive TA from providers and strengthen their organizational and technical capacity, they may want to share their new knowledge and skills with their subrecipients (subs). 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.

4.2.4 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 representatives from the communities you serve, volunteers, staff members from different offices (if available), and some members of the Board of Directors.

2. *Set achievable goals and do the simple stuff 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.*

   Smaller organizations often barely have the staff or funding necessary to meet existing service-delivery demands. 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.*

   Numerous efforts are 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, NGO networks, and even opportunities to get grants to help expand an organization’s capacity. 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.

4.3 Conducting Your Organizational Assessment

Organizational assessments and capacity building are generally inspired by a desire to grow as an organization or to improve effectiveness and efficiency. That desire may come from the Board of Directors, management team, staff, beneficiaries, donors, or a combination of these. Regardless of who provides the initial push, the first step in the process is to take a thorough look at the organization’s systems, assets, and activities. It is important that everyone in the organization takes ownership of the assessment process, the results and the action steps it yields. The organization’s leadership must be willing to approve staff time and resources to make the effort successful, and staff must have the time and commitment to follow through.

The underlying philosophy of organizational assessment is that organizations are organic and need to change over time as they mature. For NPI partners, the objectives of the organizational assessment process and follow-up are to ensure that by the end of a project, they have:

1. improved the quality of their management and program implementation;
2. developed tools, which can be reapplied periodically, to assess their progress and promote continuous planned improvement;
3. implemented tools to use with their subpartners to improve managerial and technical systems; and
4. maintained changes in their capacity over time that can be confirmed by analyzing scores against agreed-upon standards.

4.3.1 Organizational Capacity Assessment Tools

While there are many tools for assessing different types of capacity, NPI partners are involved in a multi-stage organizational capacity assessment process that spans the life of the agreement. It includes:

1. an initial Organizational Capacity Assessment (OCA) conducted at the beginning of the project;
2. an OCA and Technical Organizational Capacity Assessment (TOCA), generally conducted at the mid-point of the project; and
3. a Close-Out Organizational Capacity Assessment (CLOCA) conducted at the end of project.

4.3.1.1 *The Organizational Capacity Assessment (OCA)*

The OCA was designed to help NPI grantees measure their capacity against established standards. By taking stock of the policies, systems, and processes that enable an organization to fulfill its mission, the OCA helps grantees answer the question, “Where are we now?” Then, based on its analysis, the organization develops an action plan to plot the way forward and identify technical assistance needs. (See Annex Ia.)

The OCA tool provides a standardized framework to conduct a self-assessment of an organization’s policies, systems, and activities. The tool allows the user to rate the organization’s capacity—using a 1 to 4 point scale— in the following eight areas:

1. Governance
2. Administration
3. Human Resources Management
4. Financial Management
5. Organizational Management
6. Program Management
7. Project Performance Management
8. Leadership and Team Dynamics

The Process

Experts outside the organization facilitate the OCA. In the case of NPI, these include organizational development, financial, and technical specialists from the TA providers, who may be joined by a U.S. government representative.

The OCA process also involves a core team from within the organization at different levels, including representatives of the management, administration, finance, and technical departments and, when possible, Board members. By engaging such a cross-section of people, the process encourages learning, sharing, and commitment to actions and results. This motivates leadership and staff to provide the time and resources to complete the action plan.

Step 1

The core team of organizational representatives, along with the OCA facilitators, reviews the standards of practice in the seven management areas. The organization's team ranks the organization along a continuum of capacity based on how well the organization compares to standards in each area. This approach allows the participants to discuss and justify their reasons for the selected scores and brainstorm follow-up actions needed. The information is documented for later review. This step can be conducted in small groups or plenary sessions.

Step 2

Participants from the organization review and discuss the documented scores and rationale (without the OCA facilitators), come to a consensus, propose changes or clarifications, and identify priorities. This step seeks to build cross-departmental understanding of the issues and suggested strategies.

Step 3

Working with the team of OCA facilitators, the organization uses the findings of steps 1 and 2 to develop an action plan detailing actions, responsibilities, and a timeline as well as areas in which the organization may want assistance. A representative from the organization is assigned to monitor the progress of the action plan.

The Outcome

The OCA process results in a concrete action plan or road map for the organization to improve performance in those areas deemed priorities. Examples include: revising the organization's mission or vision statements, strengthening personnel policies, enhancing procurement procedures, or refining monitoring and evaluation plans. TA providers also analyze the scores to note trends and develop targeted assistance, such as tools or training workshops.

The OCA should be conducted annually to monitor the effectiveness of previous actions, evaluate progress, and identify persistent problems, new gaps, and strategies to continue to improve the efficiency and effectiveness of the organization.

The checklist in Figure 17 is based on the OCA tool and can help you take a first look at your organization's effectiveness and health. The results of this exercise should offer a fairly clear picture of the systems and structures currently in place as well as hints about where there may be gaps.

Figure 17—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?
- ✓ Although 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 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? the organization?

In addition to the OCA tool with its emphasis 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 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.

4.3.1.2 *The Technical Organization Capacity Assessment (TOCA)*

The TOCA, typically conducted at the midway point of the NPI project, 1) revisits and examines organizational capacity gains since the initial OCA, and 2) assesses capacity in relevant technical program areas, such as OVC, prevention, care and support, etc. The TOCA process uses the OCA tool plus the relevant area technical tools designed to assess technical capacity in those areas. The TOCA process and steps are the same as in the OCA. (See Annex Ib.)

The TOCA begins with a reassessment using the OCA tool. If a two-year action plan was developed during the initial OCA, the TOCA could start with a review of an action plan developed during the initial OCA, followed by an assessment of your technical capacity to address the component(s) of the epidemic on which you focus (OVC, palliative care, HCT, prevention, etc). As with the OCA, outside experts should facilitate the TOCA. Technical experts who know your organization well, but are not part of it, can be good resources to bring out issues that may not otherwise surface.

Step 1
The core team of organizational representatives, which may vary from technical area to technical area depending on the staffing configuration of the organization, along with the TOCA facilitators, reviews the standards of practice in the different domains. Similar to the OCA, the organization's team ranks the organization along a continuum of capacity based on how well the organization compares to standards in each area. Some of the areas in the technical tool are repeated in each tool, e.g. the "Management Information System" domain.

Step 2
After completing all technical area reviews, participants from the organization review and discuss the documented scores and rationale (without the facilitators), come to a consensus, propose changes or clarifications, and identify priorities. This step seeks to build cross-departmental understanding of the issues and suggested strategies.

Step 3
Working with the team of facilitators, the organization uses the findings of steps 1 and 2 to develop an plan detailing actions, responsibilities, timeline, and areas in which the organization may want assistance. A representative from the organization is assigned to monitor the progress of the action plan. The process results in a concrete action plan or road map for the organization to improve performance in those areas deemed priorities. This is an opportunity for an organization to understand its technical depth and breadth and to make decisions about the areas it wants to develop. As with the OCA, the technical assessment should be repeated periodically.

4.3.1.3 *The Close-Out Organizational Capacity Assessment (CLOCA)*

As an organization prepares to close out its program, a final assessment allows the organization to take stock of the capacity it has gained over the life of the NPI program. Nearly identical to the OCA assessment tool (4.3.1.1), it also includes an additional wrap-up section that allows for reflective discussion as well as a chance to summarize the organizations, prime challenges and successes. (See Annex Ic.)

Objective and Overview

The CLOCA tool measures your organization quantitatively (scoring 1 to 4) and qualitatively (discussion within each section and overall wrap-up section). The scores your organization receives are not final grades, but rather points from which an organization may grow beyond its NPI funding. Discussion should be open and honest as feedback from the CLOCA will help inform your organization of areas where additional capacity building may be desirable to manage future donor funding. Final reports from the CLOCA tool are to be shared with the organization and are ultimately for the organization.

Standard Guidance for the CLOCA Process

- **Preparation**: Gather all materials the organization used and/or created that may be referenced directly during discussion. Examples of these are listed within each section under "Resources." Also take the time to think about where the organization has grown and where challenges remain. Discussions with staff and subpartners are especially helpful during this reflection and preparation.
- **Participation**: Recommended participants may vary from section to section (e.g., some field staff may join for the Program Management section, but may not need to attend the entire CLOCA). Key staff may include board chair, executive director, finance director or chief financial officer, monitoring & evaluation officer, and human resources director. For discussion to be fruitful, it is best to keep the number of participants to fewer than 15.
- **Location**: The program site is best as that is where staff members and program materials may be accessed. If the CLOCA cannot be held on site, please remember to alert staff members needed for particular sections and bring all program materials for review.
- **Timing**: Set aside two full days for the CLOCA. Circulate an agenda before the CLOCA so that staff may plan to participate during the relevant sections (allow approximately 1.5 hours for each section).

4.3.2 Considering Organizational Assets

The purpose of inventorying an organization's assets is to take a fresh look at the organization's resources, i.e., the pillars supporting the organization's ability to deliver on its mission. It is important to remember that assets are made up of more than money; they include people, skills, knowledge, relationships, and the ability to connect with the people in the communities you serve.

4.3.2.1 *The 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 a non-governmental organization (NGO) to register and operate legally, mainly provides oversight, but its members may also be advocates and fundraisers for the organization.

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 comprise 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 and provide oversight. Its primary interest is in overseeing the organization, making sure it fulfills its mission, lives up to its values, and remains viable for the future.

> **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 a lot of changes. Other Boards are more distant, meeting quarterly or annually to review financial and performance reports and to set goals for the coming year.

Although not an exhaustive list, essentially, the Board is responsible for:

- Defining expectations for the organization by:
  - setting and maintaining vision, mission, and values;
  - defining or helping to define direction (for example, helping develop/approve long-term strategic plan, approving annual workplans); and
  - creating and/or approving the organization's policies.
- Granting power 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 7, "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-today 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 the expectations; and
- reporting results to the Board.

It is important to find a balance and distinction 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 what 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 part of the Board's responsibilities—to ensure that organizational roles and structures are clearly defined.

The organizational capacity assessment process discussed in this chapter is a process the management team should undertake with the approval of and oversight by the Board of Directors. Where it is possible, the Board may want to be directly involved in the process.

4.3.2.2 *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 your 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? 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 training did the employees have in school or a workshop? Accounting? Health care? What skills do people have—even skills they do not use for their current job? Is someone a good gardener or mechanic or skilled at working with computers?
- **Money, Funding, and Income**—Money, or lack thereof, 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, 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? Your relationships and your organization's reputation are not always formal agreements or 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 your Board, may have. This is slightly different from what have been listed under "skills." Your organization's experience may have taught you important things about your community, the people, the culture, the 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.

4.3.3 Inventory Activities

Once you have assessed the organization's systems, policies, procedures, and assets, you may want to develop an organizational strategic plan. While the organizational assessment and action plan 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 related costs, and how you measure the outcome. Your list can be estimates and does not have to contain every last detail. The goal is to get a general overview of what your organization currently does. An example appears in Figure 18.

Figure 18—Sample List of Organizational Activities

Activity	Who	How Often	How Much Time	Costs	Outcome Measure
Fundraising	Executive Director	Monthly	2–3 day/month	No direct costs	• 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	• 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

4.3.3.1 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?
- What activities have we wanted to do 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 would ideally 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. 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 7.)

Figure 19—Sample List of Activities and Needed Materials

Activity	When is it needed?	What would it take?
Upgrade accounting system	Urgent	New software and training
VCT program	Next 3–6 months	Funding for training and test kits, volunteers, and at least one professional staff
TB/HIV training for volunteers	6–12 months	Technical assistance, TB/HIV home-based care kits

This is not a full strategic plan, but it is a process to begin the development. If you are interested in developing a strategic plan for your organization, your TA provider can assist you with resources and other organizations that have gone through such a process can be good resources as well.

4.4 Guide to Systems and Structures Needed to Succeed

Earlier, you listed current (4.3.3) and potential future activities (4.3.3.1) 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 succeed. Much of the rest of this *Guide* will help you to address these gaps by providing detailed explanations of the policies and systems necessary to manage USG-funded HIV/AIDS programs.

4.4.1 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 overall objectives 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 Goals

With your Capacity-Building Task Force, review the lists you created during your organizational assessment (4.3). Then discuss the following questions:

1. Given the work you are currently doing, 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. Looking at your asset inventory (4.3.2.2), how do your current resources align with the needs you identified? Can you take on these priorities 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 were 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. A good goal statement states what is to be done and sets a deadline. For example, “We want to recruit 10 new volunteers from the community in the next 3 months.”

Next, identify a point person for each goal, but do not expect this person to do all 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 are needed to complete that task. Do you need money or people to complete that task?

Finally, estimate the time it will take to complete each task. Do not worry about getting this exactly right. If you are not sure, make your best estimate. 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 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 that includes the following example:

Goal #1: Recruit 10 new volunteers from the community in 3 months.
Leader: Mary
Tasks:

1. Define volunteer roles:
   - resources—volunteer coordinator
   - time—two days
2. Design and print fliers:
   - resources—paper
   - time—one day
3. Host volunteer promotion at local market:
   - resources—all staff members
   - time—one day (must coincide with market day)
4. Hold meeting with prospective volunteers:
   - resources—volunteer coordinator
   - time—one day (one week after market day)
5. Conduct volunteer training:
   - resources—training coordinator, training materials
   - time—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:
   - resources—experienced volunteers
   - time—one day (one week after training)
7. Volunteer graduation ceremony:
   - resources—staff and volunteers, refreshments
   - time—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.

4.5 Summary

Managing USG-funded HIV/AIDS programs (or any public health or development service-delivery program) requires a solid organizational foundation to manage the various technical, administrative, reporting, and other demands. It does not, however, 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.

This chapter sought to help you identify your organization's strengths and figure out which gaps are most important to address in the short term. While it is easy to focus on the gaps, it is also important to build on your organization's unique abilities and assets as an HIV/AIDS service provider. By building on these strengths, your path toward eligibility for USG and other funding will be much shorter, and your capacity to deliver on your mission more effective. This is especially robust when your team, group, or organization can unite behind a common mission and plan of action going forward.

The rest of this *Guide* will help you further your capacity-building goals by providing an easy reference to specific details of the systems and structures your organization needs to be a successful "new" partner with the USG in delivering HIV/AIDS services under PEPFAR.

Resources

The list in Figure 20 is not definitive. You should consult your AOTA or TA provider to determine the best resources should you choose to do a particular assessment.

Figure 20—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 AED on the NGO Connect Web site
Institutional Development Framework (IDF) http://www.ngoconnect.net/cap-idf	The IDF is an online series of modules to help NGOs use this powerful tool to assess their organizational capacity
CBO Capacity Analysis Toolkit (pdf) (http://www.aidsalliance.org/graphics/secretariat/publications/CBO_capacity_analysis_web.pdf)	A toolkit for assessing and building capacities for high-quality responses to HIV from the International HIV/AIDS Alliance
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

compliance

travel

procurement

Implementation

monitoring and evaluation

excluded parties list

Chapter 5: Running an Effective and Compliant Program

5.1 Overview

Running an effective U.S. Government (USG)-funded HIV/AIDS program requires:

- meeting or exceeding your targets;
- providing quality services that have a measurable, positive impact on communities;
- being part of the wider HIV/AIDS response in the country, through referrals and sharing experiences;
- creating innovative programs that adapt to changing needs;
- establishing sustainable responses that build the capacity of communities and local implementers;
- spending funds wisely;
- timely reporting;
- complying with regulations in your Cooperative Agreement; and
- building a strong staff and project team.

Skip Ahead

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

This chapter refers to the terms of your Cooperative Agreement several times. USAID partners can refer to Annex III of this guide for detailed information on common standard provisions in USAID Cooperative Agreements. HHS partners can find similar references to common public policy requirements that govern HHS awards in Annex IV.

In this chapter, we break down these management tasks into two broad categories: administrative management (5.3) and technical program management (5.4).

Administrative management includes requesting and disbursing USG funds (5.3.1.1), complying with procurement (5.3.2) and developing a travel policy (5.3.3).

Technical program management includes monitoring and evaluating (5.4.1) and learning and sharing (5.4.2) within your organization and among partners.

Objectives

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

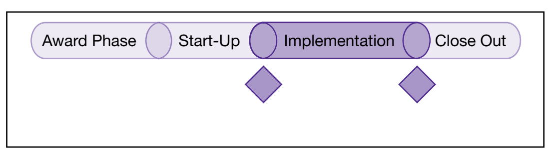
Key Terms and Acronyms

- **Activity Manager or "Field Activity Manager"**—For NPI, the USG representative designated to serve as an organization's in-country point of contact. This person may be from any of the USG agencies involved with PEPFAR implementation in your country.
- **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.
- **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 various organizations that are not eligible to receive USG funds. Recipients are responsible for using this online database to check vendors prior to making any purchases.
- **Fiscal Year**—A fiscal year (or financial year, or sometimes budget year) is 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 American Act**—A provision that applies to all USG funded travel and requires the use of U.S. flag air carriers, with a few exceptions.
- **FMO**—Your funding agency'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 you track to monitor program progress. There are standard PEPFAR indicators, in-country standard indicators, and your own program-specific indicators.
- **Indirect Costs**—Costs that are required to carry out a project but are difficult to attribute to a specific project, such as electricity or administrative support staff. If a NICRA (Negotiated Indirect Cost Rate Agreement) is established, include the rate and how it is calculated. Also state whether the NICRA is the provisional or final rate. (For more information on indirect costs and NICRA, see USAID document http://www.usaid.gov/business/regulations/BestPractices.pdf.)
- **In-Kind Contribution**—Noncash resources contributed to a project; may include volunteer services, equipment, or property.
- **International Travel**—Any travel between two countries.
- **Key Personnel**—Key Personnel refers to project positions as well as to the individuals who fill the particular slots. Typically, positions identified in the Cooperative Agreement as Key Personnel are those leadership slots considered essential to the successful implementation of the overall project.
- **MOU**—Memorandum of Understanding.
- **M&IE**—Meals and Incidental Expenses.
- **NICRA**—Negotiated Indirect Cost Rate Agreement (a rate negotiated individually between an organization and the USG to cover indirect cost).
- **Notice of Award (NoA)**—The common term for HHS awards, it applies to both grants and Cooperative Agreements.
- **Obligated Amount or Obligation**—The amount the USG has committed to the program. There is no guarantee that the USG will reimburse the recipient for any spending above the obligated amount.
- **Origin**—Where an item was originally grown or manufactured.
- **Per Diem**—The maximum amount of money that the USG reimburses per day to cover lodging and meals and incidental expenses when traveling in connection with your program.

- **Pipeline**—The amount of funds obligated but not yet spent. This 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. 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. PEPFAR programs rarely include program income. ***Note:*** *Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.*
- **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-approved formula.
- **Significant Rebudgeting**—Moving funds between budget categories above a certain threshold set by your funding agency.
- **Source**—Where you procure an item or a service, regardless of where it was originally grown or manufactured. This is generally the location of the vendor.
- **Standard Budget Categories**—Nine standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, Construction (sometimes replaced with "program costs" for non-construction projects), Other, and Indirect Costs (NICRA).
- **Substantial Involvement**—The right the USG retains to maintain some control over an assistance project funded through a Cooperative Agreement. This right usually includes the ability to approve workplans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. The areas of substantial involvement are specified in the agreement.
- **Total Estimated Cost**—This is the total projected cost of your project included in your agreement. Think of it as the ceiling for your award.

5.2 Getting Started



One of the unique aspects of the USG's approach has been to allow organizations the freedom to design and manage their programs and subrecipients while maintaining a cohesive, coordinated response to the epidemic.

Cooperative Agreements allow the USG to retain **substantial involvement** in your project. This means it has the right to approve workplans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. By retaining this right, the USG tries to ensure that your program is tied to the overall host government's strategy. At the same time, Cooperative Agreements also 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, the USG gives 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—from the executive director to a receptionist and even volunteers—acts in accordance with the organization's values to accomplish its mission and avoids taking shortcuts that could compromise the organization's goals. In addition, managing an effective USG-funded HIV/AIDS program comes down to balancing the desire to be creative in your approach to addressing the needs of communities and simultaneously ensuring that your program fits into the country's priorities and links to other in-country programs.

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

5.2.1 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 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 (see Annex II for explanations of some common agreement terms).

2. *Keep your agreement documentation up-to-date.*

   Over the life of your award, changes may occur that affect the terms of your agreement, including changes in funding, targets, geographic coverage, and Key Personnel. Be sure to get the appropriate approvals and document changes and keep all documentation readily available. There will probably be changes in personnel over the life of your award (both within your organization and on the USG side), making it vital that you keep well-organized documentation on all decisions and changes affecting your award.

3. *Understand which boundaries are flexible.*

   To promote innovation and give you the power to respond to changes on the ground, 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, AO, or in-country Activity Manager to implement changes, and sometimes there will be boundaries you simply cannot cross. This chapter will help you learn these 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 meet their requirements. 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, it can be easy to lose sight of the ultimate purpose of your award: helping beneficiaries. Providing them with quality services is your first order of business in complying with the terms of your agreement.

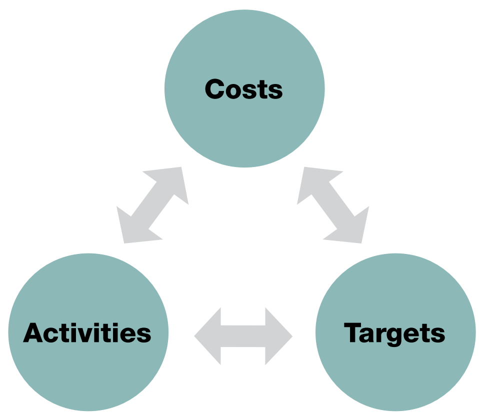
5.2.2 Your Implementation Model

As described earlier, the USG does not prescribe specific approaches to carry out PEPFAR programs, but rather encourages partners to develop, refine, and share their unique models for service delivery. The model you use to implement your programs 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, there are three key elements (picture in Figure 21) common to all models:

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

Figure 21—Key Elements of an Implementation Model



These three elements tie directly to your workplan activities, budget, and targets. In your model, these elements are intricately linked together. Changes in budget, for example, affect your targets or force 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 tweak your activities and perhaps discover better and less expensive ways to reach more people with your services.

5.3 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 (5.3.1)
- Budget Adjustments (5.3.1.6)
- Procurement (5.3.2)
- Travel Management (5.3.3)
- Property Management (5.3.4)
- Agreement Modifications (5.3.5)

5.3.1 Financial Management

5.3.1.1 *Requesting and Disbursing USG Funds*

In This Section

The USG disburses funds to grantees by advancing funds or reimbursing partners for expenses incurred. Many partners 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 over those funds until the following month. If an activity is cancelled by mutual agreement with the funding agency, you can spend the funds on another activity in your approved workplan.

You request funds by filling out either Standard Form (SF)-270—Request for Advance or Reimbursement (commonly referred to as SF-270) or Standard Form-1034—Public Voucher for Purchases and Services Other Than Personal (SF-1034). You should check your agreement or talk to your AOTR/Program Officer (PO) to find out which one to use. The forms should be submitted to your funding agency's financial management office (FMO). If you have multiple awards with the USG, you must fill out a separate SF-270/SF-1034 for each award. Though individual agency policies may vary, in general, you must complete the form and submit it no later than a week before the month in which you need the funds. The amount of time between submitting the form and receiving the money varies among agencies, but generally you can expect funds within a few weeks.

When you have demonstrated over time that you spend 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/PO and FMO will determine this by reviewing the data from your SF-270.

Another USG form—the SF-425—must be filed to report how your organization is spending its award and to track how much cost share your organization has contributed. (See Chapter 6.3.1). The SF-425 is due quarterly to the FMO and is separate from the SF-270 Request for Advance or Reimbursement.

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. You may divide some elements of your budget evenly among months (for example, salaries), but some, such as purchases of nonexpendable equipment, may happen 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 as well before you make any requests are made.

Partners who are implementing with subrecipients should work together to manage funding requests and spending smoothly, so no one runs out of money. To do this, ask subrecipients to provide monthly or (when approved) quarterly funding estimates. You also may wish to institute a process with subrecipients for advances and reimbursements similar to the one you follow for the USG.

5.3.1.2 *How to Fill Out the SF-270*

While you use the SF-270 to request advances or reimbursements from the USG, your agency's process may differ slightly from that outlined below. Always defer to the instructions from your FMO.

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

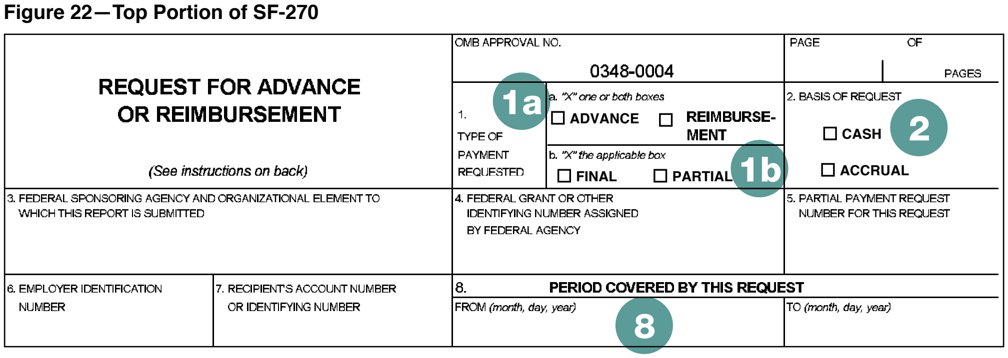
To take advantage of some of the form's features, including auto-calculations, be sure you have the latest version of Adobe Reader, which you can download for free at http://www.adobe.com/products/acrobat/readstep2.html.

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 third 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 Figure22).

Figure 22—Top Portion of SF-270


REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004

PAGE OF PAGES

1. TYPE OF PAYMENT REQUESTED
1a a. "X" one or both boxes ☐ ADVANCE ☐ REIMBURSE-MENT
1b b. "X" the applicable box ☐ FINAL ☐ PARTIAL

2. BASIS OF REQUEST ☐ CASH ☐ ACCRUAL 2

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)

- **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.
- **Box 1(b)**—For all requests other than the final request at the end of your grant, select partial payment.
- **Box 2**—The basis of the request depends on the type of accounting system you are using. Most NPI recipients use a cash basis.
- **Box 8**—The "period covered by this request" should be one calendar month (for example, FROM July 1, 2009, TO July 31, 2009), unless the FMO directs otherwise.

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 the box at right).

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.

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.*

Calculation Area

The primary calculation area (shown in Figure 23) 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.

The calculations (rows labeled a–j) are explained in Figure 23.

Figure 23—Calculation Area of 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 prescheduled advances	1st month				0.00
	2nd month				0.00
	3rd month				0.00

a. **Total program outlays to date**—All expenditures for your program, including cost share, as of the beginning of the request period. In other words, if your request is for July 1–31, 2009, give the total outlays as of May 31, 2009.

b. **Less: Cumulative program income**—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, July 1–31, 2009); all funding needed (including cost share), regardless of any carryover cash on hand.

e. **Total** (sum of lines c & d).

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 the USG toward this project to date, including funds requested for the advance period. The FM checks this number to ensure it matches the amount from the last SF-270 submitted. It can be checked by adding 11h and 11i.

h. **Federal payments previously requested**—Sum of all of the money you have requested to date from the USG.

i. **Federal share now requested** (line g minus line h)—The result will be the total amount of USG funds you need for the upcoming month (request period), less any unspent USG 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 (box 12), calculate how much funding you will need for the next month and subtract the amount of any unspent USG 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.

Submitting Your 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 (ei stands for Electronic Invoices), copying your AOTR/PO. HRSA grantees report through the Web-based payment management system. 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.

5.3.1.3 How to Fill Out the SF-1034

If your organization uses the SF-1034 to request funds and liquidate advances, you should 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 three 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 is received, 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 24). The rest of the form, along with the spaces you leave blank, will be filled out by your funding agency.

Figure 24—Top Portion of the Standard Form-1034

Standard Form 1034 Revised October 1987 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
SHIPPED FROM	TO / WEIGHT	GOVERNMENT B/L NUMBER

NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES *(Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)*	QUAN-TITY	UNIT PRICE		AMOUNT
				COST	PER	(1)

- **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 No.; Shipped from/to; Weight; Government B/L**—Leave all 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, beginning and ending dates of the incurrence of costs claimed for reimbursement.
- **Article of 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 SF-1034

Consult 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.

5.3.1.4 Keep an Eye on Your Obligation Ceiling

The time it takes to process your SF-270/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/SF-1034.

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

5.3.1.5 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 should track are your pipeline and burn rate. Your AOTR also monitors these figures. Regular communication with your AOTR will prevent you from having 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, the amount of money that is still available to you. You can calculate your pipeline by adding up all the funds you have received 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

Your AOTR will usually 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 25):

- NGO X was awarded a Cooperative Agreement for a total of US$1,000. It received an initial obligation of US$10. When the workplan was approved, it received an additional obligation of US$300, bringing the total obligation to US$310.
- NGO X has been operating now for four months and has spent a total of US$145.
- Subtracting the total obligation (US$310) from the total expenditures (US$145) gives NGO X a pipeline of US$165.
- Dividing the amount spent (US$145) by the number of months it has been spending (four) gives NGO X a burn rate US$36.25.

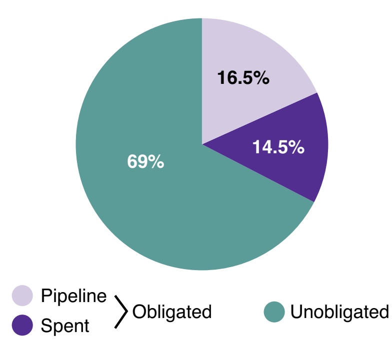
Figure 25—NGO X Award Amount Breakdown

NGO X's USG Award

NGO X's USG Award	
Award Amount	US$1,000
Original Obligation	US$10
Additional Obligation	US$300
Total Obligation to Date	US$310

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

	Calculations	Result
Pipeline	US$310-US$145	US$165
Burn Rate	US$145 / 4	US$36.25
Months Remaining	US$165 / US$36.25	4.5 months



Using the pipeline and burn rate, an organization can also calculate how many months are left before it will need an additional obligation. Divide the pipeline by the burn rate. This is the number of months left before the obligation runs out, assuming that spending stays the same. In the above example, NGO X estimates it will spend the remaining obligation in four and a half months.

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.

5.3.1.6 *Rebudgeting*

Your approved budget is divided among a number of standard budget categories. The USG 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 your funding agency. Adjusting your budget above this threshold is referred to as rebudgeting. Your funding agency sets the significant rebudgeting threshold.

> **Indirect Cost Rebudgeting Restriction**
>
> You may not move any funds into or out of the indirect cost category without prior approval.

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 or talk to your AOTR.

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, the grantee will have to seek approval from 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 Agreement Officer has the option to restrict rebudgeting if the changes are not necessary or reasonable.

HHS Rebudgeting Rules

The U.S. Department of Health and Human Services (HHS) defines significant rebudgeting as when the total transfers among budget categories for the current budget period exceed 25% of the total budget or US$250,000, whichever is less. The budget period is defined in your NoA.

Unlike USAID, this is not cumulative over the life of the award. Therefore, if the threshold for an award is US$250,000 per budget period, the partner can rebudget US$250,000 during the first budget period and US$250,000 during the second budget period.

Seeking Approval

If you are planning budget changes that exceed the 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.

> **Right to Limit Flexibility**
>
> Your funding agency grants you the authority to change your budget to make program management more flexible. However, if the agency has concerns about your implementation, it reserves the right to impose rebudgeting restrictions at any time.

- 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 you will need to complete your project and request the approvals all at once.

5.3.1.7 *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 solely on a specific 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 expenses, but costs 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 cost category, while non-project costs are usually self-evident. Costs that may be shared, however, may be the biggest challenge.

Sharing Resources vs. 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 that 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 Negotiated Indirect Cost Rate Agreement (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 verses 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 who work solely on a 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 she or he 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% for 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 accordingly.

Set—and Keep Up to Date—a Shared or Indirect Cost 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.

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 that includes detailed agreements on additional topics, such as shared assets, payroll, and human resources issues. This is especially common when the separate "project teams" come from different operational units or are from completely different organizations.

Q: Do we need a NICRA?

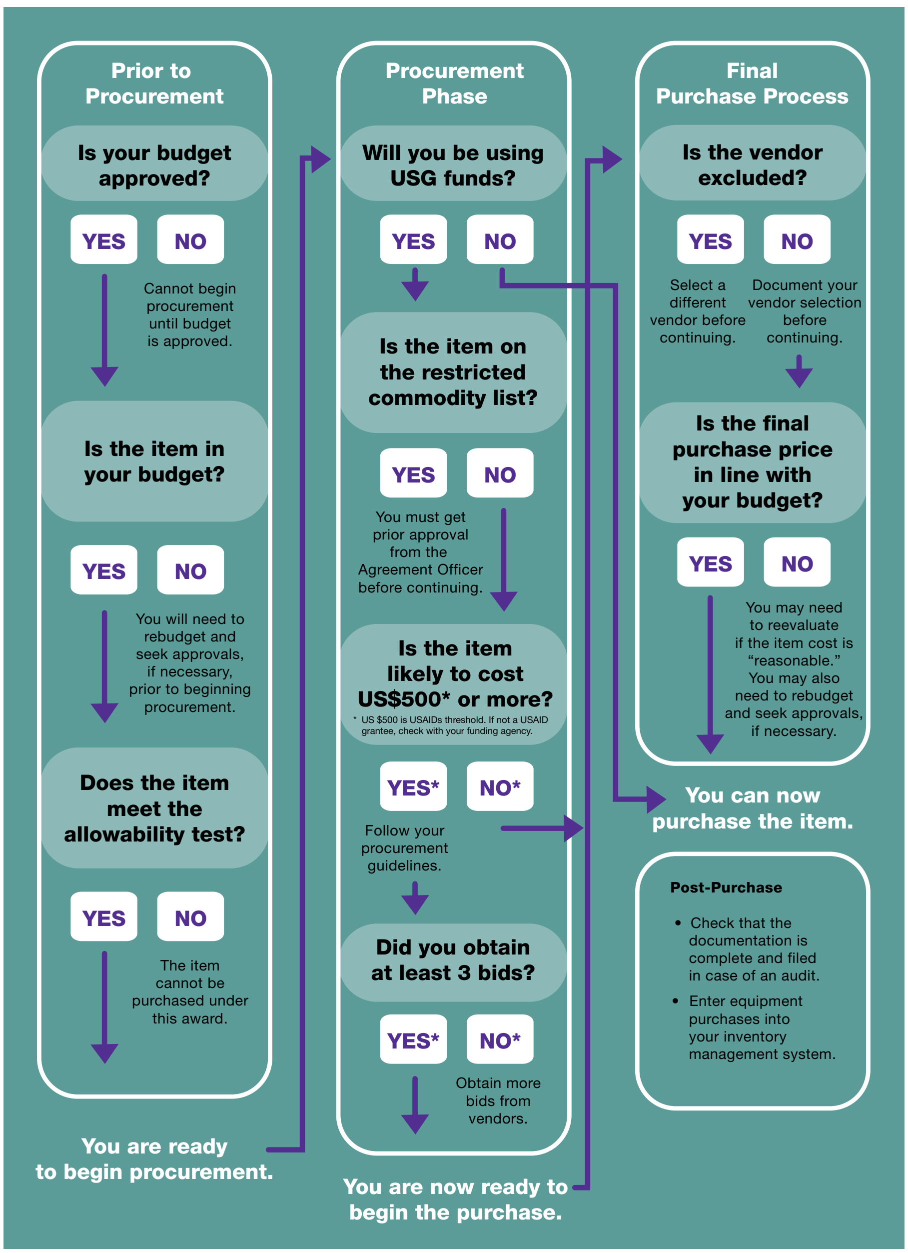
While an organization needs a method for figuring out how to allocate indirect or shared costs, it need not be a NICRA. Some organizations go through the process to establish a NICRA, but most will find that process time-consuming and that another method is more efficient.

5.3.2 Procurement

USG 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 and services in conflict with the public's interest. Therefore, you are required to carefully document your organization's procurement process and make sure that process is in line with USG requirements as outlined in, OMB Circular A-122.

Figure 26 shows a simplified procurement process map. There are even more detailed steps within each of these major steps. Every organization has a threshold above which it requires a special procurement process for soliciting and evaluating bids on large items costing more than this threshold amount.

Figure 26—Phases of Procurement



The diagram breaks down the process into three phases:

- **Pre-procurement**—Before you can procure an item, you must have an approved budget, and the specific item must be in the budget. If it is not, you will need to rebudget. If your rebudgeting amounts to significant rebudgeting, 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 (5.3.2.1) 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 a minimum of three 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.

Throughout the entire procurement process, several checks and tests are required to make sure the purchase is allowable. This section outlines these requirements. 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.

Requirements for Subrecipients

Almost all procurement limitations apply to both prime and subrecipients on an award. USAID requires that subagreements between the prime partner and subrecipients with procurements 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 subrecipients understand the process and regulations.

Procurement—Good Practices

- 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 work planning 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

USG funding comes with many stipulations on how USG money may and may not be spent. These 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 (5.3.2.2), source and origin restrictions (5.3.2.3), and vendor restrictions (5.3.2.4).

5.3.2.1 *Allowability Test*

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.

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 USG-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.

5.3.2.2 *Allowable Costs*

The most important concept in procurement under USG-funded awards is to understand what costs are and are not allowable. Allowable costs are things you are allowed to purchase or spend money on under your agreement. A number of rules address what is allowed and what is not allowed, including U.S. laws, 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 in your award.

Depending on the circumstance, a given 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, recipients are restricted by specific categories, including U.S. laws and funding agency regulations. One way for recipients to keep track of these restrictions is to develop lists of allowable and unallowable items, similar to the document in Figure 27. You can customize this list with specifics from your agency and 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, alcoholic beverages).

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 HHS Notice of Award contains procurement-related requirements under the Public Policy Requirements section.

Figure 27—Example of Unallowable Costs

	Category	Regulating Document	Examples of Limitations	Applies To
Policy/Law	U.S. Law	OMB Circular A-122	PROHIBITED: Alcoholic beverages	Applies to all USG funding
	Funding Agency Regulations	USAID ADS HHS Grants Policy Statement	RESTRICTED: Pharmaceuticals, vehicles, and agricultural commodities	Applies to agreements funded by that agency

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 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 USG funds, but you need prior written approval (a waiver) from the Agreement Officer (AO) or Grants Management Officer (GMO). The most common restricted commodities include:

- agricultural commodities
- motor vehicles (includes cars, motorcycles, mopeds, etc.)
- pharmaceuticals
- pesticides
- used equipment
- USG-owned excess property
- 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 or GMO*):

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

Prohibited Items

The following cannot be purchased with PEPFAR 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 that 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, alcoholic beverages, jewelry, or expensive textiles; and
- weather modification equipment.

Other Types of Restrictions

Other restrictions and prohibitions that are applicable to most USG global health and development funding are in OMB Circular A-122 (http://tinyurl.com/d7l7yr), "Cost Principles for Non-Profit Organizations," 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.

In addition, further restrictions may come from PEPFAR, your in-country team, or your Cooperative Agreement. 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.

Consequences of Misuse of PEPFAR Funds

The USG 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.

5.3.2.3 *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 USG 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 United States that is purchasing goods to be used domestically.

However, since spending for PEPFAR often occurs overseas, different regulations governing foreign acquisitions apply. Certain provisions in the U.S. Federal Acquisition Regulations (FAR Section 25.701) apply to grantees of most USG agencies operating overseas and restrict transactions involving the following countries as of April 2010:

- Cuba
- Iran
- Sudan
- Burma (Myanmar)
- North Korea

FAR regulations that apply to your organization are included in your Cooperative Agreement.

Additional Source/Origin Restrictions for USAID Partners
USAID-funded partners are subject to much more stringent source/origin restrictions than the general FAR restrictions outlined above. USAID partners may be assigned a "geographic code," which designates specific countries from which you are authorized to purchase goods and services. USAID-funded PEPFAR implementers may be assigned geographic code 935, which is found under the Attachment A—Schedule of your Cooperative Agreement.

Geographic Code 935

Geographic code 935 authorizes you to purchase goods and services from anywhere in the world (including the Uinted States and the country in which you are operating), except the following foreign policy-restricted countries as of April 2010:

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

If any component of the item you are purchasing was produced in one of these foreign policy-restricted countries, the item is ineligible for USAID financing.

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, and
- pharmaceuticals.

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.

Expedited Vehicle Procurement Procedure for PEPFAR Grantees

USAID announced a special expedited vehicle procurement procedure (EPP) for purchasing or leasing non-U.S.-manufactured vehicles, which is applicable to PEPFAR-funded programs. (See Procurement Executive Bulletin No. 2008-05 - http://tinyurl.com/c9zjod.)

This special procedure is in effect from February 14, 2008, through February 13, 2013, and applies only to USAID grantees receiving HIV/AIDS funds. USAID grantees with funds from other programs must still follow the standard procedure.

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 AOTR or 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

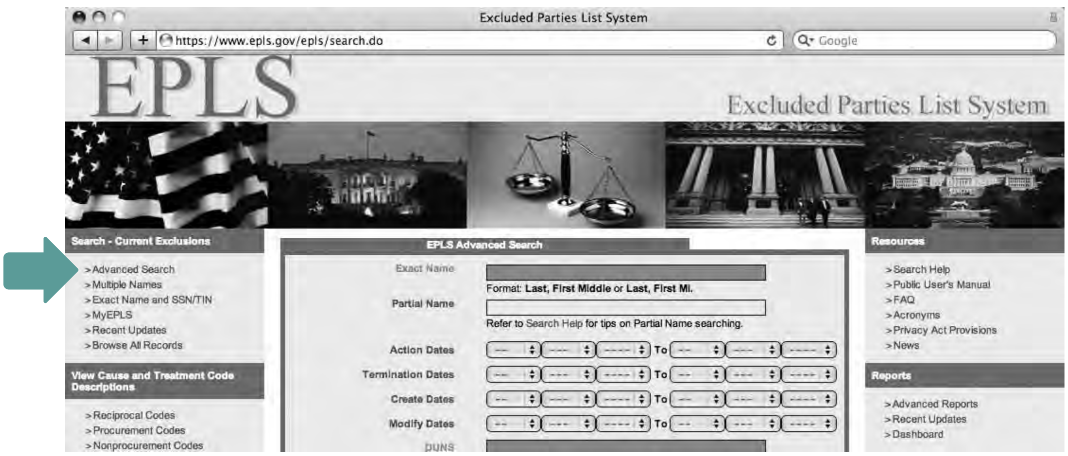
Implementation of the source/origin and local procurement regulations may be different for subawards under your current award when, for example, the prime recipient is U.S.-based and the subrecipient is based in a different country. Also, in future awards, you may find different rules pertaining to source and origin, and you may be assigned a different geographic code. For a complete explanation of the 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).

5.3.2.4 *Ineligible Suppliers/Excluded Parties List*

No procurement is allowed from suppliers listed on the Excluded Parties List. The Excluded Parties List is a database of various organizations that, for one reason or another, are not eligible to receive USG funds, even as a supplier. Using this system to check vendors prior to purchasing is part of your responsibility under the Terrorism Financing clause in the Special Provisions section (listed under Attachment A—Schedule) of your Cooperative Agreement, as well as the special provisions of Executive Order 13224 and USAID Eligibility Rules for Goods and Services.

To document that you have checked that your supplier is not included in the excluded parties list, first visit www.epls.gov.

Figure 28—Excluded Party List Web Site Search Page



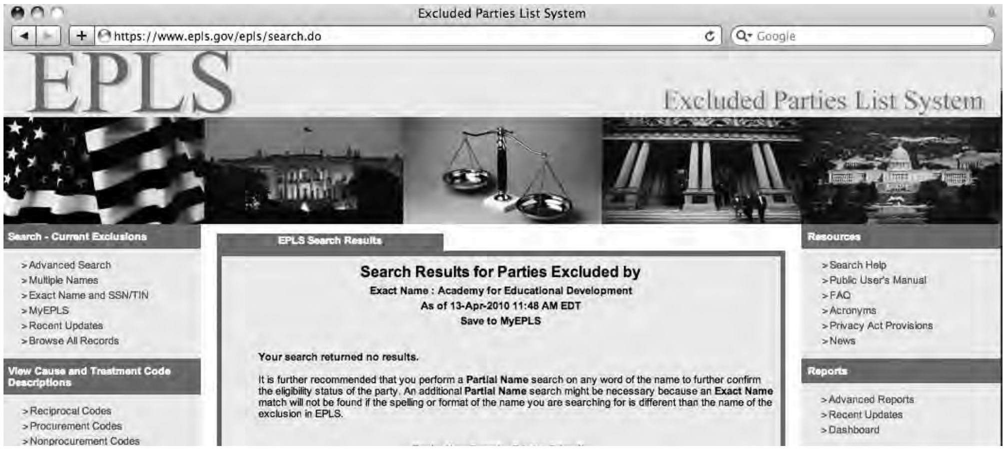
To search a supplier, click on "Advanced Search" in the upper left section of the homepage. After reading the information in the "Important EPLS Advanced Search Information" page and checking the box at the bottom, you should enter the full or partial name of the supplier as instructed, and click "Search" at the bottom of the screen.

If you get an exact match, you must find a new vendor. If you continue with the procurement, the costs will be unallowable and you will need to reimburse the USG.

If you receive a partial match, and it is clearly not the supplier you are considering, then 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 get no matches, then print the page and keep it in your files. This page shows the date and time of your search and the term you searched under.

Figure 29—Excluded Party List Web Site Results Page



5.3.2.5 *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 U.S. Government lists a unit cost threshold of US \$5,000 to categorize items as equipment. Your organization's threshold can be lower, but it cannot be higher than US \$5000. 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 the 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.

For the purposes of your USG award, it will stipulate that you must notify the AO or AOTR when you purchase equipment with a value of \$5,000 or more. Please see your award for specific procedures required by the funding agency.

5.3.3 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. To prevent excessive and overly expensive travel, your USG agreement contains a number of rules and regulations you are required to follow when traveling internationally for your project. If your NGO has its own written travel policy, you should also review its directives when making any travel arrangements.

5.3.3.1 Developing a Written Travel Policy

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. (Remember: In addition to your internal approval process, you must obtain USAID approval prior to international travel).
- 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 (e.g., 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 (e.g., 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®, that 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 an organization does not have a written travel policy?

If you do not have a written travel policy, the standard for determining the reasonableness of reimbursement is the regulations published by the U.S. Department of State. Rates are published monthly by country (and cities within a country) at http://aoprals.state.gov/web920/per_diem.asp.

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 organizations policy should address the amount of the advance and format for the request (e.g., travel advance form).

> **NOTE:** A common audit finding is that travel advances are not issued according to the organization's own policy.

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. Meals and incidental expenses (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).

Below is an example of the U.S. Department of State per diem rates for Botswana accessed from http://aoprals.state.gov/web920/per_diem.asp.

Figure 30—Sample Botswana Per Diem Rates

Country Name	Post Name	Season Begin	Season End	Max. Lodging Rate	M&IE Rate	Max. Per Diem Rate	Foot-note	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

If the city you are going to is not listed under the Post Name, use the "Other" rate (see column 2, above) 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.

NOTE: *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.*

When is a traveler entitled to the M&IE allowance?

The M&IE allowance is calculated on a daily basis. 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 or the USG default amount of 75%, whichever is less) 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 a meal is provided free of charge (for example, by another organization) during the trip?

The M&IE allowance should be adjusted if meal(s) are provided free of charge during one's travel for business purposes. The Web site for calculating reductions to the M&IE for the U.S. State Department per diem rates can be found at 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 should 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 breakfast).

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 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. If a traveler visits more than one location in a single day, the location with the highest M&IE rate should be used. If a traveler visits more than one country on a trip, then he or she should use the rate for each country for the days in that country.

What if the actual lodging cost or your M&IE costs exceed the maximum allowable USG rates?

While your organization's policy regarding the maximum amount for which you may be reimbursed may differ from USG policy, it is important to note that if lodging or M&IE exceeds the USG per diem rates established for the location, the traveler will have to pay the excess charge(s). 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.

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.

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

How does a traveler calculate expenses incurred with foreign currency?

In the case of international travel, most if not all of the expenses will be in foreign currency. To calculate these expenses, the traveler must provide appropriate receipts, with the currency rate(s) of exchange applicable for the period of time 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 or http://www.xe.com. Be sure to document the exchange rate you use by printing out the Web page and submitting it with your expense report.

5.3.3.2 *Travel Planning and Requirements*

Prior Approval Is Essential

Grantees funded by USAID must get prior approval in writing from the AO (unless delegated to the AOTR) before every trip, even if the trip was included in your workplan and budget. While your AO/AOTR may prefer to approve each trip individually, he or she may allow you to submit a list of all the trips to be taken that year in the annual workplan and then approve them all at once.

When requesting approval for international travel, provide the following information:

- dates of travel and return;
- destination country or countries;
- purpose and objectives of trip; and
- cost of trip and name of individual(s) traveling (if required by your AO).

Written approval, which can be a simple e-mail from your AO (or AOTR), should be saved for future reference and included in your documentation. If a travel need arises that you did not incorporate into your program documentation, you may request special approval. Please note that business class travel always must be approved individually by USAID. (See exceptions allowing business class travel in limited circumstances under Economy Seating Requirements.)

Grantees funded by HHS must ensure that their budgets and workplans include detailed information regarding the cost of each trip. Once your workplan and budget are approved, you may consider the trip approved unless the Grant Management Officer (GMO) requests additional information at the time of the trip.

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 USG personnel, you must notify your AOTR and in-country Activity Manager at least two weeks in advance of your travel.

This notice should include your award number, the AOTR's name, the traveler's name, date of arrival, and 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.

While HHS does not require its NPI grantees to notify its in-country donor representative of the traveler's presence in the country, it is good practice to do so.

For all NPI grantees, *where security is a concern* in a specific region, it is a good idea to notify the U.S. embassy of the traveler's presence when she or he has entered the country. This is 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.
- 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 air 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 Requirement

For official business 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.

Please note that 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.

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 your funding agency 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;
- the origin and the destination of the travel;
- a detailed itinerary of your travel, name of the air carrier, and flight number for each leg of the trip; and
- a 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 international (and domestic) travel, it is a good idea 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:

1. Begin with a short paragraph stating the purpose of the trip (why).
2. 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).
3. Point out important information you feel should be highlighted or stressed (what you learned).
4. If appropriate, end by stating any recommendations and any follow-up that should occur.

5.3.4 Use of USG-Funded Property

Equipment purchased through NPI programs remains the property of the USG until it has been vested over to you at the end of the project. You have procured the equipment to implement the program for which you have been funded.

You can use the equipment in the program for which it was acquired as long as you need it, whether or not USG funds continue to support the program. For example, if you purchased a vehicle to be used as a mobile testing unit funded by the USG, you can still use that vehicle for that purpose even after the USG 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 USG-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, you may use it in connection with other USG-sponsored activities at the direction and approval of the AO in the following order of priority:

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

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 USG 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 not allowed to use the property as collateral for a loan without USG approval.

When closing out its award, the organization submits a final disposition plan and inventory that accounts for any equipment and property acquired with USG funds or received from the USG. The decision regarding the right to the property rests with the USG.

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 USG funds using this type of system. However, you may choose to use this system for tracking additional items as well, such as computer equipment and other fixed assets with a lesser value that is determined by your organization.

Your property management standards for USG-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, USG stock number, national stock number, or other identification number;
  - source of the equipment, including the award number;
  - owner of the title—your organization, the USG, or other specified entity, such as the host government;
  - acquisition date or date received;
  - percentage of USG funds used to purchase the equipment—for example, if you used a 25% match, then the USG 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 USG for its share.
- A physical inventory of equipment containing results that are 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; furthermore, in connection with the inventory, you must verify the existence of, and current use and continued need for the equipment).
- 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 you must notify the AO promptly).

- 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 implement. As long as you keep your records organized, updated, and backed up on a disk, keep these data in a simple spreadsheet.

5.3.5 Requesting Modifications to Your Agreement

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

Changes Requiring Modifications

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" below.) The following list includes changes that must be documented in a modification to your agreement:

- **Major Scope Changes**—A change in scope or project objectives or adjusted targets 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 or Incremental Funding**—Additional funding is needed,
- **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 Subpartners**—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 the USG 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 you must 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 on a request. If you implement a change that is not approved, you may be required to pay back or cover the costs with private funds.

Modifications to your agreement require extensive paperwork for USG staff. Therefore, the AO may grant approval by e-mail, but then wait to execute the 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.

5.4 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. The most important tool you have to help manage your activities is your monitoring and evaluation (M&E) system (5.4.1).

The response to HIV/AIDS is continuously evolving, and your organization needs to learn and share (5.4.2) 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.

5.4.1 Monitoring and Evaluating (M&E) 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. But, having timely, good-quality data alone is not enough. You have to interpret them and use them to make evidence-based decisions to improve your program continually.

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 represent 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.

Interpreting Data to Make Decisions

As you track progress and report on actual 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.

Significance of Discrepancies between Targets and Actuals

You should expect discrepancies between targets and actuals. In that case, the project manager must to decide whether a particular discrepancy is "significant" enough to warrant further investigation. Possible action depends on:

- How dramatic the difference is: 10% more or less than expected? Half? 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 with its 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 three areas:

- problems with faulty or mistaken intervention design assumptions;
- poor program implementation; 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 refers 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 request these changes. In doing so, consider some of 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 us say your OVC program is underperforming, and you believe, in part, that there are fewer eligible OVC in the catchment area than you assumed is the cause. 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 consider reducing 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

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); 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, PEPFAR defines indicators clearly, and sometimes in-country teams set minimum standards. 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 definition for who meets the threshold to be counted, miscounting the number of beneficiaries may result.

Review the PEPFAR Indicators Reference Guide (http://www.pepfar.gov/documents/organization/81097.pdf) to ensure your definitions are accurate, and check on the existence of any additional in-country standards by consulting your in-country Activity Manager.

If you have reported results to PEPFAR that may have contained 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 you took 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;
- training problems, such as an ineffective trainers or ineffective training materials; and/or
- political turmoil, natural disasters.

Developing Solutions

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

If you find multiple reasons for a discrepancy, do not try to address all of them at one time. 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 make up for target discrepancies. You can always request additional time later.
- Document any adjustments, so you will not repeat mistakes.

5.4.2 Learning and Sharing

Learning and sharing should take place at numerous levels within your program, within your organization, and among programs and organizations.

Sometimes, the USG or others in-country facilitate forums that you can attend. But 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 will not happen.

Benefits of Learning and Sharing

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 others 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 with other staff avoid experiencing a knowledge vacuum when key staff leave.
- Organizations that share knowledge with subrecipients and implementing community organizations help to create 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 of the HIV/AIDS response, thereby positioning you better to win 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 lunch.
- *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 words 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.
- *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.
- *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.
- *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 you already promote sharing? What external forums could you participate in? Ask your staff for suggestions about what training they feel they need 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 it 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.

5.5 Summary

Running an effective and compliant program covers an array of management areas, including both administrative and technical topics. 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 USG-funded agreements, especially in 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, so you can maximize effectiveness. Finally, this chapter outlined requirements and best practices related to technical program management.

A key aspect of managing USG-funded HIV/AIDS programs this chapter did not cover is reporting. Due to the number and complexity of USG reporting requirements, this topic is covered separately in Chapter 6, Reporting: Requirements and Benefits.

SF-425

Value-Added tax

Reporting

annual audit

performance report

Chapter 6: Reporting: Requirements and Benefits

6.1 Overview

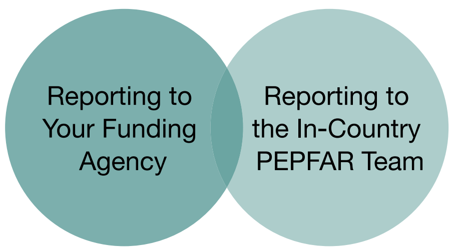
Reporting is the primary way you demonstrate that you are meeting the expectations of your award and complying with the donor's requirements. Timely and accurate reporting goes a long way toward building a strong relationship with the donor and providing evidence of the impact of your program.

Skip Ahead

- Due Dates
- SF-425
- SAPR & APR
- In-Country Reporting
- Annual Audit
- Foreign Tax Report

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, reporting can enhance the daily operations of your programs by helping you examine the financial and programmatic health and performance of your organization and activities. It also gives you the opportunity to strengthen ties with your partners and the larger PEPFAR program. By seeing reporting as a process that improves your ability to serve your beneficiaries, you will come to experience the benefits of reporting.

Figure 31—Reporting



This chapter covers general reporting tips and details about the specific reports you are likely to encounter as a PEPFAR partner. The first part, "Getting Started" (6.2), gives program managers new to U.S. Government (USG) reporting several tips to get the most out of the reporting process. This chapter also outlines key reporting due dates (6.2.2) and tips to prepare for special or unanticipated reporting requests.

"Your Reporting Requirements" (6.3) details four of the reports outlined in your Cooperative Agreement. While each agreement may vary slightly, most PEPFAR partners must prepare and submit these reports. Double-check your agreement for specific requirements. In addition, a special section on In-Country PEPFAR Reporting (box in 6.3.2) discusses your organization's contribution to the in-country PEPFAR reporting process.

Objectives

- Learn best practices for assembling effective reports.
- Understand the specific reporting requirements and due dates that are common to most USG-funded PEPFAR partners.
- See how your reporting contributes to the larger PEPFAR reporting picture.
- Gain an appreciation of how reporting enhances your ability to serve beneficiaries

Key Terms and Acronyms

- **Activity Manager or "Field Activity Manager"**—For NPI, the USG representative designated to serve as an organization's in-country point of contact. This person may be from any of the USG agencies involved with PEPFAR implementation in your country.
- **APR**—Annual Performance Report.
- **COP**—Country Operational Plan. The annual program plan developed by each PEPFAR in-country team.

- **Fiscal Year**—A fiscal year (or financial year, or sometimes budget year) is 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.
- **FMO**—Your funding agency's Financial Management Office.
- **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.
- **SAPR**—Semi-Annual Performance Report.

6.2 Getting Started

Program managers new to USG reporting may find the forms, due dates and complex 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.

This section includes five tips for producing excellent reports as well as a list of key reporting due dates (see Figure 32). In addition, the section provides some general guidelines for maintaining your data systems to help you prepare for special unplanned reporting that PEPFAR partners often must do. Together, these tips will help you lay the foundation for successful reporting.

6.2.1 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 give an honest assessment. Program managers who demonstrate they can overcome unforeseen challenges make positive impressions on donors.

2. *Develop a reporting calendar and timeline.*

   To ensure you have plenty of time to devote to assembling good reports, outline all 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 contributes to subrecipients' capacity building 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 the USG.

4. *Tell the same story in all of your reports.*

   There is a negative disconnect if your performance reports describe a financially healthy program, but your 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 will get an accurate perspective. Quantify all 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.*

   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 (see Chapter 5 for more tips on communicating with your AOTR).

6.2.2 Reporting Due Dates

Figure 32—Reports, Frequency and Submission Dates

Report	Frequency	Due date to be submitted
Federal Financial Report	Quarterly	Thirty days after the end of each quarter of the USG fiscal year: January 31, April 30, July 31, October 31
Performance Report	Twice annually	Set by your funding agency; if your funding agency does not specify a due date, semi-annual reports are due 30 days after the reporting period ends, and annual reports are due 90 days after the reporting period ends
In-Country PEPFAR Reporting	Varies by country (2–4 times a year)	Set by the PEPFAR Country Team; may coincide with the performance reporting schedule; some countries require quarterly target reporting
Annual Audit	Annually	Thirty days after you receive it from your auditor; the audit and report must be submitted within 9 months after the end of your fiscal year
Foreign Tax Report	Annually	April 16
Final Report*	Once per award	Ninety days after the end of the award

* The Final Report is covered in Chapter 9, Award Close Out.

6.2.3 Preparing for Other Reporting Requests

PEPFAR partners are often asked to respond to a number of special unplanned report requests, generally referred to as "ad hoc reporting requests." These requests demand a quick response and generally include target or budget status or estimates. PEPFAR Country Teams may request these reports in response to inquiries from the host government or the Office of the U.S. Global AIDS Coordinator (OGAC), and they are often used to plan for future budgets and program area needs. They are particularly common in the run-up to the Country Operational Plan (COP) planning season. Examples of ad hoc report requests include information on targets reached to date in a specific district that the host government may need for a gap analysis, or the amount you have spent as of a certain date so your funding agency can determine if it needs to allocate additional funds to your award.

Along with the ad hoc report request, 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 monitoring and evaluation (M&E) and financial systems are up to date, it probably will not take you long to pull the numbers together. However, if you do not have a disciplined process for data entry, you may have to scramble to compile these numbers on short notice. Even though your agreement only states that you need to report on targets twice a year and finances quarterly, a well-run organization will be prepared to provide accurate and up-to-date M&E and financial reports on short notice.

6.3 Your Reporting Requirements

This section outlines the four reports required of USG-funded PEPFAR programs:

Federal Financial Report (6.3.1)
Performance Reports (6.3.2)
Annual Audits (6.3.3)
Foreign Tax Reporting (6.3.4)

Figure 33—Reporting Requirements

Federal Financial Report	Annual Audit
How is the program's financial health?	Is your organization functioning properly?
Performance Report	**Foreign Tax Reporting**
Are your activities achieving their goals?	Is the host country complying with USG agreements?

The reports shown in Figure 33 are due to your funding agency as outlined in your Cooperative Agreement.

In addition, a special section addresses the reporting required by the PEPFAR Country Team (Figure 39 in 6.3.2). Reporting related to award close out is covered in Chapter 9 of this *Guide*.

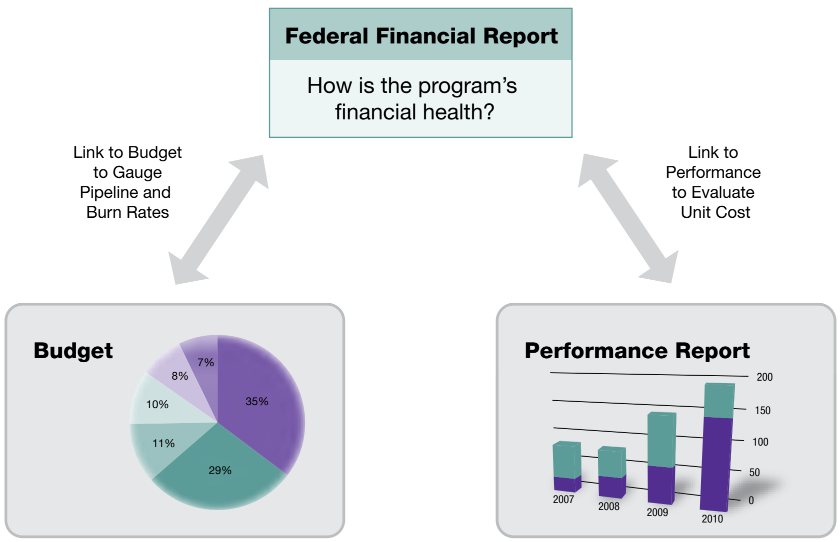
6.3.1 Federal Financial Report (SF-425)

The Federal Financial Report 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 Financial Management Office (FMO).

> **SF-425 Key Points**
>
> **Due:** Quarterly
>
> **Form:** SF-425 A (pdf) (http://www.whitehouse.gov/omb/grants/sf269a.pdf)
>
> **Submit to:** FMO (cc: AOTR & AO)

Figure 34—Measuring a Program's Financial Health



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 Chapter 5.)

Report Specifics

Your Cooperative Agreement lays out your obligation for financial reporting, including:

- when (and how often) to submit reports;
- what form to use; and
- how (and to whom) to submit reports.

Limits on Reporting Requirements—Regulations governing financial reporting state that your funding agency has the authority to decide how often you must submit financial reports, within certain limits. An agency must require you to report at least annually, but cannot require you to report more frequently than quarterly.

When Is My Federal Financial Report Due?

Federal Financial Reports are due 30 days after the end of a quarter, based on the USG's fiscal year (October 1–September 30). You are required to report every quarter through the end of your award. At the end of your award, you will submit a final Federal Financial Report within 90 calendar days. Figure 35 lists the due dates for each quarter and what period each report covers.

Figure 35—Financial Report Due 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

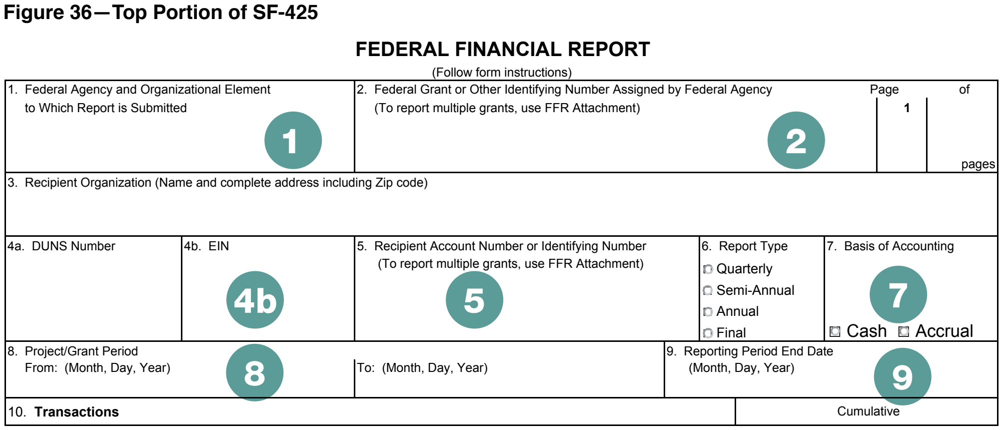
How to Fill Out the SF-425A

Filling Out the SF-425A

Use a separate SF-425 for quarterly reporting for each Cooperative Agreement. Begin by downloading a PDF version of 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 36. It asks for basic information about your organization, grant, and the period covered in this report.

Figure 36—Top Portion of 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: Quarterly / Semi-Annual / Annual / Final
7. Basis of Accounting: Cash / 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**—Most NPI awardees report on a cash basis; your accountant or financial manager will know whether you are reporting on 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 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 37—Middle Portion of the SF-425

10. **Transactions**	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	
(Use lines d-o for single grant reporting)	
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)	

Section 10: Transactions

Federal Cash

(a) **Cash Receipts** – Enter the total amount of actual cash received (before deduction of bank fees and other misc. fees) from the USG through the end date of the reporting period specified in line 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 the most recent modification.

(e) **Federal share of expenditures** – Enter the total USAID obligated funds expended as of the reporting period end date. For Grantees working on a cash basis this amount should equal 10(b), Cash Disbursements. For Grantees working on an accrual basis, please enter the total USAID obligated funds disbursed/expended plus funds committed.

(f) **Federal share of unliquidated obligations** – Enter the total unexpended USAID obligated funds as of the reporting period end date. This amount should be calculated by subtracting the Federal share of expenditures, 10 (e) from the current obligation amount as listed in the most recent modification.

(g) **Total Federal Share** – Enter the total sum of expended fees (e) plus the unexpended USAID obligated funds.

(h) **Unobligated balance of Federal Funds** – Calculate this by deducting the federal share for unobligated obligations and expenditures from the total federal funds authorized.

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 from OAA, 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 i minus line j.

Program Income

If your agreement allows for program income, please refer to the detailed instructions on how to fill out lines 10(l) through 10(o) 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.

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.

Figure 38—Bottom Portion of the SF-425

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
				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:

Section 11: Indirect Expense

Complete this information only if the USG requires it 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.

Submitting the SF-425

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/PO. HRSA grantees report through the web-based payment management system. 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.

6.3.2 Performance Reports (Annual and Semi-Annual)

Performance reports examine how the project is progressing and compare actual results with the targets in the workplan. You compile these reports every six months, corresponding to the dates of your annual workplan. The Semi-Annual Performance Report (SAPR) covers the first six months of your implementation, and the Annual Performance Report (APR) is cumulative, covering the entire year of implementation.

Key Points

Due: Semi-annually (dates correspond with annual workplan)

Form: No fixed form, but USAID provides a template for NPI grantees

Submit to: AOTR & in-country AM

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, preparing performance reports is a good opportunity to check in with all aspects of your program.

In-Country versus Funding Agency Performance Reports

Both you and your funding agency and the PEPFAR Country Team require SAPRs and APRs. In some cases, the requirements have been harmonized, so you submit the same report on the same schedule to both. However, there may be different requirements, and you will need to customize your submissions to each. See Figure 39 section on In-Country PEPFAR Reporting for more on what to expect.

Report Specifics

You must produce performance reports every six months describing how the project is progressing and comparing actual results with the targets in your workplan. Your Cooperative Agreement requires these reports, and they fulfill in-country reporting requirements. If you have a multi-country award, you need to consolidate your separate reports for each country into one report. Submit copies of all reports to your AOTR and the in-country Activity Manager.

Performance reports contain a narrative and data as directed by your AOTR. The following tips will help you develop the best semi-annual performance report possible.

1. *Start by involving subrecipients and staff.*

   Writing performance reports provides opportunities to talk to your staff and subrecipients about your program. To aid this process, give subrecipients a simplified reporting template and a deadline for submitting their contributions to the report. Gather your staff to discuss progress over the past year. In addition, allow sufficient time between the subrecipient's deadline and the submission date to consolidate and finalize your report.

2. *Be aware of in-country requirements.*

   As you plan for your report, be sure you know requirements and deadlines for in-country reporting. Some countries' requirements are very different from what your AOTR requires. Always check to make sure requirements have not changed from last year.

3. *Do not surprise your AOTR.*

   When your AOTR reads your report, there should be no surprises. Ensure that your AOTR and the in-country Activity Manager are 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 in the performance report. This should document these changes and update your progress since putting these changes into place.

4. *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; it is one of the documents you use to market your organization. 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.

5. *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. You should be able to demonstrate the successes and challenges by looking at your data, including both financial performance and the unit cost of a service.

6. *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 the goals you laid out in your workplan and workplan budget. This comparison shows whether your program exceeded, met, or fell short of your expectations.

7. *Preview your next workplan.*

   Use the performance report as a baseline for future activities. You should 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.

8. *Link to the in-country PEPFAR program.*

   Your program is not a stand-alone effort; you are working as a piece of a much larger effort in the country where you are implementing. Your program links to other programs through referrals, building the capacity of local NGOs, participating in technical working groups and demonstrating and sharing your successes with other NGOs. 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 the wider PEPFAR program targets in your country.

9. *Keep documentation for your final performance report.*

   Performance reports and workplans tend to make us focus too much on the yearly segments of our programs. 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 of HIV/AIDS in the communities where you work to be more effective, sustainable, and efficient. As you refine your model, document your activities. This helps you write your final performance report, and it provides 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 that may have occurred in the past.

10. Share with subrecipients and staff.

You began this process by gathering input from subrecipients and your staff. Close the loop at the end of the process by sharing the final document with your team. Often, partners and staff become focused on their piece of the puzzle. Sharing the overall program performance reports with everyone is an opportunity to keep your team engaged and focused on the bigger picture. Consider taking a few hours to give an overview of the report and (as with tip #7 above) to present a preview of upcoming adjustments in the coming year.

Sample Performance Report Outline

Your AOTR may provide you with a template for your Semi-Annual or Annual Performance Report, but, if not, the following outline may help you get started.

I. **Title Page**
- Cooperating Agency Name/Program Name
- 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 PEPFAR Indicators**—Targets and results

VI. **Project Implementation by Strategic Objective**—Project activities summarized by strategic objectives

VII. **Monitoring and Evaluation**
- 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**

XII. **Conclusion**

No matter how you format your report, it is important to check your funding agency's specific requirements and always include the following information:

- A comparison of actual accomplishments with the targets you set for that period. These targets should correspond to the 6-month and 12-month targets laid out in the Workplan Logic Matrix of your workplan. Remember that the 12-month targets in your Annual Report are cumulative totals for the entire year, not just the targets you reached since the SAPR.
- 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.

Agency-Specific Requirements

Typical USAID agreements list your performance reporting requirements under Attachment A—Schedule, under A.5.2 (a). In-country reporting requirements are listed under paragraph (d) of that same section.

Your HHS Notice of Award generally will list the applicable program regulations, including 45 CFR 74. Subparagraph 51 of this regulation outlines the reporting requirements.

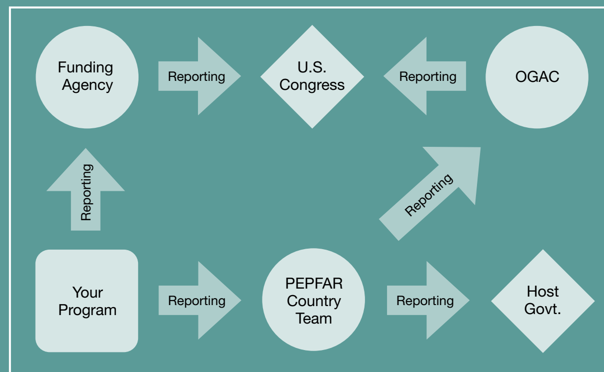
Due Dates

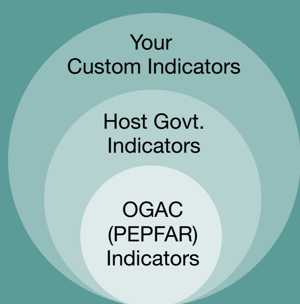
Your funding agency sets due dates. The period covered should coincide with implementation of your annual workplan. For the reporting priod October –March, the SAPR is due 30 days later (normally April 30th). For the reporting period April–September, the annual report is due 30 days later (normally October 31st). If your AOTR does not set a due date, you must submit your Semi-Annual Report 30 days after the end of the first 6 months of the reporting period, and your Annual Reports 30 days after the end of the program year. The final report is due 90 days after the end of the project.

Figure 39—In-Country PEPFAR Reporting

In-Country PEPFAR Reporting

In addition to the performance reports your funding agency requires, PEPFAR partners are required to report to their PEPFAR Country teams. The PEPFAR Country Teams, in turn, report to the Office of the U.S. Global AIDS Coordinator (OGAC), and the host government. OGAC is the office that coordinates the activities of the USG's PEPFAR program and reports to the U.S. Congress on the status of the program. The host government is responsible for setting priorities in its country and coordinating all HIV/AIDS programs, including PEPFAR-funded programs and programs funded by other sources, such as the Global Fund.





In other words, the data from your performance reports flow "downstream" and are used to report to the host government and the U.S. Congress, both of which ultimately want to ensure that the beneficiaries are receiving effective, quality services, and that U.S. taxpayers' money is being used wisely.

Each in-country process varies slightly in response to the needs of the host government. In general, the in-country reporting is more focused on the data elements and less focused on the narrative details that your funding agency uses to monitor your program's progress. At a minimum, you will report the number of targets your program has reached on all relevant standard PEPFAR indicators. In addition, most countries have their own country-specific indicators on which you will report. The host government defines these and uses them to monitor and track all programs operating in its country.

At a minimum, you will be required to report to the PEPFAR Country Teams every six months. However, some countries require quarterly reporting. How you are required to report PEPFAR targets varies widely from country to country. Some have spreadsheets or other templates that you will be instructed to fill out and return by e-mail. Other countries have Web-based tools or other database tools you may need to learn how to use.

You are responsible for gathering all the data necessary to meet these reporting requirements. The PEPFAR Country Teams usually have a Strategic Information (SI) Technical Working Group (TWG) or SI Liaison that coordinates the data and reporting requirements for the PEPFAR partners in-country. This body or person will inform you of the requirements, either through your in-country Activity Manager (AM) or directly from the SI team. If you are not familiar with the in-country requirements, ask your AM for guidance. It is best to know the requirements early, since the PEPFAR Country Teams are usually very busy around reporting time and might not be able to help you. Reporting your targets to the PEPFAR Country Teams is an excellent opportunity for you to prove the effectiveness of your program. Accurate and timely reporting of targets will prove to them that you are a valuable contributor to their in-country program.

6.3.3 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 USG funds to ensure 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 USG funds conducts the annual 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/form options.html) plus attachments (see Audit Package box, below)

Submit to: U.S.-based organizations submit to the Federal Audit Clearinghouse; non-U.S.-based organizations submit to their funding agency

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 come in and 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 that everything is running the way it is supposed to and to catch any problems early.

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 partner. In other words, if an organization has a Cooperative Agreement providing direct funding from USAID, and it also receives funding from a CDC grant as a subrecipient to another international NGO, the auditor will conduct one audit that covers both of those awards. Not every organization that receives funding from the USG (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 receive 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 receive at least US$300,000 USG funds during their fiscal year.
- Foreign nonprofit organizations where the principal USG donor is HHS agencies (HRSA or CDC) must conduct an annual audit if they receive at least US$500,000 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).
- For-profit organizations where the principal USG donor is HHS agencies (HRSA or CDC) must conduct an annual audit if they receive at least US$500,000 USG funds during their fiscal year.

If your organization does not meet any of these thresholds, it is exempt from 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 USG request.

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 USG 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 USG 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.

Subs submit their audits directly to the USG. 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. The USG 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 and all HHS partners must follow the procurement process and regulations stated in their Cooperative Agreements.

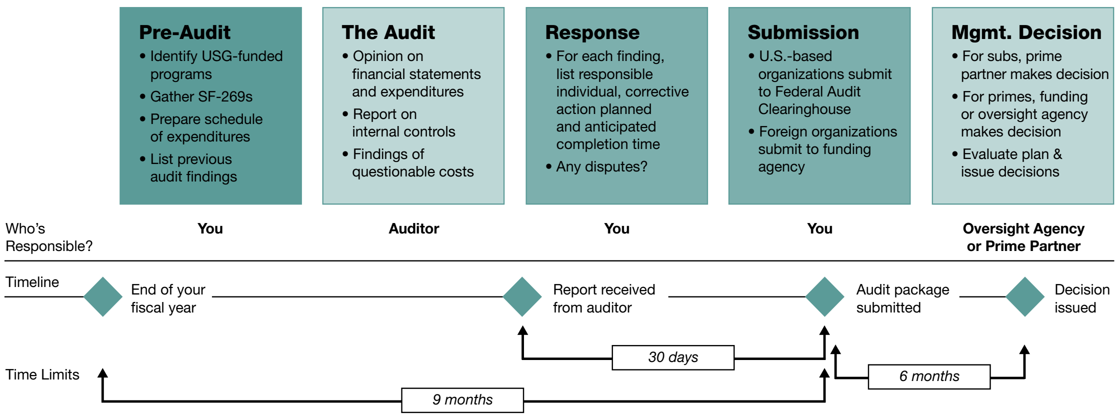
If an audit is determined necessary for a USAID-funded, for-profit organization, a USG official may conduct it, rather than a private auditor. If a USG auditor is not available, USAID will direct the for-profit organization to hire an independent auditor.

All costs for properly conducted audits are allowable and may be charged to the award.

The Audit Process

Figure 40 gives an overview of the audit process, then several of the key steps you are responsible for are outlined in more detail.

Figure 40—Key Steps in the Audit Process



The audit process comprises six phases:

1. **Pre-Audit**—What you must prepare before the auditor can begin the formal audit. Identify all USG funds received and the programs under which you received them. Gather financial reports (such as SF-425s) covering the fiscal year being audited. Prepare a schedule of expenditures made under your USG awards, and prepare a schedule 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.

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132
USA

4. **Submission**—Assembling the required documentation and submitting it to the USG. 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 9 months after the end of your fiscal year (the audit period). You are not required to

submit your audit package directly to your USG funding agency. Instead, you will submit one copy to the FAC, plus one for each USG agency that had audit finds in your report. The FAC will then distribute the copies to your funding agency.

Foreign and for-profit organizations may have different submission rules set by their funding agency. Please contact your funding agency or in-country or regional mission office for guidance.

After completing you corrective action plan, compile the rest of your audit package (see box at right).

The Audit Package

- SF-SAC Form (Data Collection Form for Reporting on Audits)
- 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

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 auditee action, such as repaying disallowed costs, making financial adjustments, or taking other action.

If the auditee 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.

6. **Post-Audit**—Follow-up; 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 a particular USG agency, that agency still may request a copy of your audit directly from you. Further, the USG 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. The USG retains the right to conduct or arrange for additional audits, reviews, and evaluations.

6.3.4 Foreign Tax (VAT) Reporting

Foreign Tax (VAT) Reporting Key Points

Due: Annually on April 16

Form: No standard form; see below for outline

Submit to: If not specified, submit to FMO, AOTR, and AM

Organizations implementing PEPFAR and other USG-funded health and 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

How Does This Report Help My Program?

The Foreign Tax Report helps ensure that you are using the USG funds for their intended purposes. The USG 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 purchased in-country
- Customs duties levied on commodities imported into the country for use in USG-funded projects

Taxes Not Exempt

- VAT or sales tax levied on items purchased outside of the host country where you are implementing your USG-funded program. For example, if an organization purchases commodities in South Africa for use in its USG-funded project being implemented in Mozambique, it would not be exempt from paying VAT in South Africa.
- Organizations with headquarters (HQ) 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 the USG 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.

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 USG-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 U.S. Mission regarding the rules in the country where you are working.

Work with the in-country USG 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.

You will need to work with the USG in-country team to answer these questions. If your funding agency has an in-country office, then you should start there. If not, then ask your in-country Activity Manager, your TA provider, other organizations that receive PEPFAR funding, or your AOTR for further guidance.

Who Must Report?

Any organization that purchased US$500 or more worth of commodities with USG funds, or paid any customs duties in the country where it is 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 are all 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 USG-funded project. (Report the purchase regardless of whether the specific purchase is made with USG funds or is part of cost share, as long as it is a legitimate part of the project.)

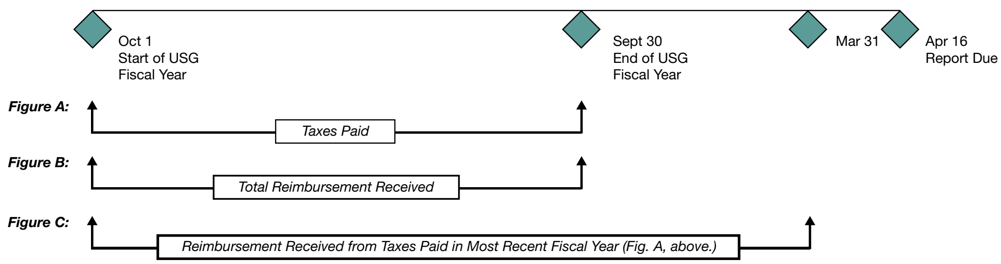
When Is the Report Due? What Time Frame Should It Cover?

The report is due annually on April 16 and must cover the period, Oct. 1 of the previous fiscal year through Sept. 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.

Figure 41—Period Covered in Foreign Tax Reporting



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 your funding agency (usually the U.S. embassy or your funding agency'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 USG 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 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
- report 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 42 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 42—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 should 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 will also want to make sure you have a policy for keeping copies of receipts and reimbursement requests sent to the host government or USG office, as applicable (see Figure 43). You will want to customize your process so it fits in with the host-government and USG 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 43 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, which 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 43—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.

6.4 Summary and References

The key to successful reporting is simply knowing the requirements and giving yourself enough time to meet the deadlines. This chapter outlined the requirements to give you a clear understanding of what the USG expects; now it is up to you to get started early and submit your reports on time!

This chapter also outlined the specific reporting requirements and due dates common to most USG-funded PEPFAR partners and discussed best practices for assembling effective reports.

But it is also important to understand more than just the requirements and due dates; it is also helpful to understand why reporting is important. This chapter explained how your reporting contributes to the larger PEPFAR reporting picture and helped you gain an appreciation of how reporting enhances your ability to serve beneficiaries.

Resources and References

General

- HHS Grants Policy Statement
  http://www.hhs.gov/grantsnet/docs/HHSGPS_107.doc

Financial Reporting

- Administration of Assistance Awards to U.S. Non-Governmental Organizations
- USAID: 22 CFR 226
  http://ecfr.gpoaccess.gov/cgi/t/text/textidx?c=ecfr&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl
- HHS: 45 CFR 74
  http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title45/ 45cfr74_main_02.tpl

  (See subsection 51 for Program Reporting; 52 for Financial Reporting; and 71 for Final Reporting. These subsection numbers apply to both the USAID and HHS regulations, which are nearly identical.)

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://tinyurl.com/4f4t75
- FAR (48 CFR part 42)
  http://tinyurl.com/3qlg6o

Foreign Tax Reporting

- Guidance on Section 579 Implementation (Taxation of U.S. Foreign Assistance)
  http://www.state.gov/s/d/rm/c10443.htm

donors

Funding

assistance

research

mechanisms

Chapter 7:
Seeking Future Funding

7.1 Overview

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

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

Skip Ahead

- Research Funding Opportunities
- USG Funding Mechanisms
- Funding Competitions
- Designing Programs
- Standard Budget Categories
- Partnerships

Objectives

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

Key Terms and Acronyms

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

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

7.2 Getting Started

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

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

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

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

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

7.2.1 Five Tips for Seeking Funding

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

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

2. *Start pilot projects with private funds.*

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

3. *Provide specifics in proposals.*

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

4. *Build a network of partners.*

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

5. *Be precise in responding to solicitations.*

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

7.3 Researching Funding Opportunities

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

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

7.3.1 Defining Donors

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

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

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

7.3.2 Common Types of Donor Organizations

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

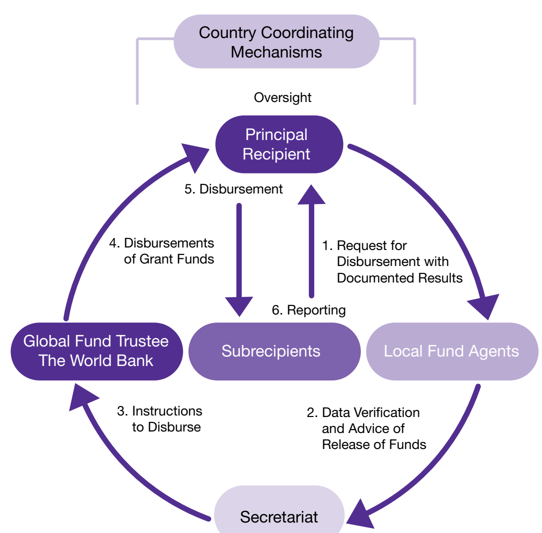
- Host Governments—Government ministries often have programs that provide funding to NGOs to implement HIV/AIDS programs. Their priorities typically are outlined in country strategic planning documents, which may include details on how they plan to fund the needed efforts in their countries.
- Other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

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

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

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

Figure 44—Global Fund Country Coordinating Mechanism



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

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

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

7.3.3 Private Sources of Funding

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

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

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

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

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

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

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

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

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

Figure 45—Overview of Sources of Fundraising*

Source	Advantages	Disadvantages
Individuals	• Grassroots source one can build • Donors may become potential advocates • Volunteers may be source of money and/or connections to other sources	• 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	• 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	• Large sums of money may be one-time • May be tied to very specific goals not aligned with NGO's
Corporate Foundations	• May be source of large sums of money • Smaller funding may be ongoing • Accessible, professional staff • Attuned to community needs	• May be tied to very specific goals not aligned with NGO's
Large Corporations	• May be source of large sums of money • Smaller funding may be ongoing • Professional staff • May have less formal application process	• 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)

*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 that will maximize the effectiveness of your time and energy, create a chart like the one in Figure 46 that analyzes your most likely funding sources.

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

Source	Advantages	Disadvantages
Corporate Cause-Related Marketing	• 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	• 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	• Very informal • Money may be ongoing • Personal connections are key • Local focus is important • Not fussy about grant format	• Small amounts of money • Narrow range of interest • Personal contacts mean a lot
Churches, Faith-Based Organizations, Associations	• Often looking for group projects • May be grass roots-focused • Committed to public good	• In-kind services most likely • Need to match their service, local, or religious outlook
National/Local Government (i.e., Host Governments)	• Large sums of money possible • Clear guidelines, processes, deadlines • Political clout helps • May be source of ongoing funding • Focus is public good	• 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.)	• Large sums of money possible • Clear guidelines, processes, deadlines • May be source of ongoing funding • Focus is public good	• 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.)	• Large sums of money possible • Clear guidelines, processes, deadlines • May be source of ongoing funding • Focus is public good	• 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

Figure 46—Sample Funding Source Analysis*

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

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

7.4 Applying for USG Funds

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

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

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

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

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

- Grants.gov Applicant Resources
  http://grants.gov/applicants/app_help_reso.jsp
- FedBizOpps Vendor Guide
  https://www.fbo.gov/downloads/FBO_Vendor_Guide.pdf

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

7.4.1 USG Funding Mechanisms

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

7.4.1.1 Acquisition versus Assistance

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

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

7.4.1.2 *Cooperative Agreements versus Grants*

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

7.4.2 USG Funding through Competitive Processes

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

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

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

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

Types of Solicitation Mechanisms

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

7.4.2.1 *Annual Program Statement (APS)*

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

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

7.4.2.2 Request For Applications (RFA)

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

7.4.2.3 Request For Proposals (RFP)

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

7.4.2.4 Re-Competes

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

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

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

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

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

7.4.2.5 Multiple-Stage Competitions

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

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

7.4.2.6 *Subgranting Mechanisms*

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

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

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

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

7.4.2.7 *Pre-Solicitation Notices*

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

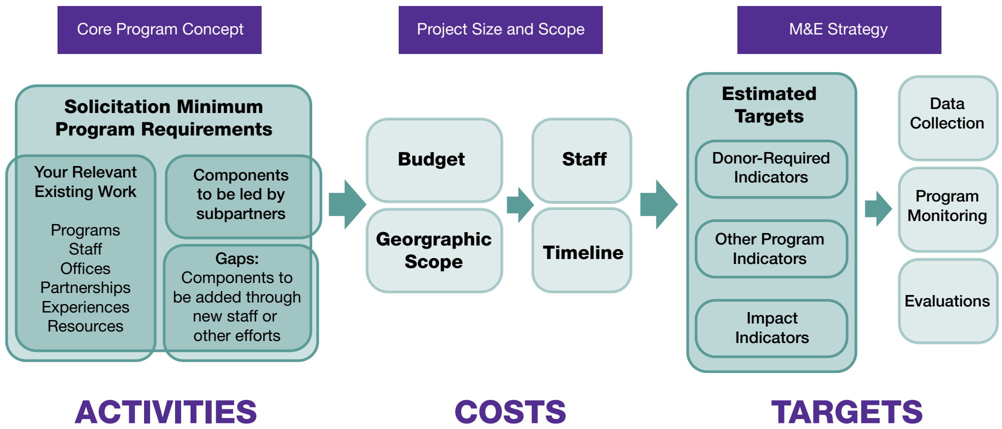
7.5 Designing Programs

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

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

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

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



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

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

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

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

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

7.5.1 PEPFAR and In-Country Programmatic Guidance

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

PEPFAR Guidance

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

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

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

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

In-Country Guidance

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

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

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

7.5.2 Developing Targets

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

7.5.2.1 *Defining Indicators*

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

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

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

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

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

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

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

7.5.2.3 *Past Program Data*

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

7.5.2.4 *Linking Program Targets with Impact Indicators*

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

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

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

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

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

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

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

7.6 Budgeting

Sizing Your Budget and Program

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

Some solicitations do not give an exact funding amount, but they may provide a range or state the total available funding and the expected number of awards. For example, an APS (7.4.2.1) might announce it has an estimated US$20 million available to fund between five and eight three-year projects. That would mean, on average, the USG expects to award each organization between US$800,000 and US$1.3 million annually. Using this range as a starting point, you can estimate the geographic scope and/or number of beneficiaries you can expect to reach.

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

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

Budget Analysis

During the application review process, evaluators will scrutinize your budget to see how you intend to spend the award funds and to make sure the items are allowable under USG rules. There are no concrete rules, but generally it is best to avoid:

- ***Excessive headquarters costs***

  Programs seeking to provide services to the field suffer when large proportions of the funding are spent at an organization's headquarters on items that have little impact in the field.
- ***Excessive international travel***
- ***Higher-than-expected costs per beneficiary***

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

7.6.1 Standard Budget Categories

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

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

Find It Online

SF-424A—Budget Information—Non-Construction Programs

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

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

Personnel

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

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

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

Fringe Benefits

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

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

Travel

The travel budget should be broken down into the following:

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

The travel budget should include the following:

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

The travel budget should not include:

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

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

- number of people traveling
- destination
- duration

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

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

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

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

Contractual
This category may include individual consultants and subrecipients.

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

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

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

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

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

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

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

7.6.2 Direct versus Indirect Costs

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

7.6.3 Cost Share

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

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

Know Your Cost-Share Commitment

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

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

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

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

How Does this Help My Program?

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

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

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

What Counts toward Cost Share

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

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

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

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

Examples of Types of Cost Share, Valuation, and Documentation

Volunteer Services

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

Donated Supplies

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

Cash Contributions (Project Co-Funding)

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

Donated Equipment, Buildings, and Land

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

Matching Funds

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

Reporting Cost Share

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

Cost Share from Subrecipients

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

Figure 48—Summary of Cost-Share Valuation and Documentation

Type of Cost-Share Contribution	Valuation	Supporting Documentation
Volunteer services	• 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.	• Signed time sheet showing the hours worked • A rate calculation of how the time should be valued
Donated employee time by another organization	• Employee's regular rate of pay	• Signed time sheet showing the hours worked • A rate calculation of how the time should be valued (e.g., pay stub)
Donated supplies	• Fair market value of the supplies at the time of the donation	• Letter of donation being made • Valuation of the donated supplies from catalogue or Internet prices, bills/invoices, or quotes for same supplies
Cash contributions	• Actual costs incurred	• 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	• 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 that the AO or GMO has approved the charges.	• 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	• Actual cost incurred	• Letter from donor stating what was donated or copy of agreement or contract • Copy of invoice paid by the other donor

7.7 Eligibility Rules to Receive USG Funds

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

Eligibility for Specific Programs

Each individual program may have additional eligibility guidelines in the announcement. Check each solicitation closely for program-specific eligibility criteria. The NPI program, for example, specifically targets organizations that have not received more than US$5 million in nonemergency assistance over the past five years as direct principal partners. The purpose of this special criterion is to make PEPFAR funding available to organizations that are either new to or have limited experience working with the USG.

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

7.8 Partnerships

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

Types of Partnerships

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

1. *Implementing Subrecipient*—An implementing subrecipient is an organization that directly implements part of a program and probably has a subagreement with its prime.

2. *Contractor*—A contractor is a business or organization that provides a specific service to the project team and probably has a contract with its prime. For example, a contractor may provide training or consult on the development of an M&E system.

3. *Beneficiary Organization*—An organization that may be responsible for implementation, but acts more like a beneficiary than an implementer. In this case, the primary goal of the program is to build the capacity of that organization. Small community-based organizations are examples of beneficiary organizations. One probably uses a subgrant agreement or a Memorandum of Understanding (MOU) with such an organization.

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

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

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

Subagreements, Subcontracts, Subgrants, and MOUs

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

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

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

7.8.1 Seeking Subrecipients

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

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

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

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

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

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

7.8.2 Seeking Funds as a Subrecipient

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

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

7.9 Summary and References

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

References

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Forms

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Fundraising

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  http://www.knowhownonprofit.org/funding
- The Community Tool Box: Soliciting contributions and in-kind support
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strategic plan

activities

organizational health

mission

business plan

Sustainability

Chapter 8: Sustainability

8.1 Overview

The term "sustainability" may be defined as "the ability to maintain a certain level of activity over time." From the PEPFAR perspective, sustainability means maintaining the HIV/AIDS services needed to prevent additional infections, support children who have been affected by the epidemic, and provide care and treatment services to those living with HIV/AIDS for as long as necessary, whether or not PEPFAR continues to fund the program.

Skip Ahead

- Six Tips for Sustainable Programming
- Phases of Planning
- Strategic Planning
- Online Resources

One of PEPFAR's goals is the "transition from an emergency response to promotion of sustainable country programs." In the broader context this means "Supporting partner governments in growing capacity to lead, manage and ultimately finance their health systems with indigenous resources." For NGOs, this translates into building indigenous knowledge bases so programs can continue with fewer external inputs. It means making capacity-building investments now, so that programs can be maintained in the future. It means making sure your program operates in as efficient manner as possible.

From the perspective of an organization implementing PEPFAR programs, sustainability has a programmatic and an organizational development meaning. On the programmatic side, sustainability means maintaining the ability to deliver quality programs that are cost effective and that reach populations most in need.

In terms of organizational development, sustainability means:

- putting in place financial, management, M&E, administrative, and other systems so that the organization can continue to provide quality services, apply for and absorb funds, and remain viable;
- contributing to health and development efforts of both governments and communities through awards and partnerships;
- developing/maintaining a knowledgeable professional staff that you can leverage for future projects;
- growing organizational capacity to continue to be innovative and effective; and
- maintaining and growing your network of partnerships with international and indigenous NGOs and community- and faith-based organizations (CBOs and FBOs).

In addition, with PEPFAR's increased focus on country ownership and government leadership, NGOs need to ensure that they are strong collaborative partners with appropriate government entities. This means:

- ensuring that activities are responsive to the government's needs and strategy and are promoting country ownership;
- coordinating types of activities and geographic location, with government at national and local levels as appropriate;
- ensuring communication with government through attending meetings, sharing reports and successes, etc.; and
- supporting government offices to develop their capacities to manage the components of their HIV/AIDS responses.

This chapter will address important processes and tools that you can use to support the development of sustainable organizations. When developing your own plan, it is important to consider the different aspects of sustainability and country ownership.

Objectives

- Learn how to build your own organization through effective planning and capacity building.
- Gain an appreciation of the value of maintaining your network of relationships with donors, partners, individuals, and private businesses.
- Understand the importance of demonstrating impact on the lives of the beneficiaries you serve.

8.2 Getting Started

Think "Sustainability" Every Day

Sustainability touches almost every decision your organization makes, from the programs you design and the partnerships you build, to your decisions about hiring and allocating resources. Sustainability is about the future of services for existing beneficiaries and the future of your organization. This means:

- empowering volunteers and community groups to take a substantive role in designing and implementing your programs;
- encouraging staff to find solutions that not only cost less to establish, but are also less expensive to maintain;
- building true partnerships with local NGOs, CBOs, and FBOs and focusing on increasing their capacity;
- seeking opportunities to expand your staff's knowledge and experience, and sharing that experience throughout the organization;
- building new relationships with donors, other organizations, and the private sector;
- learning how to demonstrate the effectiveness of your approach so that donors, businesses, other organizations, and individuals will want to continue to support your efforts; and
- paying attention to and enhancing your organization's systems so that it can function effectively, manage funds, provide services, and adapt to future needs.

8.2.1 Six Tips for Sustainable Programming

1. Listen to beneficiaries and community leaders. (Know your environment.)

Nothing is more difficult to sustain than a program that does not have local buy-in. If beneficiaries do not see the program's impact, and local leaders do not understand the value of a program to the community, it will be extremely difficult to maintain, regardless of funding. The best way to get buy-in is to listen to the needs and concerns of beneficiaries and local leaders. By giving them a substantive role in designing and implementing your program, you build in low-cost, effective sustainability from the beginning.

2. Develop organizational partnerships at the local level.

An effective approach to building the capacity of indigenous partners is to have counterparts sit side-by-side every day, transferring skills and knowledge and developing solutions together.

3. Ensure involvement with government.

As host-country governments are ultimately responsible for ensuring the long-term sustainability of HIV/AIDS programs in their countries, it is essential that your programs are in line with government priorities at the national and local levels and are coordinated with appropriate government bodies in the specific technical and geographical areas in which you are working. This is more than just informing your government counterparts; it means sharing information on project implementation and participating in meetings.

4. Factor long-term costs into your procurement decisions.

The cost of procuring equipment and software is more than just the price tag. There are long-term maintenance costs, costs to train future staff, and costs for parts or upgrades. Consider these long-term costs in your procurement process, so you will not be stuck with something that is too expensive to maintain when your current award ends.

5. Understand the true value of your human capital

Staff are your organization's most important asset. Why? Because, they not only possess the skills, knowledge, and ability to implement your program, but they also embody your NGO's institutional memory—the collective set of facts, concepts, experiences, and know-how that keeps your organization running. When a high-performing employee leaves, your organization loses expertise as well as productivity. Replacing staff incurs other costs as well—recruiting, interviewing, hiring, training, and, not the least of them, the time it takes for the new hire to become fully productive.

Finding and retaining good staff and nurturing institutional memory are keys to the long-term health and success of your organization. Therefore, it is a good idea to include methods and means for maintaining your human capital in all of your planning.

6. Capture and share the knowledge

Wisely invest in building the knowledge and skills of your staff and partners. By establishing a strong learning and sharing program within your organization, and between you and your partners, you ultimately create a more sustainable organization.

8.3 Planning for Long-Term Organizational Health

Sustaining your organization is different from sustaining your activities. Often, sustaining activities occurs when they are transitioned to local entities (local CSOs, government institutions, etc.) while your organization continues to support other existing activities/programs or moves on to new activities/programs. The following sections will focus on organizational sustainability.

Whether your organization is a newly founded, grassroots initiative with three staff members or an established NGO with an office full of experienced workers, planning for the future is essential. While you may be certain of current funding streams and awards, these tend to have a short-term time horizon, after which things start to get a little less clear. 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. Organizational planning attempts to prepare your organization for the future by creating a bridge that links your current awards to your long-term vision.

8.3.1 Phases of Organizational Planning

An organization generally considers three phases (see Figure 49) when designing a plan for its future: the short-term horizon, the intermediate horizon and the long-term horizon. Planning can occur either from the short-term project to the longer-term program and organization, or it can occur from having a strategic overarching plan and then developing business and workplans based on that strategic plan. This section will guide you from a workplan to a business plan to a strategic plan.

Short-Term Horizon

The short-term horizon is defined by program descriptions, agreements, staffing arrangements, and workplans currently in place—all variables that may change over time. This phase will last at least through the end of your current award. If you have other funding streams and programs, your short-term horizon may extend further into the future, depending on how long the funds you have secured are available to your organization.

Stage one of planning for the short-term horizon developing your workplan, which describes your project goals and objectives. It articulates where you want to be and how you are going to get there, down to weekly or even daily tasks. With a clear timeline, it drives the project forward by giving staff specific directions on what needs to be done to achieve the intended outcomes. The workplan has a life span of one year and is reviewed and rewritten annually.

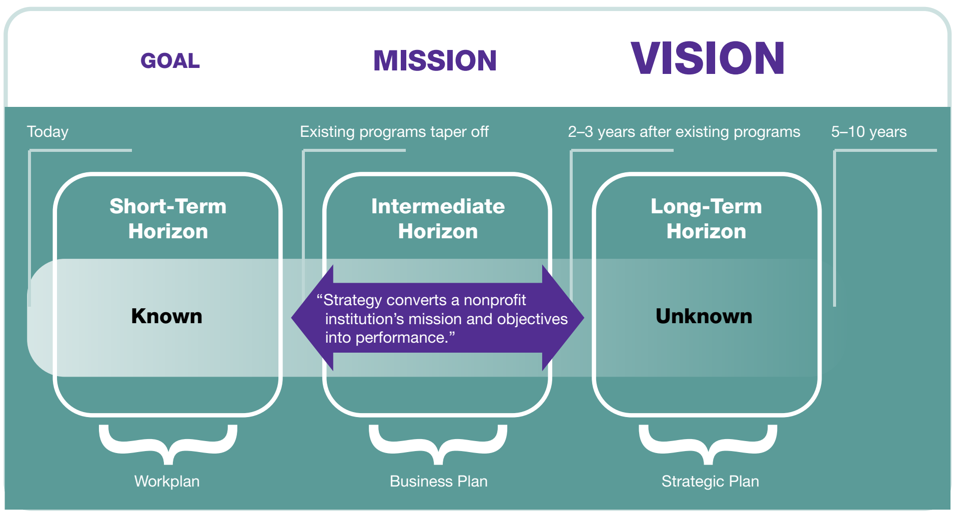
Intermediate Horizon

Your intermediate horizon begins where your short-term horizon starts to taper off. As funding for specific programs ends, variables such as funding, staff, and programs will become increasingly unpredictable. For example, you may not be able to identify future funding sources precisely, but you will have some ideas. During this phase, you should be building on your past and current workplans to develop a business plan for the next two to three years. The business plan will reflect the activities that you believe should be part of your organization's portfolio beyond the life of the existing projects and how you will attempt to undertake them. It also outlines the internal resources available to you and the approaches needed to secure additional resources.

Long-Term Horizon

Beyond your intermediate horizon lies your long-term horizon, the driving force for charting your future course. This planning phase involves looking at your organization's vision and mission, defining what you want to achieve ultimately, and developing an approach to realizing it. This is where your strategic plan comes in. This normally is only undertaken once every five years since it provides a thorough review of all aspects of your organization, including a reexamination of your vision, mission, and values. For many NGOs, planning for the future is difficult, because the lack of long-term funding often means they are working with unknown variables. In fact, part of the purpose of a strategic plan is to try to quantify some of these unknown variables. The strategic plan can be developed as the first planning document if you wish to develop your vision, and then subsequently work out what activities you will undertake to achieve your vision.

Figure 49—Strategic Planning Phases



8.3.2 Workplans, Business Plans, and Strategic Plans

A workplan has very clear inputs (how much funding you have received and the start and end dates for your award) and relates to a project; a business and strategic plan often has numerous unknown variables and is based on your organization. In fact, part of the purpose of a strategic plan is to try to quantify some of these unknown variables. For example, you may not be sure what funding you will have after a current award ends, so you create a resource development plan to try to address those gaps.

Workplans are often described down to weekly or even daily tasks. A workplan drives the project forward by giving staff specific directions on what needs to be done to achieve the intended outcomes.

A strategic plan is defined by a long-time horizon. This is simply because sometimes the information is not available to make specific plans. For example, you do not know exactly when new Requests for Proposals (RFPs) might be issued over the next year, so you cannot schedule staff to address them right now. However, you can assign staff to monitor funding announcements and have a strategy for which staff might be pulled in temporarily from other projects to contribute to an RFP response.

8.3.2.1 *Business Plan*

A business plan should be a work in progress and should be updated regularly. Even successful, growing businesses should maintain a current business plan. Your plan needs to look at:

- what you do well;
- what your market niche is;
- who your target audience is; and
- what competition you have to provide quality services to fulfill your objective.

Although NGOs working in the HIV field are different from commercial enterprises, many parameters are similar and need to be included in your business plan for you to remain competitive. One of the major challenges you may face is convincing your donors to believe in you. You need to show them that you can reach your beneficiaries and that you will make a difference over the long term, so they should continue to support you.

8.4 Developing an Effective Business Plan

To develop a successful business plan, you need to ascertain how you can be most successful. This section outlines six major aspects that you should look at to develop the most effective business plan. This guides your work moving forward and provides a marketing tool for donors to show you know your environment, your organizational capacity, and how you plan to market yourself.

1. Undertake an Environmental Scan

To start your environmental scan, answer the following questions:

- What is the situation in your operational location, and what is the context of the epidemic in your location?
- What is the demographic situation in your location and in your target population?
- What services are currently available?
- What gaps in service delivery do you hope to address?
- What other stakeholders are operating in your technical or geographical field?

Analyze Stakeholders

A critical stage of your business plan is reviewing the stakeholders with whom your organization interacts. These stakeholders can be partners, competitors, donors, or beneficiaries, and each can have a significant impact on the operation of your program. Donors provide funding for your programs; partners can extend the reach of your program and carry out activities that are outside your expertise; competitors vie for the same resources; and beneficiaries are at the heart of whether your program is a success.

You can complete an analysis of your organization's stakeholders in several different ways. One method is to map each stakeholder to classify it by its potential for threat and cooperation. Whatever the approach, stakeholder analysis can help your organization develop strategies to get the most effective support possible and reduce any obstacles to implementing your program effectively. Can you consider the stakeholders identified through the stakeholder analysis as potential partners, competitors, or potential donors who could contribute to the success of your intervention? (Remember, donors do not only provide money. Consider donors who provide in-kind contributions, including community volunteers.)

Consider Gender
An integral part of development work, particularly related to HIV, is how men and women are each affected. USAID's approach to gender analysis is built around two key questions:

1. How will the different roles and status of women and men within the community, political sphere, workplace, and household (for example, roles in decisionmaking and different access to and control over resources and services) affect the work to be undertaken?

2. How will the anticipated results of the work affect women and men differently?

As part of the environmental scan, it is essential to analyze the impact of interventions on men and women. Components of a gender analysis include:

- analysis of sex-disaggregated data and information;
- assessment of roles and responsibilities/division of labor;
- consideration of access to and control over resources;
- examination of decisionmaking patterns; and
- examination of the data using a gender perspective (i.e., in the context of women and men's gender roles and relationships).

Answering these questions provides gender-disaggregated data. However, you need to not only provide analysis, but also a gender perspective, which results in a gender analysis as per the United Nations Development Program, synthesized below:

(1) Sex-Disaggregated Data + (2) Analysis + (3) A Gender Perspective = Gender Analysis

In general, all gender analysis approaches should examine the representation of men and women in a particular sector (e.g., education, health, or economic growth); how resources are distributed; and what historical and contemporary social context can explain why gender differences exist. It may also be useful to examine the historical and contemporary social context relevant to the specific sector to understand gender differences. (For more details, see Annex VI.)

2. Look at Your Strengths, Weaknesses, Opportunities, and Threats (SWOT)

To conduct a SWOT analysis, you will use all of the data and findings from your OCA, TOCA, work, and communication plans to pinpoint key themes.

The first step is to specify an objective of the organization and ask each person on the team to identify internal factors (strengths and weaknesses) and external factors (opportunities and challenges or threats). Give each person three cards to write three strengths, one on each card. 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, and then develop a matrix (see Figure 50).

Within each section of the SWOT, include factors that you believe will make your business a success:

- **Strengths Section**—Examples could include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your service, outstanding personnel, or a key location.
- **Weaknesses Section**—Include factors that will make it hard to achieve your growth objectives, such as a lack of skilled human resources, which, with correction, you can convert into strengths.
- **Opportunities Section**—Include external factors that can assist your program, such as the government's decision to increase access to health services in your project area.
- **Threats Section**—Include external factors over which you have no control and that can adversely affect your program, such as security issues that make it hard for you to complete your assignment or changes in government legislation that affect your services and compel you to adjust your program to be competitive once again.

In writing up your SWOT analysis, highlight how you plan to consolidate the strengths, address the weaknesses so they are not constraints on your organization, and ensure that the opportunities and threats do not adversely affect your ability to perform the tasks you have outlined in your plan.

Figure 50—Example of the Types of Information to Include in a SWOT Analysis Matrix

Strengths

Sample strengths criteria
- Capacity?
- Competitive advantages?
- USPs (unique selling points)?
- Resources, assets, people?
- Experience, knowledge, data?
- Reach, awareness?
- Innovative strategies?
- Location and geography?
- Price, value, quality?
- Accreditations, qualifications, certifications?
- Cultural, attitudinal, behavioral?
- Management, succession?
- Philosophy and values?

Weaknesses

Sample weaknesses criteria
- Gaps in capacity?
- Lack of competitive strength?
- Reputation, presence, reach?
- Financials?
- Known vulnerabilities?
- Time frames, deadlines, pressures?
- Cash flow, cash drain?
- Continuity, supply chain robustness?
- Effects on core activities, distraction?
- Reliability of data, plan predictability?
- Morale, commitment, leadership?
- Processes, systems, etc?
- Management, succession?

Opportunities

Sample opportunities criteria
- Sector developments?
- Competitors' vulnerabilities?
- Development or sector trends?
- Technology development and innovation?
- Global influences?
- New sectors, vertical, horizontal?
- New USPs?
- Tactics: e.g., innovation, major contracts/awards?
- Business and program development?
- Information and research?
- Partnerships, agencies, distribution?

Threats

Sample threats criteria
- Political issues?
- Legislative issues?
- Environment/climate change?
- Competitors?
- Sector demands?
- New technologies, services, ideas?
- Vital contracts and partners?
- Sustaining internal capacity?
- Insurmountable weaknesses?
- Loss of key staff?
- Sustainable financial resources?
- Economy—U.S., global?

3. Review Your Organization & Management Structure

To review your current organizational and management structures, you should look at:

- Your NGO's organizational chart with a narrative description showing clear lines of authority
- A description of the ownership of your NGO and any links that you have to parent organizations or to other partnerships that directly influence how your organization is managed
- Profiles of your management team:
  - who does what in the organization, and who is responsible for which part of the portfolio;
  - the background of your senior managers, and why they are part of your management team; and
  - what unique education, skills, and work experience will add value to your organization to allow you to address identified needs
- The qualifications of your Board of Directors—their names, positions, background and historical and future contributions to your organizations success. Board members can provide the skills and connections you do not have. Where finances are the principle constraint to growth, many organizations have Board members with the fundraising capacity to bring in resources to support and expand the organization
- The legal status of your organization. Donors do not wish to find out you are not registered in a country or you have historical tax liabilities that may adversely affect your ability to provide the services

4. Develop a Marketing Plan

There is no single way to approach a marketing strategy. Your strategy should be part of an ongoing self-evaluation process and unique to your organization. Your growth strategy might include an internal strategy, such as how to increase your human resources; a horizontal strategy (increasing geographic spread into new areas); or a vertical strategy where you would continue to operate in the same geographic areas but provide a wider range of different services to your target populations.

An integral part of your marketing plan is a communication strategy. This outlines how you are going to reach your customers. Examples of the parameters you need to consider appear in figure 51.

Figure 51—Components of an External Communication Strategy*

	Strategic Communications Practices	Quality Criteria/Standards
Strategy	a. Identify the vision	The communications vision is aligned with, but distinct from, the organization's overall mission.
	b. Choose goals and outcomes	Goals and outcomes are well defined, measurable, and help guide a defined plan of action.
	c. Select target audiences	Audiences are specific (not the general public) and include key decisionmakers or individuals with influence on the issue.
	d. Develop messages	Messages are specific, clear, persuasive, reflect audience values, and include a solution or course of action.
	e. Identify credible messengers	Target audience see messengers as credible, and you can recruit them and make them available to the cause.
	f. Choose communications mechanisms/ outlets	Outlets (e.g., in the air [media] and on the ground) are chosen for their access and availability to target audiences.
	g. Scan the context and competition	Risks and contextual variables that can affect communications success are identified and factored into planning when possible.
Implementation	h. Develop effective materials	Materials are developed in attractive, accessible, and varied formats for maximum exposure and visibility.
	i. Build valuable partnerships	Linkages exist with internal and external stakeholders who can help align with and carry the message.
	j. Train messengers	Internal and external messengers are trained in key messages and deliver them consistently.
	k. Conduct steady outreach	Outreach and dissemination to audiences through multiple outlets is regular and sustained.
	l. Monitor and evaluate	Activities and outcomes are monitored and evaluated regularly for purposes of accountability and continuous improvement.
Support and Integration	m. Support communications at the leadership level	Management understands and supports communications as an integral part of organizational viability and success.
	n. Earmark sufficient resources	Fundraising regularly includes dedicated resources for communications practice.
	o. Integrate communications throughout the organization	Communications is seen as an integral part of every organizational project or strategy.
	p. Involve staff at all levels	Communications is not seen as an isolated function; most if not all staff members have some knowledge of and/or participation in communications efforts.

* Adapted from *Strategic Communications Audits*. Prepared for the Communications Consortium Media Center, Julia Coffman, October 2004.

5. Indicate the Services You Provide

Consider the following questions when examining the services you provide:

- Who is your target audience for your services for this objective? In a PMTCT project, this would be women of childbearing age who are also likely to be HIV positive and who need services to try and prevent HIV transmission to their children.
- What is the geographic spread of your operations? (How many communities districts and provinces do you work in?)
- How do your activities fit within the priorities of the host government and the community in which you currently serve?
- How will you address other needs of the community? (For more information on indicating the services you provide, visit http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/serv_bp_servprod.html.)

6. Review Your Funding Streams and Capacity

In this aspect of your business plan, it is important to think about your current budget and what budget amount your organization could manage in the next three to five years. You should back up this projection with historical financial data, such as balance sheets and cash flow statements for each year you have been in business. This shows your capacity to grow and run a larger or smaller size organization.

Also consider your core staff (the number that is essential to run your organization), and what additional staff would be required to address different models of growth (how you will secure and retain these staff).

After examining these six aspects of your organization and developing the body of your business plan, finish with an executive summary and distribute it carefully. Given that there is proprietary information within the document, you should control the distribution of any copies by keeping a record of who receives one.

8.5 Developing a Strategic Plan

A Never-Ending Plan

A workplan has clear start and end dates. As your organization completes tasks, it checks them off and archives them. A strategic plan, however, is never complete. It is always working to bridge the gap between your current projects and the future. Even as you bridge one gap, the next one appears on the horizon. The good news is, you do not need a whole new plan. Rather, you can build on your business plan and adjust your next set of goals.

In this way, your strategic plan provides your overarching framework and acts as the hub to which all other plans in your organization are linked, including individual workplans, your capacity-building plan (refer to your OCA and TOCA—see Chapter 4) and your marketing and communication plan (see Chapter 3), all of which should be working together to ensure that you are able to meet future objectives and demonstrate your impact to new and existing donors, partners, and beneficiary communities.

Your strategic plan allows you to see the big picture of future resource availability and ensures that your marketing and capacity-building plans are properly aligned with and support your overall organizational objectives.

8.5.1 Taking on a Strategic Planning Initiative

There are various methods for conducting organizational planning, but at its simplest, it is a participatory process that examines your vision statement, mission statement, values, strategic objectives, and goals. 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 (activities). Essentially, you are answering these basic questions:

- What do we hope to achieve (vision)?
- What is our purpose (mission)?
- What do we believe (values)?
- What will we do to get there (goals)?
- Where are we now?
- Where are we going (objectives)?
- How will we get there (activities)?
- How will we know whether we have arrived?

Vision

An organization's vision is often an inspiring statement of what the organization 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 tends to summarize the actions your organization is going to take to make the vision a reality.

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 in harmony with the desires of the community."

Strategic Goals

Strategic goals are the key approaches an organization will use to accomplish its mission and drive toward its vision. While your vision, mission, and values may never change, your strategic goals will likely evolve every three to five years.

Example: "To accomplish our mission, our organization will:

- Remove the barriers to education and expand educational opportunities for all,
- Improve access to health care services, and
- Expand economic opportunities through training and providing microloans to entrepreneurs."

Objectives

Finally, your organization should determine how to accomplish its strategic goals by developing objectives that are specific, measureable, achievable, realistic, and time-based (SMART.):

- **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 have a real impact?
- **Time-Based**—Is there a clearly stated or defined finish and/or a start date?

Sample SMART objectives:

- By November 30, 2010, conduct a 10-session behavior-change program reaching at least [X number of] girls ages [Y to Z] who are at risk for HIV.
- By the end of the calendar year, reduce the average time [specific type of] patients wait to see a nurse from [X] minutes to [Y] minutes.
- By August 2010, develop an at-a-glance fact sheet and meet with 3 local employers (workforce fewer than 15 individuals) to discuss the benefits of offering HIV/AIDS awareness sessions to employees.

Not Very SMART objectives:

- Eliminate HIV in Smithville Province within a year.

  - Not achievable
- Reduce the amount of unprotected sex by June 2011.

  - Not specific or measurable
- Change attitudes about condom use.

  - Not specific, measurable, or time-bound
- Increase HIV knowledge by participating in local arts festival.

  - Not specific, measurable, achievable, time-bound, or realistic

You have examined many of these aspects as you developed your organization. You need to review them from time to time to determine whether they are still appropriate. For your business or strategic plan to work, it must be able to help you answer questions about your organization's future, such as:

- What do we want to do in the future (types of activities, geographic location, beneficiaries, etc.)?
- How will we fund our work?
- How will we maintain services to meet existing community needs?
- How can we expand to address other needs in the community?

How Does This Help My Program?

Developing a business and strategic plan can help an organization manage the many uncertainties it faces while fulfilling its mission. It can provide clear points of reference to help inform decisions about how to shape programs and assign human and financial resources in response to changes in its operating environment. Furthermore, if an organization is seeking funding from donors, having a business plan and a strategic plan in place will help it stand out as an organization that has a comprehensive grasp of all aspects of its work, including programs and services, management and operations, finances and fundraising, and governance.

As stated earlier, you can update the business plan regularly—every two or three years. It is often managed internally and shared with the Board for approval. A strategic plan involves a broader cross-section of the organization, including the Board, and normally takes several activities over several weeks to reach a conclusion. As already stated, revising the strategic plan is done infrequently with a suggested interval between revisions of five years. Before getting started on a strategic plan, consider the following tips:

- ***Talk with other organizations.***

  Network with organizations to find out how they went about their strategic planning. Ask who helped with their plan, what has worked, and what they would do differently next time.

- ***Read online resources.***

  Online resources alone may not be sufficient to guide your process, but they should give you a good sense of what to expect. You may even find tools you like, and you can search for a consultant with specific experience using those tools.

- ***Assign an internal point person or team.***

  Create a core strategic planning team. As with the OCA, involve a core team that includes representatives from the organization's management, administration, finance, and technical departments and, when possible, Board members.

Although your organization may have someone on staff with the right expertise to guide a team through an in-depth examination of the organization, 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 do decide to have someone in your organization conduct the strategic planning rather than a consultant, you should ask the following questions: 1) Is that person able to be unbiased in looking at both the strengths and weaknesses of the organization? 2) Can that person diplomatically and effectively guide the group to consensus? 3) 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 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 or team who understands the plan and what is expected after the planning process ends.

- ***Involve your Board.***

  Strategic planning is a process the management team should undertake with the approval of, and oversight from, the Board of directors. In some cases, the Board may want to be directly involved in some or all of the strategic planning activities.

- ***Review your mission and vision statements.***

  Every organization has a purpose. For NPI grantees, it is providing services to address the HIV pandemic. Although this purpose is not likely to change, organizations may change their way of thinking and approach to a problem as time goes on and they implement 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 of the organization.

- ***Be sure your outcomes are clear.***

  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 outcomes will be and what their expected contributions are so there will be no confusion later.

8.6 Strategic Planning Online Resources

There are many excellent resources available online to help guide your strategic planning process. You may find those listed in Figure 52 to be helpful.

Figure 52—Sample Online Resources on Strategic Planning

Tools and Resources	Description
Developing Strategic Plans (pdf) http://tinyurl.com/lqqzsb	A Tool for community- and faith-based organizations from the Core Initiative and the International HIV/AIDS Alliance, 2007
Strategic Planning Chapter (pdf) http://tinyurl.com/nr7j6g	From the publication, *Capacity Building for Local NGOs: A Guidance Manual for Good Practice*, published by the Catholic Institute for international Relations, 2005
Strategic Planning (in nonprofit or for-profit organizations) http://tinyurl.com/csrhfo	Adapted from *The Field Guide to Nonprofit Strategic Planning and Facilitation* by Carter McNamara, Authenticity Consulting, 2008
Strategic Planning in Smaller Nonprofit Organizations: A Practical Guide for the Process http://tinyurl.com/kma7of	This short guide is meant to help Board members and the staff of smaller nonprofit organizations develop strategic plans to strengthen and sustain their organization

8.7 Summary

Sustainability is about making sure your work today has the greatest possible long-term impact. That can mean designing sustainable interventions the community can manage down the road; it can mean planning strategies to put your organization in the best possible situation to secure future funding; and it can mean telling your donors, partners, and beneficiaries how your work has affected the lives of those you have served.

It is not necessary to use all of the methods described here; they are simply available tools and strategies many other organizations have used. But the activities and processes described may be valuable in getting your organization to prioritize sustainability and incorporate it into your everyday work.

documentation

Close Out

inventory report

transition

award extension

final reports

Chapter 9:
Award Close Out

9.1 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.

Whether you have additional funding to maintain your project or not, 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 and meeting your final responsibilities to the U.S. Government (USG).

Skip Ahead

- Award Extensions
- Finalizing Total Expenditures
- Final SF-425
- Maintaining Documentation
- Final Performance Report
- Sale of Property
- Final Inventory Report

This chapter will cover the USG requirements for final reporting, regulations concerning the use of assets purchased with USG funds after the award is over, and the documentation you are required to maintain after the award.

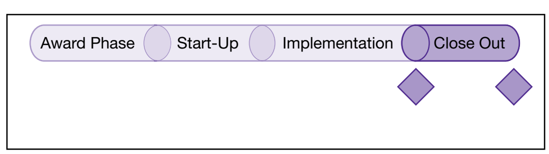
Objectives

- 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

- **Activity Manager or "Field Activity Manager"**—For NPI, the USG representative designated to serve as an organization's in-country point of contact. This person may be from any of the USG agencies involved with PEPFAR implementation in your country.
- **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 the USG to cover indirect cost).

9.2 Getting Started on Close Out



As an award comes to an end, managers must deal with several important challenges:

- **Management Challenges**—When projects end, enthusiasm for the project may begin to fade, and staff and partner organizations may be eager to move on to the next project. However, this is a vital time where the loss of key staff can significantly 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 be the end 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 the USG.
- **Transition Challenges**—If part or all of your activities are being shifted to a new funding stream or local implementers, your organization needs to administer 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. You may complete other steps after the end date, but 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.

9.2.1 Five Tips for Managing Award Close Out

1. Work with staff early to ensure a smooth transition.

One of the biggest challenges at the end of the award is dealing with the impact on 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, in addition, you may lose 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 experience, especially as it relates 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 country requirements.

2. 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 funds. A final evaluation can be extremely valuable to your organization beyond the specific project. It can help to measure the impact your organization 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 increased credibility when consultants who are independent of your project conduct it. You can share their 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.

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. If you intend to hand over a project to a local implementer, it may be helpful to try to conduct the end-of-project evaluation prior to the handover.

3. 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 the donor will consider giving you an extension and what type of extension (see 9.2.3) to pursue.

It makes no sense to give you additional time to complete your award after close-out activities begin. Therefore, be sure to determine whether it would be beneficial to request an extension early on, and begin the process of requesting one well before you begin phasing out your program.

4. Work with subrecipients on their close out.

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, this 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.

5. 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 as well. This means leaving with the community as much knowledge and capacity as possible to maximize its ability to sustain the services on which it has 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.

9.2.2 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. Allot sufficient time before the end of the award to 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
- close out your activities 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 partners, community leaders, beneficiaries, and donors.

9.2.3 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. An extension, regardless of type, may be granted only at the discretion of the USG.

There are four 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 complete activities using unspent funds from the original award. This does not increase the overall award amount; it simply gives you more time to continue your program to achieve original targets.

   A non-funded extension is probably the most common type of extension, since it does not require the USG to obligate additional funds beyond the original agreement 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.

   Funded or cost extensions are something that most organizations will want to avoid, unless a legitimate, unforeseen circumstance has driven costs up and/or caused major delays in your program. For example, a massive natural disaster might have driven up costs and caused a delay in implementation. If your organization was performing well before the disaster, the USG may give you a cost extension to help you complete your original award, but this is not guaranteed.

3. **Agreement Modification**—This occurs when your funding agency asks you to expand your existing work. Your funding agency usually provides additional funding and, sometimes, additional time to complete the extra work.

   A modification to your agreement may occur when your funding agency 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 the USG develops and solicits a subgranting/capacity-building program implementer.

4. **Buy-In**—This occurs when another USG office or agency uses your existing agreement as a vehicle to address additional related work. This is similar to a modification to your agreement; however, the funding comes from another USG office or agency.

Let's say you receive a centrally funded NPI agreement from USAID/ Washington, and the in-country mission wants to add funding so you can expand to a neighboring region. The in-country mission will then "buy in" and transfer funds to the USAID/Washington account to support the extension. You must understand, however, that, regardless of who is "buying in," the original award is still the vehicle, so you will continue to request funds, report to your original funding agency, and remain responsible to the original awarding body. However, you may receive technical direction from the buy-in office or agency and copy it in your reporting.

9.2.3.1 Requesting an Extension

To determine whether you will have funds remaining at the end of your program, regularly review your pipeline and burn rates. If you believe your program will benefit from a non-funded extension, begin discussing this with your AOTR/Program Officer (PO) and/or Agreement Officer (AO)/Grants Management Officer (GMO) very early—at least six months prior to the end of your award. You will need to assume very 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. Your AO will make a final decision and, if an extension is approved, will complete a modification to your agreement.

Extensions are never guaranteed, no matter what the circumstances. It is possible, for example, that the USG may have limited management resources that it has to reallocate to different priorities, so it cannot extend 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 6.)

9.2.4 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 30–90 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. Doing this ensures that subrecipients do not incur any costs after the award end date. Confirm that subs know that any costs they incur after the award end date will not be reimbursed. If your subs 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 they report to the prime and not directly to the funding agency. Some key requirements you may want to coordinate with your subs include:

- **Final Performance Reports**—Your subrecipients must contribute to the final report, including contributions to targets. The final performance report should say whether each subrecipient achieved its goals and targets. If the 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 9.4.2).
- **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 9.3.2.1.)

9.2.5 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 (http://www.white house.gov/omb/grants/sf270.pdf), according to the arrangements laid out by your funding agency's Financial Management Office. (For detailed information on how to fill out SF-270, see Chapter 5.) In addition, agreements 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 practices of your funding agency's Financial Management Office (FMO) for SF-270 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.

9.2.6 End of Award

Check your Cooperative Agreement to determine the exact end date of your award. If you have received an extension, you should have a modification of your agreement from your AO/GMO 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 your donor requires. 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.

The only exception is if you have outstanding obligations to pay to vendors for costs incurred prior to the end date. You must pay all these expenses and reimburse the USG any remaining funds within 90 days of the award end date.

9.3 Close-Out Policies and Procedures

Within 90 days after the end of your award, you must submit a final report in accordance with the provisions of your agreement that includes the following components:

- Final SF-425 Federal Financial Report (9.3.1.4);
- Final Foreign Tax (VAT) Report (9.3.1.5);
- Final Performance Report (9.3.4);
- Final Inventory Report (9.4.2); and
- any other reports specified in your agreement.

You may also be required to submit copies of reports to the in-country USAID mission.

There are four key aspects to closing out a project: financial, administrative, human resource, and programmatic, all of which is discussed below.

9.3.1 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, you can finalize your total expenditures and prepare your closing financial report.

9.3.1.1 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 5, award funding is obligated in stages and then disbursed to your organization through advances or reimbursements. Determine your totals for the following categories:

- **Total USG-Award Amount**—This is the ceiling or total estimated cost of your award (not including cost share).
- **Total Obligations**—The sum of all USG funds obligated to you under this award.
- **Total Disbursements**—The total amount you actually received from your funding agency under this award (i.e., the amount of funds transferred to your organization's bank account through SF-270 requests). Be sure to include all final disbursements.
- **Total Expenditures**—The total amount you spent on the award.
    - Total Expenditures Charged to the USG—A total of all expenditures that you charged to the USG 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.

9.3.1.2 *Remaining Funds*

This section uses several example calculations based on the sample data in Figure 53:

Figure 53—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 USG	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 remaining funds
2. remaining obligations
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 the USG unless you receive a non-funded extension or other modification that allows you to spend additional 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:

Total USG Award – Total Obligation = Unobligated Funds
Example: US$3,500,000 – US$3,400,000 = US$100,000

The USG has no obligation to disburse any funds it has not obligated. These funds are made available to you subject to the availability of USG 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 Obligations

A remaining obligation is any obligated funds that have not been disbursed. This amount is calculated as follows:

Total Obligation – Total Disbursements = Remaining Obligation
Example: US$3,400,000 – US$3,200,000 = US$200,000

It is critical that you track this amount 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 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:

Total Disbursements – Total Expenditures (USG Share)* = Unspent Advanced Funds
Example: US$3,200,000 – US$3,089,100 = US$120,900

If your organization has been advanced funds that you have not spent by the time the award has been completed, then you must return those remaining funds to your funding agency. When calculating this, be sure to list all final expenditures, including all final invoices and expenses from contractors, suppliers, and subrecipients.

9.3.1.3 *Meeting Your Cost-Share Requirement*

If your organization committed to contributing a cost-share amount to the award, then you must be able to account for and document it. The calculation to ensure you have met the minimum cost-share requirement is:

Cost-Share Requirement – Total Cost-Share Contribution = Cost-Share Balance
Example: US$1,000,000 – US$900,000 = US$100,000

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 your organization is obligated to meet your cost-share requirement, you may be required either to reimburse the USG for the balance or have the amount deducted from any final reimbursement requests. (For more information on cost share, see Chapter 7.)

* 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 USG share of the expenditures = US$3,089,100.

9.3.1.4 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 USG 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 report. (For an explanation of how to complete the SF-425, see Chapter 6.)

The two reports (quarterly and final) are nearly identical, with the following exceptions:

- The final 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.*
- Block 6 will indicate that this is a final report.
- Block 9 will include the dates for the entire award.

The calculations in the main body of the report, however, are the same. 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 the "recipient share of outlays" section is where the USG will look to see whether you have met any cost-share contribution requirement. 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.

9.3.1.5 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 your in-country Activity Manager. 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 the USG. (For more information on Foreign Tax Reports, see Chapter 6.)

9.3.1.6 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, USAID partners can review the "Accounting, Audit and Records" provision in their Cooperative Agreements; HHS partners can review the "Record Retention and Access" section of the Grants Policy Statement [http://www.hhs.gov/grantsnet/docs/HHSGPS_107.doc] or review Chapter 6.)

* If you received an extension, you will continue normal quarterly reporting until the end date of the extension, as described in Chapter 6.

9.3.2 Administrative Close Out

Administrative close out consists of completing of nonfinancial tasks that may have financial implications. You must:

- Ensure compliance with USG standards on the types of documents that need to be retained. (Remember, you must be able to provide documents should the donor request them.)
- Close bank accounts set up specifically for this program when they are 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.
- Ensure that you can document receipt of all deliverables.
- 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 for covering office overhead costs, be sure to cancel these agreements and inform the remaining occupants of your intention to vacate.

Please remember that you cannot charge the project 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.

9.3.2.1 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. The USG retains the right to audit the final report at 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.

9.3.3 Human Resource Close Out

Close out can be a stressful time when managers are trying to maintain a balance between meeting contractual obligations to the donor 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 comes to a close. Communication is key to sustaining a high level of performance. All staff should be informed of the close-out process and the human resource (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 in the timely completion of tasks.

9.3.3.1 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 close-out report.

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 and conduct 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, described below. 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—Despite closing 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 organization 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 or secrets.

9.3.3.2 *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 and date of termination of work, 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 of the project).

9.3.4 Final Performance Report

The final performance or program report is somewhat similar to the Annual Performance Report (described in Chapter 6), 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 have a significant emphasis on final outcomes, lessons learned, and conclusions.

Be sure to submit the report to your AOTR and the Development Experience Clearinghouse (http://dec.usaid.gov/, USAID grantees) within 90 days of the end of the award. (For more information on writing your final performance report, see section 6.3.2. in Chapter 6.)

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, other NGOs, and the wider PEPFAR-implementing community. This allows an organization to highlight its successes and document its lessons learned and contribute to the ongoing effort to improve HIV/AIDS interventions. 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 the USG, but you will still need to credit your funding agency, 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 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.

9.4 Post-Award Use of USG-Funded Goods and Commodities

At its discretion, the USG determines the disposition of all USG-funded goods and commodities. As a grantee, you should review the regulations 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/GMO, who will either approve your proposal or provide further instructions for disposition.

9.4.1 Sale of Property and Equipment for USAID Partners

The following regulations are specified for USAID partners:

- 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 title, the equipment will be subject to the Standard Provision, called Title to and Care of Property (U.S. Government Title) (see Annex III, 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 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, 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.

9.4.2 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 the USG. 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 the USG. 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 USG funds
- Any unused supplies that cost US$5,000 or more (for example, if you have US$5,000 or more worth of unused HIV test kits)

For each item listed, include:
- original cost;
- USG 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 how it is being used; and
- detailed proposal of what you did or intend to do with that property.

9.4.3 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 Accounts**—Close bank accounts you set up specifically for this program when they are no longer needed.
- **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 office overhead costs, be sure to cancel these agreements and inform the remaining programs.

9.4.4 Letter to Funding Agency

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 your funding agency may request an update on your close out, and you can resend the original letter.

9.5 Summary

This chapter reviewed some of the key USG 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 54 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 54—Close-Out Timeline and Checklist

Time	Activity	Who	Details
12 months before end of award	Budget for close out (required)	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	1. Assess the need for continuing your project's services, and, if warranted, explore options for future funding in consultation with partners, community leaders, beneficiaries, and donors. 2. Create a plan describing 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 the USG and your local partners improve future activities and will contribute to wider effort to improve HIV/AIDS interventions.
	Request a non-funded extension (optional, as needed)	Program Manager	Determine whether your program needs a non-funded or other type of extension. Then begin discussions with your AOTR/PO and/or AO/GMO.
	Work with key staff on employment transition (as needed)	Executive Director	Discuss employment opportunities and end-of-project transitions with staff early. 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	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.

Time	Activity	Who	Details
3 months before end of award	Begin subrecipient close out	Subrecipient Executive Director	Some organizations choose to have their subs close out 30–90 days before the end of the award, so they can be sure all final costs and reports are complete before the award end date. This is the suggested course of action.
	Submit the final SF-270 request for funds	Financial Manager	Submit your final funding request or invoice to cover all final expenses.
	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 you will need to cancel or transfer as well as important dates and contract provisions you need to consider.
	Submit inventory disposition request to your AOTR/PO	Program Manager	Review the regulations regarding selling or using equipment outside of award-related activities. Create a detailed description of what you propose to do with the equipment or unused supplies when the award ends. Submit this to your AO/GMO, who will either approve your proposals or give you further instructions on what to do with the equipment.
End of award	Review information needed for financial and performance reports your donor requires	Executive Director, Financial Manager	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).

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 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.
	Submit final performance report (required)	Program Manager	Submit final performance report covering the entire award period to your AOTR and the Development Experience Clearinghouse.
	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 to your in-country Activity Manager the final VAT report, which covers taxes paid and reimbursed through the end of your award.
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.
3 Years following submission of final financial report	Maintain records (required)	Headquarters Office 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 55—Key Close-Out Activities through an Organizational Development Lens

Program Management	Human Resources	Financial Management
• 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 Development Experience Clearinghouse (http://dec.usaid.gov).	• 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. • Adjust management intervention (e.g., job search, resume writing, recommendation letters, certificates of service, etc.). • Delete relevant information permanently from computers/ cell phones.	• 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 are cleared before the bank account is closed. • Close appropriate bank accounts.

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