

**GRANTS
MANAGEMENT
HANDBOOK**

***Natural Resource-
Based Community
Enterprise Development***



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Additional copies of this Technical Report are available by request from Development Alternatives, Inc. at the project office for implementation of the Gaza-Kruger-Gonarezhou Transboundary Natural Resources Management Initiative

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ACRONYMS

ADS: Automated Directives System (USAID’s written guidance on policies, operating procedures and delegation of authority for conducting Agency business). The important ones for the GKG Grants Programme Include:

ADS Chapter 303 Grants and Cooperative Agreements to Non-Governmental Organizations
ADS Chapter 310 Source, Origin, and Nationality
ADS Chapter 311 Local Procurement
ADS Chapter 312 Eligibility of Commodities
ADS Chapter 591 Financial Audits of USAID Contractors, Grantees and Host Government Recipients

CFR: Code of Federal Regulations. The applicable CFR to this grant programme is:

22 CFR Part 226.20 through 226.22

COP: Chief of Party

DAI: Development Alternatives, Inc.

FAR: Federal Acquisition Regulations

FOG: Fixed Obligation Grant

OMB: Office of Management and Budget (provides circulars on instructions or information issued by OMB to Federal agencies). The OMB circular applicable to the GKG grants programme is:
Circular A-122- Cost Principles for Non-Profit Organizations

RAC: Review and Approval Committee

USC: United States Code

REFERENCES FOR USAID-FUNDED GRANT PROGRAMMES

References for Grants to Both U.S. Organizations and Non-U.S. Organizations

ADS (Automated Directive Series) Chapter 303 – Grants and Cooperative Agreements to Non-Governmental Organizations:

<http://www.usaid.gov/pubs/ads/300/>

Sample Grant Agreement Format (Award Letter and Schedule):

http://www.usaid.gov/pubs/ads/300/303saa_060700.pdf

OMB Circular A-122 – Cost Principles for Non-Profit Organizations:

<http://www.usaid.gov/pubs/ads/300/3033m1.pdf>

OMB Circular A-21 – Cost Principles for Educational Institutions:

<http://www.usaid.gov/pubs/ads/300/3033m2.pdf>

References for Grants to U.S. Non-Governmental Organizations

Reg 26 of 22 CFR (Code of Federal Regulations) Part 226 – Administration of Assistance Awards to U.S. Non-Governmental Organizations (including educational institutions and commercial firms):

<http://www.usaid.gov/pubs/ads/cfr22/22cfr226.pdf>

OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations (for organizations that receive over \$350,000 per year in federal awards):

<http://www.whitehouse.gov/OMB/circulars/a133/a133.html>

Standard Grant Provisions for U.S. Non-Governmental Organizations:

<http://www.usaid.gov/pubs/ads/300/30353m1.pdf>

Simplified Grant Format (for grants under \$100,000):

<http://www.usaid.gov/pubs/ads/300/303515m.pdf>

Fixed Obligation Grant Format (for grants under \$100,000):

<http://www.usaid.gov/pubs/ads/300/3036s2.pdf>

Standard Grant Provisions for Non-U.S. Non-Governmental Organizations:

<http://www.usaid.gov/pubs/ads/300/30353m2.pdf>

Guidelines for Financial Audits Contracted by Foreign Recipients (for organizations that receive that receive over \$300,000 per year in USAID awards):

<http://www.usaid.gov/oig/legal/audauth/rcapguid.pdf>

GRANTS MANAGEMENT HANDBOOK

This Handbook presents the essential elements related to the effective management of the GKG TBNRM Initiative's non-competitive, Fixed Obligation Grants (FOGs) mechanism. The purpose of this Handbook is to clarify and help assure adherence to the policies and regulations governing the awarding of Federal grants and to strengthen the development, review, implementation and monitoring of grants at all levels. It is intended only for the use of GKG staff and other USAID personnel and shall not be circulated to the participating organizations or to their employees.

Annex A to this Handbook – The GKG Grants Manual – is an abbreviated summary of the USAID and relevant Initiative guidelines, rules, and regulations relevant for use by the NGOs themselves in the development of proposals, in the implementation of activities and for their financial and programme reporting.

1. GENERAL DESCRIPTION OF THE GKG TBNRM INITIATIVE

The purpose of the Initiative for the Management of the Gaza-Kruger-Gonarezhou (GKG) Transboundary Natural Resources Management Area (TBNRMA) is to provide technical assistance for the initiation and implementation of activities resulting in the increased collaboration among the three constituent countries in the sustainable management of the shared resources in the TBNRMA for the social and economic development of the communities in the area.

The GKG TBNRM Initiative supports the U.S. Agency for International Development (USAID) Regional Center for Southern Africa (RCSA) in its efforts “to assist southern African nations and communities collaborate to manage the unique bio-diversity that underpins the economic and social development of the region.” The Initiative has four intermediate results that guide the implementation of its fieldwork:

1. *Viable practices for the sustainable management of shared resources are adopted* – providing technical assistance for the development of approaches for establishing the TBNRMA, documentation and dissemination of new approaches including community-based ventures, joint venture partnerships, investment opportunities for increasing income and appropriate management planning and monitoring systems;
2. *Policies, protocols and agreements enacted* – providing technical assistance for identifying policy impediments to the TBNRMA's development and suggesting specific policy instruments to remove these impediments;
3. *Organizations and institutions capable of effective regional intervention* – strengthening regional and local capacity to manage effectively the TBNRMA on a sustainable basis; and
4. *Ecological monitoring systems for decision-making are improved* – providing technical assistance to identify and improve current systems for monitoring the ecological, social and economic performance of the TBNRMA and to institutionalize those systems at the local, sub-regional, national and regional levels.

The GKG TBNRMA encompasses 99,800 km² in southwestern Mozambique, northeastern South Africa and southeastern Zimbabwe. It includes national parks, provincial reserves, communal lands and private game reserves over a vast area already recognized for its ecological importance and strong tourism potential. The GKG Initiative encourages community groups to interact effectively with public and private sector entities so as to derive real economic and social benefits from resource use and management.

1.1 Grant Objectives

As part of its overall programme to achieve these objectives, the GIG TBNRM Initiative will establish a grant programme to assist qualified organizations that are working in relevant programmes within the targeted communities. Specifically, the GKG grants programme seeks to:

1. Support the sustainable management of the TBNRMA's natural resources;
2. Promote broad based community social and economic development; and
3. Foster coordination and communication among the communities and organizations within the TBNRMA,

An illustrative list of activities that can be supported by the grant programme follows below. The guiding principle of the grant programme are that the grant create or enhance local capacity, extensively and effectively brings sustainable improvements to local management of natural resources, reduces the need for further subsidies, and quickly demonstrates advantages and gains for its intended beneficiaries.

1.2 Grant Activities

The examples provided below are indicative of activities that may be supported by grant funds. These categories and activities are illustrative only; variations are likely to emerge in actual practice in keeping with the needs and opportunities identified during implementation. Categories of assistance and examples of eligible activities and cost items may include any of the following:

- Developing Markets for Community Products and Services Related to TBNRM – conservation enterprise development, specialized training for permits, licenses and skills related to TBNRM, ecotourism services, product production/marketing skills, standards development.
- Fostering Productive Community Linkages with the Public and Private Sectors – conducting workshops and fora to develop partnerships, identifying and packaging viable economic opportunities, facilitating local participation in organized regional events and programmes.
- Establishing Ecological, Social and Economic Monitoring Systems for the TBNRMA – identifying and piloting potential monitoring systems, visiting established and successful monitoring systems, training in monitoring system design and operation.
- Enhancing Communication and Exchange Among the Area's Communities and Organizations – visit and exchange programmes within and out of the area, newsletters and media programmes targeting the TBNRMA and TFCA, regular meetings and training for member organizations.
- Strengthening Community Organization and NGOs – financial and programme management training, network formation, peer recognition programmes, media coverage, expanding well-established TBNRM programmes to new areas within the area.

Grantees would not be expected or required to address the full range of illustrated activities. Rather, their efforts would focus on their comparative strengths within some of these areas and would bring activities to the larger GKG Transboundary NRM Initiative that represent the greatest leverage in participation and impact for their work.

1.3 Grant Program Budget

There is \$300,000 budgeted for the GKG grant programme fund. DAI will administer the full amount. Given the established implementation calendar, the entire amount will be granted in the period from March to June 2002 for selected programmes that will not exceed one year in implementation. DAI intends to identify three to five grants that support the programme's objectives. Award amounts are expected to range from \$25,000 to \$99,000.

1.4 Grant Mechanism: Fixed Obligation Grant (FOG)

All funds budgeted under the GKG grant programme will be administered as Fixed Obligation Grants (FOGs), which are described in detail below. Fixed Obligation Grants "are intended for use to support specific projects where there is a certainty about the cost, and in which the accomplishment of the purpose or milestone in the grant are readily discernible"¹.

Fixed Obligation Grants are appropriate for the scale of the GKG grants program. Although the expected activities supported by the grant program are important, the budgeted funds represent a small portion (<10%) of the total project budget and for the timeframe under consideration – only 15 months. It is therefore important to find a grant-making mechanism that is designed to serve the GKG project needs.

The Fixed Obligation Grant mechanism is ideal for providing assistance to local organizations that may assist the overall TBNRM effort within the established area. Proposals can be efficiently evaluated and quickly funded. The limited management capabilities of potential local partners, as well as the GKG TBNMRM's design and timeframe, are also well suited to the Fixed Obligation Grant mechanism. DAI is requesting USAID approval to use the Fixed Obligation Grant in administering awards. Although new, the FOG instrument is by far the least bureaucratic and quickest implementing mechanism available.

As there are only a limited number of possible partners in the GKG Project area, the limited time available, and the need to move quickly, the grants will be made on a non-competitive basis, to those organizations in the area that can further the Project's goals. However, should the opportunity arise, the Project will consider competitively awarded grants if possible.

1.5 FOG ADS Requirements

The common conditions required in order to employ a Fixed Obligation Grant, which will be strictly adhered to by DAI's programme, are as follows:

- The assistance instrument is a grant, not a cooperative agreement, and is made with a non-U.S. organization;
- The total of the grant does not exceed \$100,000;
- The length of the grant does not exceed one year;
- The funding share covers only a portion of the costs of the activity;
- The grant must be fully funded;
- All costs charged to the grant are clearly identified in the grant text and do not include indirect costs or international airfares;
- Per CIB 01-17, dated September 13, 2001, sub-grants are now allowable as the CIB dropped this requirement of ADS 303.5.15(g).

¹ The applicable USAID regulation governing Fixed Obligation Grants is under ADS Chapter 303.5.15b.

- The grantee must sign the required debarment and suspension certification and the drug free workplace certification.
- Any goods to be purchased meet the rules governing local cost financing, and no single item having a useful life over one year and an acquisition cost of \$5,000 or more shall be purchased.

There are 13 Mandatory Standard Provisions for non-U.S. Non-Governmental Recipients that normally MUST be followed and incorporated into grant agreements for non-U.S. NGOs. There are also 24 Required as Applicable Standard Provisions for non-U.S. Non-Governmental Recipients.

1.6 Confirming FOG Suitability

In addition to meeting the Minimum Eligibility and Selection Criteria (see sections 3.2. and 3.3.), as well as the FOG eligibility requirements cited above, the GKG Initiative would determine the appropriateness of administering the grant as a Fixed Obligation Grant based on the following factors:

The following conditions are what make the FOG unique:

1. Programmatic accomplishments or results are easily identified and quantified, and are established in grant benchmarks;
2. There is very limited risk that there will be changes to the project;
3. There is adequate cost (historical or unit pricing) available to determine and negotiate the fixed price of the grant;
4. It ensures to the extent possible that the funds budgeted will be the actual cost of the effort so that funds will not be remaining upon completion of the project;

A FOG requires the GKG grants programme to be completely sure of the nature, timing and full cost of the proposed activities for each grantee. GKG staff will be required to ensure this evaluation is complete. This can be undertaken internally or assigned to expert local evaluators working under a negotiated service contract for the GKG programme.

Once negotiated, a FOG requires incremental disbursements. These can be of two kinds: in-kind (purchased and delivered materials), or cash payments made directly to the grantee;

In-kind grants: a maximum of \$5,000 worth of goods per disbursement is a general rule. This depends upon the benchmark to be achieved, and how fast the goods will be used.

Cash grants: provide the minimum amount to attain a specific activity (benchmark). Space benchmarks so cash disbursed will be used quickly. Usually one has more benchmarks of shorter intervals under cash disbursement type grants.

Delivery of in-kind goods or cash payments for each grant will be based on a percentage of the total budget for each benchmark successfully achieved during implementation of the grant. Disbursements (whether in-kind or cash payments) must be made in increments. Once an identified benchmark is achieved, a disbursement as defined in the implementation plan can be made. Another disbursement will not be made until the next benchmark is attained. The number of benchmarks (and disbursements) will depend upon the complexity of the activity and the ability of the grantee to manage quantities (of goods or cash). A general rule is: the smaller the grant amount, the fewer the benchmarks. Although in-kind disbursements have the potential to add considerably to workload, there is much less risk and fewer rules and regulations governing this type of disbursement vs. cash payment (this is discussed in more detail below).

Here are some brief disbursement models, using the above grant type examples:

1.6.1. In-Kind Disbursements:

Example 1: Construction component

Activity Goal: Construction of a packing shed

Benchmark 1: Site identified and procured by grantee by week 1; cost sharing. Once achieved, 3 m³ of rock, 10 sacks of cement will be provided for the construction of the foundation (\$875)

Benchmark 2: Construction of foundation by week 3; once achieved 500 bricks and 40 sacks of cement will be provided for construction of the walls (\$600). Etc.

Example 2: Training component

Activity Goal: Training of 50 small farm leaders in becoming “peer trainers”

Benchmark 1: Training site identified and logistics organized by week 1; cost sharing. Once achieved, 10 reams of paper, payment of training room, supplies, and 50% payment of food and lodging to vendors will be paid (\$1,500).

Etc.

1.6.2. Cash Disbursements:

Example 1: Construction component

Activity Goal: Construction of a packing shed

Benchmark 1: Site identified and procured by grantee by week 1; cost sharing. Once achieved, \$875 for purchase of 3m³ of rock and 10 sacks of cement will be disbursed for the construction of the foundation.

Example 2: Training component

Activity Goal: Training of 50 small farm leaders in becoming “peer trainers”

Benchmark 1: Training site identified and logistics organized by week 1; cost sharing. Once achieved, \$1,500 will be disbursed for purchase of x training materials and supplies, and 50% initial payment for food and lodging.

Etc.

Grantees will be informed, through a clause in the grant agreement, regarding the right of DAI to terminate a grant in whole or in part, or to suspend payments, should the grantee become insolvent during performance of the award. At the end of the grant, grantees must certify in writing to the GKG grants programme that the activity was completed. If the grantee cannot certify completion it shall be expected to make appropriate reimbursements. These items will be written in as clauses in the Grant Agreement. It is the responsibility of the GKG grants programme to ensure that grants administered under this programme meet all FOG requirements. Proposals that do not meet these criteria will not be funded under this Grant Programme.

2. PROPOSAL DEVELOPMENT PROCEDURES

To summarize, in order to qualify to receive an award, proposals and their applicant must meet the following established criteria:

- Fixed Obligation Grant criteria;
- Categories for Proposals criteria (establishing that the grant can be awarded on a non-competitive basis);
- Minimum Eligibility Criteria for Potential Grantees;
- Minimum Selection Criteria for Proposals;
- Technical Selection Criteria; and
- Financial Management Adequacy of Potential Grantee (only if grantee will be receiving cash payments).

The procedures for reviewing and awarding grants are discussed in Section 4, Review and Approval Procedures.

2.1. Categories Of Proposals

In accordance with the GKG grants programme methodology, all grants will be issued on a non-competitive basis, by direct solicitation for a specific activity. These grants will conform to ADS 303 regulations 303.5.5d (“Exceptions to Competition”), meeting the following criteria:

Exclusive or Predominant Capability. Assistance awards for which one recipient is considered to have exclusive unique relationship with the cooperating country or beneficiaries. As the GKG initiative is working in a defined geographic area and is building upon the work of past projects, the number of local NGOs working effectively in TBNRM related activities, as well as having the potential ability to comply with USAID regulations, is very limited.

As all grants will be awarded on a non-competitive basis, no written documentation is necessary for the grant file. USAID approval of this grants programme means that GKG staff do not have to go through the sometimes complex, lengthy RFA process, nor does it have to elaborate written justification each time a proposal is to be approved. Nonetheless, the GKG grants programme and staff must ensure that each FOG grant qualifies for “Exceptions to Competition” qualifications noted above.

2.2 Proposal Format

Grant proposals will be developed in response to a need and based on dialogue with the appropriate GKG TBNRM Initiative programme staff. They will serve, in effect, as consultants to the activity, ensuring that all the elements of successful implementation and sustainability are present before the proposal is approved. The GKG team is an active, engaged partner, rather than a passive funding source. A concept paper will be used as a mechanism to work closely with the potential grantee. Once this stage is cleared by the GKG grants programme, the GKG staff can also assist in the development and writing of the proposal.

The grant proposal format may vary in accordance with the technical specifications and capacity of the potential grantee. Nonetheless, proposals should try to adhere to the following format:

- Cover Letter
- Application Document
- Executive Summary
- Background
- Statement of Objectives
- Project Activities and Implementation Plan, including Benchmarks
- Monitoring and Reporting Plan
- Expected Results and Proposed Performance Indicators
- USAID Environmental Screening Form
- Budget and Explanatory Notes
- Statement of Cost Sharing (including potential grantees contribution in money or in-kind)
- Organization Introduction
- Statutes, charters, regulations governing the organization
- List of Team Members (including names, academic training, institutional affiliations) and curriculum vitae of the Team Leader.

A formal and written proposal is a necessary part of the grant process. It is used for evaluation

purposes by the Review and Approval Committee, and also is an integral part of the documentation process justifying the award and implementation of the grant.

2.3 Minimum Eligibility Criteria for Potential Grantees

In order to meet the minimum eligibility criteria for grant competition; the potential grantee must meet the following criteria:

- Be a non-U.S. organization (NGOs, PVOs, local organizations or associations) or other in-country organizations working within TBNRM areas;
- Be an organization with demonstrated experience or capacity in the field of their proposed activity;
- Show evidence of institutional capability, including sound financial practice, in areas pertaining to the proposed activity;
- Exhibit serious work ethic and a demonstrated track record of achieving results; and
- Demonstrate quick, intuitive sense of experiential learning - drawing programme conclusions from trial-and-error experiments – in order to replicate or promote successes around the region.

There is a quick checklist (Annex B) for internal use by the GKG staff responsible for submitting the proposal to the Review and Approval Committee. The Grants Manager should verify the checklist, address any outstanding questions or issues, and place the completed checklist in the grant proposal file for review and approval by the full committee.

2.4 Minimum Selection Criteria for Proposals

Proposals from potential grantees will be reviewed and awarded based on the capacity of the applicant and on the appropriateness of the activity. Minimum selection criteria, used to select those proposals that qualify for review by the Review and Approval Committee, will include but not be limited to the following:

- Does the proposal promote the GKG Initiative's identified objectives?
- Does the applicant meet the Minimum Eligibility Criteria for Potential Grantees, including that of past performance?
- In the context of the GKG initiative, is the proposed activity technically feasible within its timeframe and budget?
- Is the proposal cost effective and cost realistic ?

Gender issues, reducing the need for subsidies, and sustainability should be addressed as appropriate in all USAID-funded activities.

2.5 Technical Selection Criteria

The grants issued under the GKG grants program will adhere strictly to the grant objectives and illustrative activities presented above. However, this still provides a considerable range of technical areas open to legitimate consideration for eventual funding. The guidelines of this manual are not intended to limit further the grantees' proposed activities. Notwithstanding, the GKG project staff may develop very specific guidelines to the above activities and areas at the time the grant is being considered or negotiated. Furthermore, DAI and/or the GKG staff may contract the services of outside technical specialists to evaluate the technical feasibility of any proposal or to work with the intended grantee in the proposal development. These will be considered appropriate mechanisms to ensure high quality technical proposals.

3. REVIEW AND APPROVAL PROCEDURES

3.1 Review and Approval Committee (RAC)

All grant applications will undergo a review and approval process. Collection and solicitation of grant applications will be field oriented and guided by the strategic opportunities, illustrated broadly in DAI's original technical proposal and refined in the projects' work plans. The GKG management team, organized and headed by the Chief of Party, will be responsible for guiding the appropriate staff on grant opportunities and areas of concentration. The Chief of Party will be responsible for working with outreach and marketing staff and potential recipients in assuring that proposals adhere to the GKG Initiatives' objectives and areas of concentration. Once a general idea is deemed acceptable by the GKG staff, a concept paper is drafted and submitted to the RAC. If the concept paper is approved by the RAC, a formal proposal will be developed and submitted for evaluation to the Review and Approval Committee. The exact configuration of the RAC will be determined internally, but will be composed of both technical/sector specialists and administrative personnel, from DAI and its official counterparts. The Review and Approval Committee will be responsible for, but not limited to, the following:

- Elaborate internal review and approval procedures; including submission of the Environment Screening Form to the Africa Bureau;
- Review concept papers and provide additional guidance as required;
- Verify minimum eligibility and selection criteria of the applicant and its proposal have been met;
- Verify that the proposal meets Exceptions to Competition;
- Verify that the proposal is eligible for administering under the FOG mechanism;
- Evaluate the technical suitability of proposals;
- Verify that the proposal budget has been reviewed and that the quantity, quality and costs of items to be procured are reasonable, allocable and allowable;
- Conduct site visits and/or management personnel interviews where necessary;
- Verify that financial management and responsibility requirements have been satisfied where necessary (for those grantees that will receive direct payments); and
- Prepare a written record of the results of its evaluation.

The RAC will rapidly review and evaluate the proposals against the all important criteria. Proposals that are not approved will be returned to the applicant. If a proposal receives approval, a grant approval form will be submitted to the appropriate approving officer (COP or his designee) for official signature (Annex F).

The Review and Approval Committee should have three members at any given meeting: the COP, Grants Manager and an appropriate administrative or technical staff member. USAID should be informed of scheduled RAC meetings and invited to observe if deemed appropriate.

3.2 Approved Grants

If the Review and Approval Committee deem a potential grantee and its proposal acceptable, the GKG staff will issue a Grant Approval Form (See Annex F) for signature (official approval) by the COP or his designee. Once a grant has been approved, a detailed implementation plan will be developed by the project's technical personnel, in collaboration with the grantee. The implementation plan, based on the elements from the formal proposal, will include:

- Activity to be achieved (measurable goal);
- Responsibilities and contributions of each partner;

- Well defined benchmarks and procurement requirements for each achieved benchmark (including analyzed costs);
- Type of payment mechanism (in-kind or direct payment); and
- Timelines for achievement of results and deliveries.

It is the responsibility of the RAC to ensure that the following procedures and decisions are completed before the grant is implemented:

- Determination that the grant will be in-kind or cash payments; (IF cash payments, the Financial questionnaire must be completed and assurance provided that the grantee does meet minimum financial qualification in addition to the other criteria.)
- Verification that the budget is complete, purchases reviewed and approved (items, quantity and quality), all costs verified for allowability, necessity and reasonable prices; and
- Verification that the implementation plan and detailed benchmarks and disbursement schedule are complete, realistic and accurate.

The GKG grants programme will notify in writing successful applicants who have been selected for award of a FOG. Successful organizations will be advised, if applicable, that they must demonstrate financial responsibility before it can be awarded the grant. After financial management and responsibility requirements have been satisfied, the GKG grants programme will prepare a Grant Agreement for grantee organizations. Once the grant agreement is signed, a preliminary meeting between the COP or his designee and the grantee is imperative. The presence of GKG staff who will be overseeing the implementation of the grant would also be helpful. The purpose of this meeting is to ensure that the grantee has complete understanding of the grant terms and conditions. It can also be used to remind the grantee and discuss in detail the various reports that are required of them during project implementation, including DAI's right to inspect the work in progress and the grantee's management control systems. Confirming the boundaries, implementation plan and timetable (benchmarks and schedule of disbursement) is also necessary.

4. IMPLEMENTATION PROCEDURES

4.1 Cost Sharing Requirements

References:

- Required as Applicable Standard Provision for non-U.S. Non-Governmental Recipients, #20 (Cost Sharing and Matching)

It is expected that the grantee will make some contribution to the activity for which they are seeking funding. This can be either in-kind (such as labor, materials) or cash. The purpose of the matching requirement is three-fold: 1) to leverage additional resources towards achieving the programme's objectives; 2) to give the grantee a stake in the outcome of the activity; and 3) to regulate demand for programme resources when demand exceeds supply. While there is no minimum amount or percentage, the contribution generally will be a substantive one rather than a token contribution. A target of 20% cost sharing contribution will be used but will not be rigidly applied.

4.2 In-Kind Disbursements

In an effort to relieve grantees of some of the administrative requirements of cash grants, in-kind grants will be used wherever possible. Instead of making payments directly to the grantee, in-kind contributions will be procured for the grantee by GKG grants programme staff and delivered upon completion of benchmarks identified in the implementation plan.

Direct payment to vendors: This can be used to avoid cash disbursements directly to the grantee. On the basis of a signed grant agreement, the organization can contract for services or equipment with the private sector vendors. Payment can be made directly by DAI to the vendor upon submission of documentation such as invoices, report of construction of completion, etc. To minimize fraud and waste, DAI can also be involved in assuring proper procurement procedures are followed. This mode is particularly applicable for activities that primarily involve significant material purchases and construction.

4.3 Cash Disbursements

References:

- Mandatory Standard Provision for non-U.S. Non-Governmental Recipients (#1, Allowable Costs; #2, Accounting, Audit and Records; and #3, Refunds).
- 22 CFR Parts 226.20 – 226.22
- ADS Chapter 303.5.9

The GKG grants programme policy is to provide cash disbursements as necessary. DAI must ensure that the grantees have the potential ability to comply with 22 CFR 26, Parts 226.20-226.22. The Mandatory and Required as Applicable Standard Provisions for Non-U.S., Non-Governmental Recipients that apply to cash disbursement grants will be incorporated into the grant agreement where applicable. These include:

- a) Allowable Costs;
- b) Accounting, Audit, and Records;
- c) Refunds;
- d) Payment-Advance;
- e) Payment-Reimbursement;
- f) Procurement of Goods and Services; and
- g) USAID Eligibility Rules for Goods and Services.

A questionnaire (see Annex E, “Financial Management Adequacy of Potential Grantee”) has been developed to assist in the process of evaluating a grantee’s financial management capability. DAI may also verify financial responsibility and institutional capacity by inspections of annual financial statements, audit reports, letters from other donors, and/or on-site visits. DAI needs to ensure, at a minimum, that the grantee's system provide for the following:

1. records that identify adequately the source and application of funds for USAID-sponsored activities;
2. effective control over and accountability for all funds, property, and other assets;
3. procedures for determining the reasonableness, allowability, and allocability of costs; and
4. accounting records that are supported by documentation that at a minimum will identify, segregate, accumulate, and record all costs incurred under the grant.

Cash payments will be provided in such a way as to minimize the potential for waste or fraud. The two methods of cash disbursement, advances and reimbursements, are described below:

Advances. In order to qualify for advance payments, the grantee’s accounting and financial management systems must conform to standards for funds control and accountability required under USAID and Federal regulations (ADS 303.5.9 and 22 CFR 226.20 – 226.22). Other guiding principles to cash advance disbursements include:

- Funds shall not be commingled with other recipient owned or controlled funds. The Grantee shall deposit all USAID cash advances in a separate bank account and shall make disbursements for goods and services from this account;
- Grantees should liquidate any prior advances before new advances are released; and
- Advances shall be limited to the minimum amounts needed to meet current disbursement needs (generally 30 days).

An initial advance will be paid upon completion of the first documented benchmark. After receipt of this initial benchmark, the Grantee shall submit a Standard Form 2034 for each upcoming benchmark (which should be at least monthly), with the statement “Request for Advance” printed at the top of the form. Benchmarks must be achieved before the specified disbursement is made.

Reimbursements. If a grantee’s financial management systems do not conform to standards for receiving periodic advances, the grantee may be eligible to receive reimbursements. As benchmarks are achieved, the grantee can submit the Standard Form 1034 “Public Voucher for Purchases and Services Other Than Personal” and SF 1034A, Continuation of SF 1034. Each voucher shall be identified by the grant number and shall state the total costs for which reimbursement is being requested. This type of disbursement mechanism requires that the grantee have adequate cash flow.

Although 22 CFR 226 refers to U.S. NGOs, it is applicable to Non-U.S. organizations if they are to receive cash disbursements. One should pay particular attention to Part 226.21 “Standards for Financial Management Systems”. It is evident that most indigenous organizations will not meet the standards set for financial management of Federal funds, and thus a lot of time and effort will be required in order for an organization to meet these standards. New grantees are free to use their existing accounting systems, so long as they meet those applicable standards as set forth in the CFR and the applicable Standard Provisions.

4.4 Programme Income

References:

- Required as Applicable Standard Provision for non-U.S. Non-Governmental Recipients (#22, Programme Income).

Programme income earned during the project period shall be retained by the grantee and, in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award, shall be used in one or more of the following ways:

1. Added to funds committed by USAID and the grantee to the project, and used to further eligible grant objectives;
2. Used to finance the non-U.S. government share of the grant; and
3. Deducted from the total grant allowable cost.

If the terms and conditions of the award do not specify how programme income is to be used, paragraph (2) shall apply automatically. Programme income in excess of the cost share amount may be applied in accordance with paragraph (1). Grantees that are commercial organizations may not apply paragraph (1).

Unless stated otherwise (i.e. a clause in the grant agreement), grantees have no obligation to the U.S. government regarding programme income earned after the end of the grant period. Thus, for example, it is envisioned that a percent of the programme income generated by the grant will support a revolving fund, then this needs to be stipulated in the Grant Agreement. Also, if programme income will be generated during the duration of the grant and the GKG grants programme wants to use those funds for a specific purpose, it must be specified in the Grant Agreement. To avoid all this, it is recommended that the grant be structured so that programme income will not be a factor during the

duration of the grant; have the grant end before income is generated.

4.5 Monitoring and Reporting

References:

- Mandatory Standard Provision for non-U.S., Non-Governmental Recipients (#2, “Accounting, Audit, and Records”)

As per federal regulations on grants, the most frequent type of reporting one can require from the grantee is quarterly reports (see Annex J, “Sample Format for Reporting Summary”). A final technical and financial report is also necessary. For in-kind grants, the organization’s financial reporting needs only to include procurement issues (stock of expendable items, list of non-expendable items procured and inventoried, etc.). Following is guidance on reporting requirements based on the duration of the grant:

Under three months: Only a final financial and activity report is required.

Over three months: Quarterly reports and a final financial and activity report are required.

In the final activity report, as per FOG requirement, the grantee needs to specify that the activity was completed/achieved.

It should be explained to the grantee that DAI, the GKG Initiative or authorized representatives have the right at all reasonable times to make site visits to review project accomplishments and management control systems and to provide technical assistance as may be required. If any site visit is made by DAI on the premises of the grantee, the grantee shall provide all reasonable facilities and assistance for the safety and convenience of those representatives in the performance of their duties. All site visits and evaluations shall be performed in such a manner that will not unduly delay the work.

Monitoring plans of grants under implementation will be flexible and dictated internally by the amount, length and complexity of the grant, as well as accessibility of the grantee’s location.

4.6 Amendments and Extensions

References:

- Mandatory Standard Provision for non-U.S., Non-Governmental Recipients (#11, “Amendment”)

Fixed Obligation Grants are employed only when the risks of changes to the grant are very limited. Nonetheless, under rare circumstances where an amendment is necessary, the grantee is required to request prior approvals from the GKG grants programme for any deviations to the budget or project plan. The following deviations will be considered:

- Change of key personnel specified in the award;
- Addition of funding and/or revision of funding allocation among project objectives (not to exceed the \$100,000 threshold); and
- Change of duration of the project (not to exceed the one-year threshold).

Amendments will be made by formal modifications to the basic award document or by means of an exchange of letters or forms between GKG/DAI and an appropriate representative of the grantee organization.

Amendments and Extensions should be avoided through thorough pre-implementation cost analysis and budget review. FOG stands for Fixed Obligation Grant and thus changes are discouraged for legal reasons. Nonetheless, oversights and other rare circumstances may necessitate an amendment or

extension. Extensions are much easier and understandable than cost amendments for obvious reasons.

4.7 Suspension and Termination

References:

- Mandatory Standard Provision for non-U.S. Non-Governmental Recipients (#5, Termination and Suspension).

In the grant agreement, language is included giving DAI and the GKG grants management programme the right to terminate, in whole or part, or suspend payments, should the grantee become insolvent during the performance of the award or if the grantee does not adequately meet their responsibilities as set forth in the Grant Agreement. If there are grounds for termination, an official letter will be placed in the grantee's file and include the following:

- The reasons for the termination;
- The effective date;
- The portion to be terminated; and
- The portion terminated (in case of partial termination).

4.8 Records and Audits

References:

- Mandatory Standard Provision for non-U.S. Non-Governmental Recipients (#2, Accounting, Audit and Records).
- 22 CFR 226 (this is for U.S. NGOs but can be used as a reference for non-US NGOs).
- Records. The grantee (and DAI) must maintain grant records for a period of three years from the submission of the final report. DAI will open a grant file for each award and follow the guidance as set forth in Supplementary Reference ADS 303 "File Documentation Guidelines" (see Annex L).
- Audits. Only Grantees expending \$300,000 are required to be audited. It should be noted in the Grant Agreements that the GKG grants programme and DAI reserve the right to audit the Grantee should reason develop.

4.9 Project Closeout

At the end of the project, the COP must accomplish a closeout report to ensure that all provisions of the grant have been met, all funds have been accounted, and all titles to any property financed under the grant have been properly transferred. (See Annex K, "Sample Format for Project Closeout".)

4.10 Language

It is USAID policy that English shall be the official language of all award documents. If an award or any supporting documents are also provided in a foreign language it must be stated in each version that the English language version is the only official version (see ADS 303.5.17).

5. PROCUREMENT PROCEDURES

5.1 Procurement Standards

The GKG Initiative and its grant programme will adhere to DAI's established standardized, written procurement procedures. These procedures shall provide, at a minimum, that:

- The recipient will avoid purchasing unnecessary items;
- Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement; and

- The recipient shall document some form of price or cost analysis in its procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison price quotations submitted, and market prices, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

5.2 Allowable Costs / Eligibility Rules for Goods and Services

References Allowable Costs:

- OMB Circular A-122 “Cost Principles for Non-Profit Organizations”.
- Mandatory Standard Provision for non-U.S. Non-Governmental Recipients (#1 Allowable Costs).

References Eligibility for Goods and Services:

- ADS Chapter 312 “Eligibility of Commodities”.
- Mandatory Standard Provision for non-U.S. Non-Governmental Recipients (#1, Allowable Costs).

Definitions:

Reasonable Cost: Means those costs that are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.

Allocable Costs: Means those costs that are incurred specifically for the award.

Allowable Costs: Means those costs that are reasonable and allocable and conform to any limitations in the award.

Cost Principles: which costs are allowable, allowable with prior approval, or allowable by type of grantee (U.S. NGO, non-U.S. NGO, etc.)

It is DAI’s responsibility to ensure that costs incurred are in accordance with the applicable set of Cost Principles under the Mandatory Standard Provision for Non-U.S., Non-Governmental Recipients (Allowable Costs). The GKG grants programme will be required to determine which costs are allowable, allowable with prior approval, or unallowable, for indigenous Non-U.S. Non-Governmental grantees.

DAI will also adhere to the list of ineligible goods and services listed in ADS 312 “Eligibility of Commodities”. The following restricted goods and services shall not be procured without the prior approval of USAID/RCSA:

- Agricultural commodities;
- Motor vehicles;
- Pharmaceuticals;
- Pesticides;
- Used equipment;
- U.S. Government-owned excess property; and
- Fertilizer.

Recommended steps in determining if a questionable cost is allowable/restricted:

- The following should be part of the budget review, before official approval is given. DAI does not want to approve a grant and then discover that crucial costs are not allowable or there are restrictions on purchases of a key component to the success of the grant.

1. In the OMB Circular A-122, Attachment B there is a list of “Selected Items of Cost” and descriptions of what is/is not allowable, or allowable under certain circumstances (example: alcoholic beverages. Costs of alcoholic beverages are unallowable).
2. Review ADS 312 “Eligibility of Commodities” for more information if the item to be procured is a restricted good or service.
3. Internal discussion between DAI staff to determine if the cost is reasonable, allocable and allowable.
4. Contact DAI home office for review and judgment.
5. If all else fails, prior to incurring a questionable or unique cost, DAI should obtain USAID’s written determination on whether the cost will be allowable.

FYI. Ineligible Goods and Services: Under no circumstances shall DAI (or the grantee) procure any of the following under a USAID award:

- Military equipment;
- Surveillance equipment;
- Commodities and services for support of police or other law enforcement activities;
- Abortion equipment and services;
- Luxury goods and gambling equipment; or
- Weather modification equipment.

5.3 Source, Origin, and Nationality

References:

- Required as Applicable Standard Provision for non-U.S., Non-Governmental Recipients (#6, USAID Eligibility Rules for Goods and Services).
- Required as Applicable Standard Provision for non-U.S., Non-Governmental Recipients (#8, Local Procurement).
- ADS Chapter 310 “Source, Origin and Nationality”
- 22 CFR 228 “Rules on Source, Origin and Nationality” (although this applies solely to U.S. NGOs, it can be used as guidance).

The authorized geographic code for procurement of goods and services under this contract is 935 (Special Free World) with preferential priority given to the a) United States and b) the co-operating countries of Zimbabwe, South Africa and Mozambique. As the project is already authorized under the DAI contract to procure in the host country, no documentation or justification of local procurement is necessary.

5.4 Equipment

References:

- Required as Applicable Standard Provision for non-U.S., Non-Governmental Recipients (#17, Title to and Use of Property, Recipient Title).

DAI is authorized under USAID approval of this manual to purchase equipment where applicable and necessary. Equipment is defined as any tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. If equipment is deemed justified to be purchased under a grant, standard DAI procurement procedures will be followed and the Required as Applicable Standard Provision for Non-U.S. Non-Governmental Recipients (Title to and Use of Property, Recipient Title) will be incorporated into the Grant Agreement. Normally equipment cannot be purchased under the simplified grant formats such as a FOG. However, USAID can approve outstanding exceptions under our grant programme to purchase equipment when applicable and necessary. Standard procurement procedures and issues such as allowable costs must be followed.

The grantee is required to use and maintain the equipment for the purpose of the award in accordance with the applicable standard provision and as summarized below:

- The recipient is required to maintain equipment records that include the description of the equipment, source of the equipment, title holder, serial number or other identification, acquisition date, cost of equipment, location, use, and condition of the equipment, and any ultimate disposition data including the date of disposal and the sale price of the equipment
- The recipient is required to take a periodic physical inventory of the equipment and reconcile the results with the equipment records and submit a copy of the physical inventory to DAI.
- Prior to the completion date of the award, the recipient is required to inform DAI on the need for and use of the equipment after the completion date of the award. DAI will respond as to the actual disposition of said equipment. DAI reserves the right to transfer title to USAID or to third parties. In the event the right to transfer title is not exercised, the recipient may use the equipment in the programme for which it was acquired as long as needed, whether or not the project or programme continues to be supported by USAID. (Usually title to equipment financed under a grant is vested in the grantee.)

5.5 Supplies

Supplies are all personal property, excluding equipment. In accordance with the applicable Standard Provisions, title to supplies and other expendable property shall vest in the recipient upon acquisition.

If for example, an in-kind grant awarded for building a packing shed budgeted 100 sacks of cement, but only 80 were used, the remaining 20 sacks would remain with DAI to fund a different grant needing cement. If this same grant was through cash disbursements and the grantee purchased 100 sacks of cement but only used 80, if the residual inventory of unused supplies exceeds \$5,000 in total aggregate value upon termination or completion of the project and the supplies are not needed for other USAID or U.S. government-funded project or programme, the grantee shall retain the supplies for use on non-federal activities or sell them, but shall in either case compensate the federal government for its share.

5.6 Travel

References:

- Required as Applicable Standard Provision for non-U.S. Non-Governmental Recipients (#3, International Air Travel and Transportation).
- Although International airfares are expressly excluded under a FOG funding, DAI and its GKG grants programme is authorized under USAID approval to support international travel within the three country GKG TBNRMA where applicable and necessary. Guidance will be followed as set forth in the Required as Applicable Standard Provision for Non-U.S. Non-Governmental Recipients (International Air Travel and Transportation). Air travel will be strongly discouraged for the purposes of this grants programme.

ANNEX A: GRANTS MANUAL (FOR DISTRIBUTION)

ANNEX B: SAMPLE FORM FOR MINIMUM CRITERIA CHECK LIST

ANNEX C: SAMPLE FORMAT FOR GRANT PROPOSAL COVER SHEET

ANNEX D: PRE-AWARD SURVEYS/GUIDANCE

**ANNEX E: SAMPLE ACCOUNTING SYSTEM AND FINANCIAL CAPABILITY
QUESTIONNAIRE**

ANNEX F: SAMPLE FORMAT FOR GRANT APPROVALS

ANNEX G: SAMPLE FIXED-OBLIGATION GRANT MOU

**ANNEX H: LIST OF MANDATORY AND AS APPLICABLE STANDARD
PROVISIONS**

**ANNEX I: COMPLETE TEXT OF REQUIRED MANDATORY AND AS
APPLICABLE STANDARD PROVISIONS**

**ANNEX J: CERTIFICATION REGARDING DEBARMENT, SUSPENSION
AND OTHER RESPONSIBILITY MATTERS**

ANNEX K: SAMPLE FORMAT FOR REPORTING SUMMARY

ANNEX L: SAMPLE FINANCIAL REPORT SPREADSHEET/TEMPLATE

ANNEX M: SAMPLE FORMAT FOR PROJECT CLOSEOUT

ANNEX N: DAI PROJECT FILE DOCUMENTATION GUIDELINES
