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ABBREVIATIONS AND ACRONYMS

BPI	Business Plus Initiative Project
CPFF	Cost Plus Fixed Fee
FAR	Federal Acquisition Regulations
FOG	Fixed Obligation Grants
IAS	International Accounting Standards
GAAP	Generally Accepted Accounting Principles
LOE	Level of Effort
OMB	Office of Management and Budget
SMEs	Small and Medium Enterprises
T&M	Time and material
USAID	United States Agency for International Development

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SECTION I: INTRODUCTION

Mongolia is a vibrant, rapidly growing country with a strong non-profit and private sector. Many Mongolian organizations are comprised of competent, energetic professionals who dedicate their careers to serving Mongolia and its peoples. The USAID-funded Business Plus Initiative (BPI) has existing relationships with some of these organizations, and intends to increase its partnerships with non-profit and private sector groups in the near future in support of BPI objectives.

BPI is a five-year project designed to support an enhanced role for the private sector in Mongolia's economic growth. BPI's design takes a pragmatic approach to promotion of more equitable and sustainable, private-sector led economic growth and good governance. The project seeks to complement and support the Government of Mongolia's strategy to advance the following objectives:

- Improved implementation of business enabling policies
- Strengthened private sector capacity and competitiveness
- Increased financial sector capacity and enabling environment.

One mechanism for supporting BPI's objectives, while concurrently building the capacity of Mongolian organizations to take an increasingly active role in Mongolia's development, is through funding for specific programs and activities. In order to maximize the impact of such projects, Mongolian implementing organizations should be closely engaged in the design-phase. Designing a well-thought out proposal is the fundamental first step towards successful program implementation.

In order to support existing partner organizations and potential additional partners to develop implementable programs, this toolkit provides examples, definitions, and written explanations of common elements of proposals in response to solicitations or tenders. Organizations can use this toolkit as a reference while designing and writing proposals. The toolkit is broken into two main sections, the technical volume and the cost volume – and it emphasizes throughout the fundamental link between a good proposal and great project.

SECTION II: TECHNICAL VOLUME

Carefully considered, well-constructed, and detailed technical volumes are a crucial tool for successful program implementation. A comprehensive technical volume should clearly define the goal of the project and provide a roadmap of activities as to how the objective will be achieved. Additionally, by thinking through how progress towards results can be tracked during implementation and including a discussion of who will conduct activities and how the project will be managed, complete technical proposals can be used by implementation teams throughout the duration of the program.

When drafting a technical approach it is useful to start with an outline. The outline structure should follow as closely as possible the sections listed in the solicitation instructions. If the solicitation includes evaluation criteria, it is also a good idea to have section titles match those listed in the selection criteria in the solicitation. This helps evaluators score your proposal, but more importantly, it disciplines the proposal writer to respond to all elements of a solicitation.

TIP!

One thing to keep in mind when writing a technical volume is that sections of proposals are not watertight compartments unrelated to each other. Ideally, sections reinforce each other.

Once this basic structure is established, expand on each of the sections. While each solicitation will vary, generally technical volumes include the following pieces: background, statement of purpose, technical approach, monitoring and evaluations, personnel section, management section, and a corporate capabilities section. Each of these elements is described in turn below.

1. Background

Including a background, even if it is not required in the solicitation, is useful because it gives basic information on the context in which the activities will take place. This section should focus on the facts, not what you are proposing. This is an opportunity to share your knowledge about what is happening and set the stage for your objective statement. Background sections may include a discussion of the following elements: challenges, opportunities, geographical factors, cultural considerations, or gender elements which may be important to the context.

2. Statement of purpose

After providing any relevant background, the next section of a technical volume should clearly state the objective of the proposed program. Depending on the solicitation, the objective of the program may already be defined for you. However, in many cases donors expect applicants for funding to clearly define their own objectives. In these cases, being able to articulate the objective is a fundamental part of the proposal development process. Additionally, setting clear objectives at the proposal stage is crucial for program implementation. Having a clearly defined purpose aids implementation as it sets expectations about results therefore helping keep activities focused on the objective.

The objective should grab the readers' attention and be a compelling statement of purpose. A good objective recognizes the issue to be addressed, clarifies why proposed activities are important, and describes who will benefit from the work. The below subsections describe the elements of well-crafted statements of purpose and provides analysis of example objectives.

A. Tool: Elements of a strong statement of purpose

An objective states the goal of a program, address why that goal is important, and identifies the beneficiaries of the program's activities. Put another way, an effective objective statement

clarifies the purpose of a set of activities. Depending on the proposal and the goal, organizations may present just one objective. On the other hand, the proposed program may have a set of objectives that contribute to an overarching goal. In thinking through an objective, it can be useful to ask one's self if the objective is S.M.A.R.T.: specific, measurable, achievable, realistic, and time-bound.

- i) **Specific** objectives are clear about who, what, where and how the goal of the program will be achieved.
- ii) **Measurable** objectives are those in which it is possible to quantify the targets and the benefits of activities.
- iii) **Achievable** objectives are those that take into consideration of the context of the situation that is being addressed and demonstrates knowledge of the resources and capacity at the disposal of the target beneficiaries.
- iv) **Realistic** objectives are those in which it is possible to obtain the level of change reflected in the objective.
- v) **Time-bound** in that they state the time period necessary to reach the objective. After drafting an objective, it is a best practice to take a step back and review it against these elements to see if it is clear.

B. Example objectives

The following is an example of a weak objective statement:

The key development challenge in the area of democracy and governance is the dominance of the executive branch and tight relationship between the economic elites, social elites, and the political elites. These elites have formed a ruling class, and the dominance of this ruling class undermines the ability of non-elites to realize their constitutionally mandated rights. Therefore, the objective of this program is to promote greater balance between elites and non-elites, especially within government and civil society.

The above objective identifies a very broad problem; that economic and social elites in a particular country dominate the political system. The goal stated in the objective is equally broad; promote greater balance between the ruling class, the government and the rest of society. In reading this objective it is not clear how the problem can be addressed, what course of action is being proposed, who will benefit from the program, and what can realistically be achieved.

This example was selected to demonstrate that pointing out a problem – a political and economic system is dominated by one group – and positing a simplistic solution – reducing the dominance of one group and creating a better balance – does not communicate how this result can be achieved and who will benefit from these efforts. This example does not create confidence in the reader that the program is specific, measurable, achievable, realistic or time-bound.

Here is an example of a more effective purpose statement:

The objective of the program is to improve the management of important coastal and marine resources and associated ecosystems that support local economies. It will conserve biological diversity, enhance ecosystem productivity, and restore profitability of fisheries in eight marine key biodiversity areas using ecosystem-based approaches to fisheries management as a cornerstone of improved social, economic, and environmental benefits.

This objective packs a lot of information into a short statement and illustrates how objective statements can be concise, while still providing the reader with an overview of the proposed program. It contains a clear statement of purpose: improve the management of coastal resources. It introduces how and where the goal will be achieved: through the use of an ecosystem-based approach to fisheries management in eight key geographic areas. The objective is also clear that there are two main beneficiaries: biodiversity of the ecosystem and fisheries. In two sentences this example tells the reader the why behind the program, the how and where activities will be performed, and who will benefit from the program.

The next objective is the most comprehensive of the examples:

The purpose of this contract is to reduce poverty by enabling vulnerable households in Country to improve nutrition and achieve sustainable food and livelihood security. This will be achieved through integrated nutrition and agriculture interventions at the community and household level. The program will focus on reducing poverty, food insecurity, and under-nutrition through a comprehensive and multi-sectorial approach targeting those communities that witness disproportionate levels of each.

The program will be implemented using an approach that aligns with five core principles: 1) Use of local systems and local capacity; 2) Comprehensive approach to assessing household status; 3) Clarity on the role of gender dynamics in households and communities; 4) Enhancing existing models; and, 5) Ability to learn and adapt program approaches based on research and program experience.

The above purpose statement clearly illustrates how an objective statement can form a summary of an entire proposal. Not every program needs such a detailed objective statement, but being able to clearly communicate the message of your proposed program up-front increases the likelihood that readers will view your program as carefully conceived and credible. More importantly, defining the objective at the proposal stage aids future implementation by setting a clear goal.

TIP!

After you have written an objective statement, ask a colleague, friend, or even family member to read it and provide feedback on whether the statement clearly conveys to the reader what the program is setting out to accomplish – and why the goal matters. Having someone else review your objective statement can result in a stronger message.

3. Detailed approach to implementation

After defining your objective and stating the purpose of your proposed program, the next step is to describe what activities you propose to undertake in order to achieve program goals. This section should explain the “who, what, when, where, and how.” Depending on the nature of the proposed program, some activities will be analytical while others can be described as “step by step.”

An analytical activity is one in which a particular methodology or model will be employed in order to analyze or assess a situation or opportunity. If analytical activities are envisioned, then in the detailed approach the proposed methodology or model should be clearly described. For example, a proposed activity could be to survey the populations to determine health behavior habits. In this case, the proposed survey methodology should be described in detail and supported by a discussion of why this methodology is preferable.

TIP!

When writing step by step activities start thinking also about corresponding indicators, deliverables, and/or milestones. Strong detailed implementation approaches also include the deliverable or milestone that will be associated with each activity. These terms are defined in the next section and their importance is also discussed in detail.

“Step by step” approaches link activities together in stages over time. Each anticipated task should be described in detail, explaining how it will be done, when, and by whom. In order to write step by step activity descriptions sit down and think through how the job will be done and write it out simply. By including mention of the “who, what, when, and how” the writer can demonstrate that the proposed activities are credible. Furthermore, during program start up the detailed technical approach described in the proposal can form the outline for a work-plan and become a reference tool during implementation. Similar to the way that defining an objective in a proposal can focus activities during implementation, having a detailed technical approach can aid implementation teams. This is especially the case if, as often happens, the proposal writer is later not involved in daily program implementation.

A. Tool: Sample activities

Below are two examples of an activity under a program to illustrate the difference between a vague ineffective activity, and one in which the process and purpose is clear. The weak activity lacks detail and does not link back to the objective. The strong activity on the other hand has three elements: a clear description of what the activity is, a discussion of how the activity will be implemented, and a statement showing why this activity is important. For reference, the program’s objective is to improve the quality of policy analysis within a national government in order to support the development of more effective legislation and regulation.

Weak activity

We propose to work with a university to send some graduate students to conduct policy research at the national government level. These research papers will provide policy analysis which can then be referenced by policy makers when drafting legislation.

Strong activity

We propose to collaborate with Country’s university public policy department through graduate students’ “capstone” papers. Currently, graduate students in this department have a choice of several options for final projects, one of which is completing a report that analyzes a real-world policy problem and provides recommendations for addressing the issue. Policy capstone projects typically include five elements: background research, selection of a limited number of policy alternatives, development of evaluation criteria, analysis of the alternatives against the criteria, and recommendations for next steps.

We will work with the public policy department and the national government to connect students with members of parliament or national assembly staff who have a specific policy issue which they would like a student to analyze. We will also work with public policy professors to ensure that they are providing appropriate guidance to the students in selecting topics, conducting research, and analyzing policy issues.

By collaborating with graduate students, the national government would have access not only to students who have completed coursework in policy analysis but also, indirectly, to the faculty who oversee and guide the students as they work on their projects. This is a cost effective way for the national government to benefit from both students and faculty who have experience and expertise in policy issues.

TIP!

Just as having someone take a second look at your objective statement, it is also beneficial to share your draft technical approach and solicit feedback on whether or not your proposed activities are clear and detailed to an outside reader.

4. Tracking performance

A shared characteristic of highly successful programs are those that include clear deliverables, milestones, indicators, and a detailed plan for monitoring and evaluation in the initial proposal. Programs that have not defined how the implementation team will measure progress towards the objective face difficulties during implementation. Fundamentally, without being able to measure progress it is less probable that the implementation team will be able to see if their activities are actually producing the desired result. Without this insight, program teams can struggle to achieve their objective.

Therefore thinking through how the program will monitor progress and mark accomplishments at the proposal stage provides yet another tool to guide successful implementation. The future implementation team can reference the indicators, targets, deliverables, and/or milestones and use these elements to evaluate their activities. This section first defines a set of terms used when discussing monitoring and evaluations then provides tips as to how to weave indicators, deliverables, and milestones into the technical volume at the proposal stage.

A. Tool: Definitions

Monitoring and evaluations

Monitoring and evaluations is a process of collecting and analyzing data to measure the performance of a project against expected results. A defined set of indicators is constructed to regularly track project performance. Performance reflects effectiveness in converting inputs and outputs into outcomes and impact (i.e., results). The phrase “monitoring and evaluation” is often used interchangeably with “performance monitoring” and “performance management.”

Indicator

An indicator is a characteristic or dimension used to measure intended changes. Indicators are used to mark progress and measure actual results compared with expected results. Indicators answer how or whether a project is progressing towards objectives. Indicators are usually expressed in quantifiable terms, but can also be qualitative. All indicators should be objective and measurable (e.g., numeric values, percentages, indices). Examples of indicators are: percentage change in agricultural exports, number of microfinance institution borrowers and savers, fertility rate, and percentage change in awareness of health hazards of lead.

Target

A target is the expected value or level of an indicator at a specified time in the future. The target shows the expected level of achievement or progress in achieving the program goal.

Input

An input is a generic term referring to resources used to produce an output. Inputs include technical assistance, commodities, training, and staff.

Output

An output is a tangible, immediate and intended product or consequence of an activity. For example, the number of personnel fed, number of vaccinations given or people feed are examples of outputs. Outputs should not be confused with outcomes. An outcome is a generic term referring to events, occurrences, or conditions that result from outputs or program activities. An education program might train teachers; the number of teachers trained is an output. Training teacher would presumably lead to improved teaching skills – an outcome.

Result

A result is a significant, intended, and measurable change in the condition of a program’s beneficiary caused by the program. Broadly understood, results can encompass outputs, outcomes, and impacts (intended and unintended).

Impact

Impact refers to the effects, usually medium and long-term, produced by a program. The impact can be intended or unintended, positive or negative (ADS 200-203). This term is often used as a synonym for “result” and “outcome” to refer to signification and measurable change affecting program beneficiaries. However, strictly interpreted, impact refers to the ultimate socio-economic changes in human condition or well-being that result from project efforts. For example, if an education program trains teachers, the number of teachers trained is the output, the improvement in education is the outcome, and the improvement in the lives of those teachers’ students is the impact. In some cases, the ultimate impact may not be measurable during the project.

Milestone

A milestone is a specific, discreet interim event that conveys progress towards the result. Milestone statements describe one-time events, rather than change over time. Examples of milestones are: regulation adopted; marketing campaign targeting private investment implemented; new rural microfinance institution launched.

Deliverable

Deliverables are a tangible product of an activity comprised of one or more outputs. Deliverables are often submitted to funding organizations as part of the payment process. For example a deliverable could be conducting a three-day training, and the outputs comprising this deliverable could include: the training agenda, training curriculum, and trainee evaluation sheets.

B. Writing about results

Being able to describe how the proposed program will reach the intended results requires including in the technical volume a discussion of outputs, deliverables, milestones, indicators, and targets, together known as the monitoring and evaluations plan (alternatively known as the program monitoring plan). Depending on the solicitation, you may have to write a detailed technical approach and a separate program monitoring and evaluations plan. Regardless of if a separate section is explicitly required; it is generally a good idea to include somewhere in the technical volume a discussion of your intended monitoring and evaluations plan as it demonstrates to the reader that your organization has carefully considered the proposed program design and results.

After you have described and defined your activities, the next step is to define the output of each activity. After identifying outputs, then assess whether any of these outputs (or sets of outputs) can be classified as deliverables or a milestones. Including the list of deliverables or milestones at the end of each activity will strengthen the proposal. For example, one activity could be to conduct research into availability of credit in Mongolia for small and medium size enterprises and present the findings at a conference comprised of representatives of the financial sector. The outputs of this activity would be the research findings and the conference. A corresponding deliverable could be a research paper that summarizes the findings and provides recommendations for the advancement of credit availability, and a milestone could be holding the conference.

Continuing with this example, let’s assume the program’s objective is to promote diverse credit products and improve the access of Mongolian SMEs to a range of credit products in order to support economic growth. Therefore an indicator of this progress could be the number of recommendations for advancing credit availability adopted by the financial sector. Once the indicator is defined, the next step would be to set a target number. For example the target could be five recommendations adopted.

Now that we have set indicators and targets, the next step is to think about how these indicators will be tracked. This forms the basis for a monitoring and evaluations plan to collect data on indicators to measure progress towards targets. Staying with the same example, the monitoring and evaluations plan could include following up with financial sector firms to see what and how many recommendations are adopted. This follow up is important because in order to demonstrate results organizations need to track the outcomes of their activities. Thinking this process through during the proposal stage is the first step to being able to demonstrate program results during and after implementation.

Below is a sample outline for a monitoring and evaluations plan section in a technical volume. This outline is not intended to be a template for every monitoring and evaluations plan, as each plan should vary based on the solicitation and the proposed activities. This sample is a suggested outline that includes the common elements of a comprehensive plan.

C. Tool: Sample monitoring and evaluations plan outline

1. Description of intended project results.

Remind the reader of the objectives of the proposed program.

2. Proposed approach to monitoring and evaluation during implementation.

Describe of how your organization will monitor progress towards results, how will you track your indicators? Who will collect the data? How often? Who will review it?

3. Assumptions

Describe all key assumptions made when identifying indicators and setting targets.

4. Performance management plan

- a) Description of indicators
- b) Description of baselines and targets
- c) Description of data sources and data collection methods (Qualitative/Quantitative)
- d) Description of data analysis and reporting

5. Chart of results, indicators and targets

Include a summary table (see Annex D for a sample).

D. Tool: Elements of indicators

Setting indicators can be a challenging task. This section lists six elements of good indicators to reference when including indicators in proposed programs. Indicators should be:

Useful for management. Indicators should convey a key aspect of project achievement and be useful for decision making and reporting.

Attributable. Project activities should have a logical causal effect on the change being measured by the indicator. If there had been no project activities, would the measured change be different?

Direct. Indicators should measure as closely as possible the result it is intended to measure.

Objective. Indicators should be clear about what is measured and is collected and it should not bias the result.

Practical. Indicators should allow for timely and cost-effective data collection.

Adequate. The combination of all project indicators should be the minimum necessary to ensure progress is sufficiently captured.

5. Personnel and management sections

Depending on the solicitation instructions, organizations may or may not require sections on personnel or management. Regardless of whether it is required or not, when designing a program it is important not to overlook the personnel and management requirements necessary to achieve the proposed goals. Thinking carefully about who will implement what activities, who will support what objectives, and who will oversee the process often results in stronger, more implementable programs. It also leads to better budgeting as will be discussed in the cost section of this toolkit. One way to demonstrate to the proposal evaluators that you have conducted this analysis is to include personnel and management sections as part of your proposed technical volume.

A. Personnel section

Personnel sections should describe the relevant experience and background of the individuals who will perform the activities included in the detailed approach. For example, if an activity is to provide training, the personnel section should identify who will conduct those trainings and explain what makes that individual qualified to do so. Below is a sample personnel section outline.

B. Tool: Personnel section outline

1. Qualifications of proposed program team as a whole

Provide an overview of the skills of the proposed team and briefly describe how the skills of individual team members complement each other resulting in a strong team with the requisite skills and experience to achieve the program's objectives.

TIP!

As a supplement to a well written personnel section, consider including in an annex to the technical volume CVs for each proposed team member

2. Qualifications of the proposed program team leader

This section should describe the overall experience and qualifications of the team lead, as well as discuss in detail experience relevant to the proposed program. Additionally this section could include a description of the following:

- a) Experience managing similar programs,
- b) Proven leadership skills
- c) Experience leading technical assistance teams
- d) Proven experience delivering program deliverables/milestones
- e) Ability to work with diverse groups and organizations
- f) Demonstrated communication, administrative, and financial management skills

3. Qualifications of each additional team member

The number of these additional sections will depend on the number of team members. If a particularly large team is being proposed it is possible to describe only those members who are 'key' to the success of the project. Key personnel typically include the overall team leader, and those individuals responsible for a particular technical component of a program (i.e. training manager or researcher). Each team member should have their own section which should provide an overview of the individual's qualifications and describe relevant skills and experience.

C. Management sections

The purpose of the management section is to explain exactly how the organization will manage the project by including a discussion of roles and responsibility and reporting amongst

members of the program team. Management sections also commonly include a description of the relationship between the donor and the implementing organization, as well as discuss any logistical considerations. Management sections should convey to the reader that the organization clearly understands the structure and technical aspects of the proposed program, has the management systems in place to manage the program smoothly, and has proposed a practical organizational arrangement.

In general, management sections can be similar in structure. However as each proposed project is different each project will face particular issues or circumstances which require different management approaches. For example, one project could be three months in duration requiring three individuals to implement and will take place only in Ulaanbaatar. The management section for that program will be much different in content than a management section for a program of a year duration with a staff of 30 with activities throughout western Mongolia. Keep in mind throughout that the purpose of the management section is to explain how your organization will manage the project, and below is a sample management section outline:

TIP!

Graphics can be a very effective way to demonstrate who will do what on a project and how team will fit together. Often a simple graphic that shows lines of reporting and identifies proposed project staff can help communicate the personnel and management plans alongside the written descriptions.

D. Tool: Management section outline**1. Staffing structure**

Describe the reporting relationships and roles and responsibilities of staff. Starting by identifying who will have overall responsibility for the program, this section should include a description of who reports to whom. If the proposed activities include substantial interaction with partner organizations (other NGOs, private sector firms, the government) address who and how those interactions will be managed as well.

2. Managing deliverables/milestones

Similar to the above, the next section should describe who will be responsible for what, and the management approach to ensuring program deliverables and milestones are met. For example, who will compile deliverables and who will review them?

3. Reporting progress

Describe the reporting relationship between the organization and the donor. Identify who will be responsible for discussing program performance and how that communication will be structured (quarterly check-ins? Monthly?)

4. Management obstacles

Identify potential challenges and describe the approach to managing these concerns. For example, if the organization's office is in Ulaanbaatar, but the activities will take place in Erdenet describe how the organization will manage the activities – frequent travel? Base a staff member in Erdenet during implementation?

TIP!

Take a careful look at your organization's existing human capacity and managerial resources against proposed activities. This analysis can sometimes result in scaling back activities, but it is crucial for successful implementation not to overpromise at the proposal stage.

5. Management strengths

Discuss any relevant effective planning and control mechanisms your organization may have and explain how those will be used to facilitate the smooth management of program activities.

For example, your organization could have an established approach to handling training logistics. Describe that existing skill and demonstrate how it will be leveraged to support any proposed training activities.

6. Corporate capabilities and past performance sections

Keeping in mind that each proposal is a roadmap for future implementation, it is also important to objectively assess the proposed activities against the capabilities of your organization. Has your organization successfully managed programs of similar size and scope in the past? If not, are the proposed activities realistically achievable given the status of your organization? After performing this analysis, writing a short corporate capabilities and past performance section can communicate to the evaluators that the technical approach and objectives are realistically achievable given your accomplishments to date. Many solicitations require this section, and depending on the solicitation instructions it can be a brief summary or a detailed explanation. Key messages to convey include: relevant experience implementing similar programs and the results and impact of previous work. Please see below for a sample corporate capabilities and past performance outline.

A. Tool: Sample corporate capability and past performance section outline

The below outline is a sample, carefully review each solicitation to see what type of corporate capabilities and/or past performance information is required and tailor the outline accordingly.

1. Overall capability to conduct proposed activities and achieve significant results

Introduce your organization and highlight your organization's ability to conduct the proposed scope of work by briefly discussing the results – impact – of two or more successfully managed prior programs that were of similar size and complexity to the proposed activities.

TIP!

Use text boxes (like this one) to include quotes from prior satisfied clients describing your organizations' previous successes.

2. Corporate capability in conducting programming in a particular technical area

Depending on the size and scope of the proposed program, the activities will fall into one or more technical areas. For example, if your organization is proposing a training program for accountants, then the technical areas are accountancy and training (i.e. curriculum development and training implementation). In the corporate capabilities section there should be two sub-sections that describe your organization's experience and qualifications in the technical area of accountancy and the technical area of training. Below is an illustrative list of other technical areas that could be used as headings for subsections in the corporate capabilities section:

- Improving policy and community leadership around natural resource use
- Building legal capacity to resolve disputes and inform citizens about their rights
- Informing policy makers for better decision making
- Securing rights for women and marginalized people

3. Ability to manage programs of similar size and complexity

In this section provide examples of how your organization successfully managed the implementation of programs in the past. This section is less about results, and more about how your organization is capable of conducting activities on time, producing quality deliverables, and achieving milestones on time.

4. Past performance

Depending on the solicitation this could be a separate section or a subset to the corporate capabilities section. Additionally many solicitation request references for past performance and that information should also be included here. The basic approach to a past performance section is to detail prior relevant programming. Past performance descriptions generally include the following types of information:

- Name of the client (donor agency, contracting entity, grant provider)
- Type of agreement (grant, subgrant, contract, subcontract)
- Agreement value
- Agreement duration
- Description of the activities conducted/services provided
- Description of any problems and steps taken to mitigate them
- Description of key results/impact
- Contact information (references)

SECTION III: COST VOLUME

A clear and comprehensive cost volume that describes the budget of a proposed program is a fundamental piece of every project. Cost volumes generally consist of spreadsheets which list categories of costs by line-items, the units necessary for each line item, and the cost per unit. Cost volumes should also include a written description (cost notes), of what assumptions were made in creating the budget, explain the inclusion of each line-item, and justify the proposed costs per unit. Organizations that are able to include this level of detail have also likely thought through the corresponding proposed activities and personnel requirements. The opposite is also true, if you are stuck building your budget look back to your activities – is it clear what the proposed program will do and what resources are required to achieve the proposed objective?

A clear and comprehensive cost volume also serves an essential function during program implementation. Organizations that have a detailed budget they can compare against ongoing expenditures during implementation can help identify issues. For example, if a project intended to conduct seven trainings but has only incurred costs for five trainings it could be jeopardizing its chances to fully reach program objectives. When drafting cost volumes organizations should keep in mind that the closer the budget corresponds to proposed activities the more likely the program is to succeed. This section introduces key cost principals, discusses tips for successful budgeting, defines common line items, and provides tips for writing effective cost notes.

A. Tool: Key cost principals

Depending on the donor and the type of solicitation, what costs can be included in budgets can vary. However, there are a few cost concepts that are always important. This section defines key terms and concepts that should be considered when drafting a proposed budget.

Reasonable

A reasonable cost is the cost that a regular person in the marketplace will pay for a good or service. For example, the cost included in a budget for renting a training facility in Ulaanbaatar should reflect the cost that any organization in Mongolia would expect to pay. Specifically, reasonable costs are:

- Ordinary and necessary for the performance of the award
- Processed at arm's length with sound business practices
- Not a significant deviation from an organization's established practices and procedures
- Not in excess of what would be incurred by a prudent person under the prevailing circumstances at the time the decision was made to incur the costs

Realistic

Proposed costs should be realistic. This is not to be confused with reasonable. Realistic costs are those that reflect the activities presented in the technical proposal. For example, including the cost for only one day of trainings in a budget is not realistic when the activity described in the technical approach will be three days of training.

Allowable

Donors have specific rules about what types of costs are allowable to include in budgets. For example, alcoholic beverages are unallowable costs under US government funded awards. When constructing budgets in response to donor-issued solicitation reference that donor's particular rules about what costs are, and are not allowed. Additionally, allowable costs are:

- Reasonable for the performance of the award
- Allocable to the award
- In conformance with limitations/exclusions in the award
- Consistent with the organization's policies and procedures
- Accorded consistent treatment
- In accordance with generally accepted accounting principles (GAAP) or international accounting standards (IAS)
- Not used to meet other cost-sharing requirements
- Adequately documented
- Reviewed and approved by management

Allocable

Costs are allocable when it is possible to demonstrate that they were incurred in support of a particular program or activity. For example, a clearly allocable cost for a public awareness campaign could be paying directly for a radio spot. A non-allocable cost is rent for 2011 when the program started in 2012. Costs that are not allocable to a program should not be included in the budget. Specifically, allocable costs are:

- Charged to a cost objective on the basis of relative benefit received
- Incurred specifically for the award and in accordance with the budget in the award agreement
- To the benefit of the award and other work and can be distributed in reasonable proportion in accordance with relative benefit received
- Treated consistently with other costs for the same purpose in like circumstances

Indirect costs

The US' Office of Management and Budget Circular A-122 describes indirect costs as those that have been incurred for a common or joint objective but not solely in support of one set of activities or program. Indirect costs are often expressed as a percentage of other costs included in the budget. For example, an organization may recover the cost of its executive management team by applying a percentage to direct costs in a budget. In this case, the cost of the executive management team is an indirect cost. In contrast, direct costs are those that are incurred in support of a program and are not expressed as a percentage.

As each organization is unique it is not possible to specify which costs are indirect costs in all situations. However typical examples of indirect costs include: rent, utilities, executive salaries, organizational administrative expenses. These specific indirect costs are sometimes included together in a category of costs alternatively called overhead, general and administration, or facilitates and administration which some organizations combine into a rate (percentage) that they then include in budgets applied to certain direct costs. Depending on the funding mechanism, indirect costs could be included in a program budget. However, in order for an evaluator to assess the allowability of indirect costs, an organization must be able to demonstrate a clear and consistent allocation method. If a rate is used, than the organization must demonstrate what particular indirect costs comprise that rate.

As mentioned above, depending on the type of award and the donor organization indirect costs may or may not be allowed. Taking USAID-funded grants under contract for example, the allowability of indirect costs starts first with the type of grant (see Annex A for definitions of grant types). Indirect costs are allowed on standard and fixed obligation grants, but cannot be included in a simplified grant. One way to insure that all allowable costs are captured in a budget is to turn indirect rates into direct costs when possible. For example instead of charging office rent as an indirect rate, use the actual cost for rent over a set period of time and allocate

a portion of that rent as a direct cost corresponding to the percentage of use allocable to the program to the grant. Another example is fringe benefits. Instead of including a percentage for fringe, use the actual costs of fringe benefits, again making sure that the correct portion is applied.

1. Tips for successful budgeting

In general, the budget should match as closely as possible the implementation approach described in the technical volume and be based on careful assumptions. Often it is necessary to write the technical approach first and build a budget later that reflects proposed activities. After the technical approach is defined, the next step is to look at each activity and think critically about all the costs that are going to be involved in performing a task, developing a deliverable, or reaching a milestone.

TIP!

If the individual who builds the budget is different than the person who wrote the technical, before submitting the proposal have them read each other's section. Making sure that the author of the technical approach sees the cost volume and visa-versa often results in changes that can strengthen both.

The timing of the costs should also correspond to the timing of activities. If possible, it is also useful to review an organization's previous expenditures for similar programs. Looking at past actuals can help ensure that the budget includes all likely cost categories. Each line-item in the budget should represent a best estimate of the costs associated with the activity and it is a best practice to develop the budget by using a spreadsheet program that is compatible with MS Excel. Annex E contains a sample budget shell. Outlined below are common cost categories and calculation tips.

Labor

Labor, units of time multiplied by wages/salary, is often a major component of a proposal budget. When budgeting for labor you should start by asking yourself the following types of questions for each activity proposed:

- How many people will be necessary to conduct this activity?
- How much time will each person have to spend on this activity?
- Are these individuals who already work for my organization, or will we have to hire short-term technical assistance?
- How much time should be included for monitoring the activity?
- What amount of administrative or logistic support will be needed?

Answering these types of questions should provide a sense of how much level of effort (LOE) is required for the proposed activities as well as what positions should be budgeted for. LOE is often expressed in days, but can also be expressed in hours or months.

Once you have answered those questions, then include the unit of salary cost that corresponds to the LOE (so wage per hour/day/month) for each person identified in the budget. The unit of salary should exactly correspond to the salary that will be paid to the person conducting the work. If the individual will be providing short-term assistance and is not yet identified, then the salary rate included in the budget should reflect the market wage for similar technical assistance. While this rate will necessarily be an estimate, be sure to use a realistic assumption considering the following factors: technical field and level of seniority of anticipated positions.

Fringe

Fringe benefits refer to non-salary costs associated with labor. These costs generally fall into two types: costs mandated by Mongolian labor law, such as social insurance, and costs incurred per an organization's documented personnel policies. All fringe benefits should be

clearly shown in separate line items. For example, one line item under fringe could be social insurance, while a second line item could include an organizational specific fringe category. Additionally the cost notes should explain in detail what comprises each budgeted fringe amount and clarify if each category of fringe applies to all individuals listed under labor. For example, a short-term consultant may not qualify for some benefits that would accrue to an organization's employees, but might require social insurance per Mongolian law.

Travel and transportation

Travel and transportation is a category of costs that include individual line items such as: taxis, car rentals, train tickets, domestic airfares, and in some select cases, international airfare. The units budgeted for travel and transportation costs should match up with the volume of travel required to conduct the technical activities. Budget travel and transportation costs carefully, for example if the technical activities require a car rental than research at least two quotes for car rental in the area in which the activity will take place. Be sure to explain in detail in your cost notes what your unit assumptions are and how you arrived at your assumption for each unit cost.

Per diem

Per diem is a daily allowance of a set amount of money that an organization will provide to cover certain expenses for individuals who are required as a result of proposed program activities to travel away from their home of record for an extended period of time (generally at least overnight). Per diem is comprised of two cost categories: lodging and meals and incidental expenses. Similar to travel and transportation, it is highly recommended to carefully budget per diem based on a realistic assessment of the technical activities. One tip is to budget for lodging and meals and incidental expenses as separate line items and research and budget actual lodging costs in a particular area. When calculating the amount of per diem required it can also be useful to create a separate spreadsheet and input the total number of days required for each individual per the proposed technical activities.

Activity costs

It can be useful to organize the costs of implementing activities into a separate section within your budget. This can be beneficial for two reasons. The first is that by grouping together all the line-items associated with a particular proposed activity, the budget preparer will by necessity be also looking at the technical volume and thus is more likely to include all applicable activity costs. The other benefit is that the evaluator who reviews the cost volume will also be able to see clearly how the costs of activities implementation are factored into the budget. For example, if the proposed program has a large training component than put all the non-labor training line-items under a training category in the budget. For example training related line-items could include: facility rental, training materials reproduction charges, and equipment rental such as projectors and screens. If proposed activities require the procurement of specialized equipment, then organizations clearly identify what equipment will be purchased, as opposed to rented. The cost notes should also comprehensively explain the rationale for purchasing equipment.

Other direct costs

Broadly defined, other direct costs are those costs that are incurred solely in support of program objectives that are not labor or fit into the other cost categories. Common examples of other direct costs are communications, reproduction costs, and expendable supplies. Communications costs vary by the type of program and activities but typically include internet costs, mobile phone SIM cards, and mobile phone minutes. When estimating communications costs be sure to define in the cost notes how the estimates for the units and the cost per unit were derived. Reproduction costs generally consist of the cost of reproducing and printing any required reports or deliverables. Estimates for reproduction should be based on prior

experience and the number of technical and progress reports required for the program. It may be also necessary to budget for small amounts of expendable supplies, such as office paper or printer toner if a high volume of report production is anticipated.

2. Documenting assumptions: cost notes

Offerors should write notes explaining each line-item in their budget. The detailed cost notes serve several important purposes. First, they allow the review committee to determine how you arrived at your figures, compare them with those of other bidders, and check the assumptions used in the cost proposal. Secondly, they serve as a reference during implementation as to why a particular line item was budgeted. In order to fulfill these functions, the cost notes must be sufficiently detailed.

A useful way to start is with a section on assumptions. In this section discuss assumptions related to the proposal. The assumptions should be important information to help the evaluator understand your methods and basis for costs. For example, explain in this section how the cost volume is structured including how the spreadsheets are organized. Explain here as well your costing methodology (for example, we developed a detailed budget for the entire project, delineating costs under the categories of Salaries, Other Direct Costs, etc.). If the solicitation included specific requirements for budgeting costs, include in this section an explanation for how you reflected those requirements in the budget. Once you have explained your assumptions, then follow the tips in the text box to draft detailed notes.

TIP!

Below are tips to writing effective cost notes:

- Follow the same line-item format as the cost spreadsheets
- When possible, cite specific cost experience gained by conducting similar work in the past
- Thoroughly explain how you arrived at certain figures, particularly for complicated or lengthy calculations

A. Tool: Sample cost notes outline

Introduction

Discuss all assumptions used in creating the cost volume such as program duration, timing of activities and subsequent timing of costs.

Salary

For each individual listed in the budget explain what the proposed salary rate is based on (actual salary? Prior consulting rate?) and clarify what the base/units are (hours, days, or months?)

Fringe

Mongolian law mandates social insurance which should be included as a direct fringe charge and explained accordingly. If your organization has other fringe categories that are not necessarily mandated by Mongolian law, health insurance for example, than justify here in the notes what the base/units are for each of these additional fringe costs as well as the assumption for the proposed rate.

Travel, transportation, and per diem

Justify in this section each line-item assumption. For example, if you are including seven taxi charges per month explain why seven will be required, where the taxis will go, and why you have included the rate per trip listed in the budget. If your budget includes per diem costs, than carefully describe what the lodging and meals and incidental expenses assumptions are based on and clearly tie the need for per diem back to proposed project activities. For example, one activity could be to conduct a survey in Khvod. The survey will be conducted by a team

member who will have to travel from Ulaanbaatar and stay in Khvod for three days. Therefore three days of per diem will be required for this activity.

Activities costs

This section of the cost notes should include a description of the units/base and rate assumptions used to build the estimate for the implementation of activities. This section will necessarily be tailored to the specific activities proposed. For example, if one activity is to host a roundtable discussion about policy reform, then the roundtable could be a cost category with line-items for facility rental and reproduction costs for roundtable materials.

Other direct costs

Include here a description of each line-item in this category by identifying assumptions for each unit/base and what you used to base your rate. If you are applying a portion of your overhead costs as direct costs in the budget, then clearly explain your methodology. For example, if the project duration is six months and is anticipated to represent a quarter of your activities during those six months, then you could charge an 8th of your office rent and you should explain this math in the notes.

Any indirect rates

Depending on your organization's established cost accounting practices, policies, and prior history, the donor, and the type of agreement mechanism indirect rates may be allowed in budgets. If you are proposing an indirect rate, clearly explain what indirect costs comprise the rate and be prepared to substantiate that rate with audited financial statements from prior years.

ANNEXES:

ANNEX A: COMMON TYPES OF GRANTS

There are three types of grants used in USAID grants under contracts: simplified grants, fixed obligation grants (FOG), and standard grants. There is a fourth un-official grant type, the in-kind grant. The three types of grants are governed by a set of rules contained in ADS 303 (<http://www.usaid.gov/policy/ads/300/303.pdf>) and the accompanying standard provisions. Simplified grants and FOG are specifically described in ADS 303.3.24 and 303.3.25. All types prohibit a grantee from receiving any profit or fee. The selection of the type of grant is dependent on the nature of the activities, as well as the nature of the grantees.

An “in-kind” grant may be any one of the three types. “In-kind” means that the USAID-funded project makes payments directly to a vendor on behalf of a grantee, and that payment is part of a grant to that recipient.

1) Simplified grant

As its name implies, a simplified grant is a very straightforward type of grant. Payment is made by reimbursement of allowable costs incurred and substantiated by receipts (usually periodically). All costs must be identified in the grant narrative and budget, and indirect costs are not allowed. An example of an activity that is appropriate for use of simplified grant would be: Funding a private university to conduct research on a certain topic for 9 months.

2) Fixed obligation grant

The fixed obligation grant (FOG) was originally a subset of the simplified type in ADS 303, and thus it shares many of the same features and requirements. A tranche payment schedule is established in the grant agreement, which assigns fixed amounts to specified milestones. Instead of receipt-based payments, the fixed tranche amount is disbursed to the grantee once the associated milestone has been achieved.

Therefore a detailed budget is required under a FOG to determine costs realism and negotiate milestone payments. Unlike simplified grants, FOGs may include substantiated indirect costs in the build-up to the fixed grant amount. FOGs are not appropriate for all types of activities. This type of grant should be used to support discreet activities where there is a certainty about the cost and in which the accomplishment of the purpose or milestone in the grant are readily discernible. An example of an appropriate activity could be: developing and printing an association directory; milestones could include: 1. Development of the concept paper; 2. Completion of a survey; 3. Drafting the directory; etc.

3) Standard grant

Under a standard grant, grantees may receive advances provided they meet the pre-award responsibility determination qualifications to receive an advance. The grantee liquidates the advance by substantiating their use of the funds with receipts before receiving the subsequent advance. Due to its increased grantee financial and reporting requirements, the standard grant is only appropriate for grantees with solid management and accounting capabilities. Activities funded under a standard grant are usually of a longer duration and more complex in nature. An example would be funding a country-wide campaign to track corruption for 18 months.

ANNEX B: COMMON TYPES OF SUBCONTRACTS

Under USAID-funded contracts there are a variety of subcontracting mechanisms. This annex provides definitions and descriptions of the three main types of subcontracts: firm fixed price subcontracts, time and materials subcontracts, and cost plus fixed fee subcontracts. The type of subcontract selected will depend on the type of activities proposed as well as the organizational and financial capacity of the partner organizations.

1) Firm-fixed price subcontracts

Firm-fixed subcontracts are appropriate for short-duration, ideally six months or less, programs with clearly identifiable deliverables for a price that can be foreseen at the negotiation stage. Firm-fixed price subcontracts include all of the costs and any fee under one total amount. Subcontractors get paid that amount upon completion of the deliverables stated in the subcontract, no matter how much or how little the organization actually spent in achieving the end products.

2) Time and material (T&M subcontracts)

T&M subcontracts are appropriate for when a firm will provide longer-term assistance primarily through the provision of labor. T&M subcontracts combine all costs related to salary under a “Time”, “Workdays Ordered,” or “Burdened Labor” line item, and all direct costs under a “Materials” line item. Salaries may be included in a fixed daily rate or be included at actual cost with a multiplier then applied to them. All direct costs (travel, allowances, ODCs, and equipment) are included in an overall “Materials” line item. The total cost of T&M subcontracts is estimated based on the anticipated level of assistance. The amount subcontractors are paid is based on the amount of assistance provided.

3) Cost plus fixed fee subcontracts

As the name implies, these are cost-reimbursable subcontracts with a fixed amount for fee. Under these subcontracts, the parties negotiate the best estimate of what the proposed technical approach will cost to implement in terms of salary, travel, allowances, equipment, and other direct and indirect costs. The fixed fee is normally calculated and invoiced as a percentage of the total “base” cost.

CPFF subcontracts can be either “Completion” or “Term” subcontracts. Completion-type subcontracts are a form of performance-based subcontracts that require the subcontractor to complete and deliver a set of end products or meet certain results/targets within the estimated cost as a condition for payment of the entire fixed fee. Under Term subcontracts, the subcontractor is obligated to deliver a specified level of effort for a stated time period.

ANNEX C: ADDITIONAL COST RESOURCES

1) Office of Management and Budget (OMB) Circular A-122: Cost Principles for Nonprofit Organizations

This circular sets the standard for allowability, reasonableness, and allocability of costs incurred by a nonprofit organization. These cost principles are generally made applicable to non-U.S. grantees through provisions and references in grant agreements. Grant-funded costs to a nonprofit must follow these principles. For-profit recipients follow FAR Part 31.2 cost principles for commercial organizations.

OMB Circular A-122 lists 52 “Selected Items of Cost.” They are in alphabetical order starting with Advertising and ending with Trustees. All items contain explanatory notes. A cost can be allowable under one condition but unallowable under another condition. To determine allowability, it is necessary to read all the notes provided in the circular.

OMB Circular A-122 in its entirety is available online at:
http://www.whitehouse.gov/omb/circulars_a122_2004#attb

2) Federal Acquisition Regulations (FAR) Part 31.2: Cost Principles for Commercial Organizations

This set of regulations sets the standard for allowability, reasonableness, and allocability of costs incurred by commercial organizations (for-profits). These cost principals are generally made applicable to non-U.S. contractors or subcontractors through provisions and references in contracts or subcontracts. Subcontract-funded costs to a commercial organization must follow these principals. FAR Part 31.2: Cost Principals for Commercial Organizations is available in its entirety online at:

ANNEX D: MONITORING AND EVALUATIONS CHART TEMPLATE*

Indicator	Description	Indicator type (Output-Outcome/Impact)	Data Source/Collection Method	Targets
Project Objective				
Indicator 1.				
Indicator 2.				
Project Activity 1				
Indicator 1.				
Indicator 2:				
Sub-Result 1.1.				
Indicator 1:				
Indicator 2.				
Sub-Result 1.2.				
Indicator 1.				
Indicator 2.				
Project Activity 2				
Indicator 1.				
Indicator 2.				
Sub-Result 2.1.				
Indicator 1.				
Indicator 2.				
Project Activity 3				
Indicator 1.				
Indicator 2.				
Sub-Result 3.1.				
Indicator 1.				
Indicator 2.				
Sub-Result 3.2.				
Indicator 1.				
Indicator 2.				

*This is a sample proposal template based on common monitoring and evaluations plan requirements in solicitations. Please adapt as necessary to fit individual solicitation or tender requirements. Please also expand the chart as necessary.

Short-Term Professionals Local Support						
Subtotal Organization Fringe						
B. Mongolia Direct Fringe (Social Insurance) Organization Professional Employees Short-Term Professionals Local Support						
Subtotal, Mongolia Direct Fringe						
Total, Fringe Benefits						
III. Travel and Transportation/Per Diem A. Regional/In-Country Travel Taxi Vehicle rental Flights within Mongolia Train tickets within Mongolia B. International Travel C. Per Diem Lodging Meals and incidental expenses						
Total, Travel and Transportation/Per Diem						
IV. Activities Costs (tailor to reflect proposed activities) A. Trainings in Ulaanbaatar Facility rental Curriculum development costs						

<p>B. Trainings in Mongolian regions Facility rental Curriculum development costs</p> <p>C. Trainings outside Mongolia</p> <p>D. Surveys</p> <p>E. Equipment necessary for activity implementation (describe in detail)</p> <p>F. Meeting Expenses (specific to proposed activities) Conferences Roundtables</p> <p>G. Media Promotions</p>						
Total, Activities Costs						
<p>V. Other Direct Costs</p> <p>A. Communications Internet Landline telecommunications Mobile communications (SIM cards/minutes)</p> <p>B. Reproduction Costs Paper Toner Bindings</p> <p>C. Bank Charges (not including interest)</p> <p>D. Expendable Supplies (for office use)</p> <p>E. Vehicle Maintenance and Fuel (if using Organization's vehicle)</p> <p>F. Office Rent, Utilities, Maintenance (relative proportion)</p> <p>G. Office Equipment Maintenance (relative proportion)</p> <p>H. Office Equipment Rental (specific to proposed activities)</p>						

I. Insurance (Vehicle, Liability, Other - relative proportion)						
J. Temp (Edit/Translation/Clerical/ Language Training)						
K. Technical Materials/Memberships (specific to proposed activities)						
Total, Other Direct Costs						
Subtotal, Items I-V						
VI. Indirect rate (only if allowed and substantiated)						
Total, Indirects						
Grand Total						