CAPABLE
PARTNERS PROGRAM
New Partners Initiative

Implementation Tips *for* USAID Partners

USAID
FROM THE AMERICAN PEOPLE

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THE SCIENCE OF IMPROVING LIVES

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About the New Partners Initiative

The New Partners Initiative (NPI), launched in 2005 on World AIDS Day, was PEPFAR's signature effort to help new and indigenous partners build their capacity to fight HIV/AIDS at the local level. Created under the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), NPI funded selected non-governmental organizations (NGOs) as partners capable of reaching people who need HIV/AIDS services, but who lacked the experience in working with the USG. These NGOs, including community- and faith-based organizations, implement HIV/AIDS prevention and care programs in the PEPFAR focus countries. Through customized technical assistance (TA) and broad-based trainings, NPI enhanced partners' technical and organizational capacities as well as ensured the quality and sustainability of HIV programs.

Through resources, trainings, skills-building activities and the website, *www.NPIConnect.Net*, which serves as a resource and information exchange for grantees, the NPI technical assistance program worked to:

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

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

Acknowledgments

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Finally, we acknowledge with gratitude, the tireless efforts of the USG NPI Team who reviewed the content of the *eNews* series to ensure consistency with the body of USG regulations governing management of the NPI grants.

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Capable Partners Program New Partners Initiative (CAP NPI)

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Abbreviations and Acronyms

ADS	Automated Directives System
AO	Agreement Officer
AM	Activity Manager
AOR	Agreement Officer's Representative
APR	Annual Performance Report
APS	Annual Program Statement
CA	Cooperative Agreement
CAM	Contract Audit Management Branch
CAP	Capable Partners Program
CBO	Community-based Organization
CCM	Country Coordinating Mechanism
CDC	The Centers for Disease Control and Prevention (an HHS agency)
CFR	U.S. Code of Federal Regulations
CIDA	Canadian International Development Agency
CLOCA	Close-out Organizational Capacity Assessment
CMP	Cash Management and Payment Division
COP	Country Operational Plan
COR	Contracting Officer's Representative
CTO	Cognizant Technical Officer
DEC	Development Experience Clearinghouse (USAID)
DFID	Department for International Development
EIN	Employer Identification Number
EU	European Union
FAC	Federal Audit Clearinghouse
FAR	U.S. Federal Acquisition Regulations
FBO	Faith-based Organization
FM	Office of Financial Management
FMO	Financial Management Office
FRBNY	Federal Reserve Bank of New York
GAAP	Generally Accepted Accounting Principles
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GMO	Grants Management Officer
GMS	Grants Management Specialist
HHS	U.S. Department of Health and Human Services
HR	Human Resources
HRSA	Health Resource and Services Administration (an HHS agency)
HQ	Headquarters
IFRS	International Financial Reporting Standards
LOE	Level of Effort
M&E	Monitoring and Evaluation
M&IE	Meals and Incidental Expenses
MOU	Memorandum of Understanding
NGO	Non-governmental Organization
NICRA	Negotiated Indirect Cost Rate Agreement
NOA	Notice of Award (primarily used by HHS)
NPI	New Partners Initiative
OAA	Office of Acquisition and Assistance
OD	Organizational Development
OGAC	Office of the U.S. Global AIDS Coordinator
OHA	USAID Office of HIV/AIDS
OMB	U.S. Office of Management and Budget
OVC	Orphans and Vulnerable Children
PD	Program or Project Director
PEPFAR	President's Emergency Plan for AIDS Relief
PLHIV	People Living with HIV
PLWHA	People Living with HIV/AIDS
PMTCT	Prevention of Mother-to-Child Transmission
PO	Program Officer
PVO	Private Voluntary Organization
QPR	Quarterly Performance Report
RFA	Request for Applications
RFP	Request for Proposals
RFQ	Request for Quotations
SAPR	Semi-Annual Performance Report
SF	Standard Form
SI	Strategic Initiative
SO	Strategic Objective
SOW	Statement of Work
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TBD	To Be Determined
TEC	Technical Evaluation Committee
TOCA	Technical Organizational Capacity Assessment
TWG	Technical Working Group
UNAIDS	United Nations Programme on HIV/AIDS
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USC	United States Code
USG	United States Government
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WB	World Bank

Foreword

Capacity building has always been an important part of USAID's development efforts. Recently, it has been receiving wider acceptance and is now an integral part of the USG's efforts in fighting the global AIDS epidemic. With the increased emphasis has come an opportunity to strengthen our capacity-building efforts even more.

Under the leadership of the Office of the Global AIDS Coordinator (OGAC) and its partner agencies, the New Partners Initiative (NPI) set out to strengthen institutional systems in nongovernmental organizations (NGOs) responding to HIV and AIDS in 14 countries—Botswana, Cote d'Ivoire, Ethiopia, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam and Zambia—so that these NGOs would become better able to manage USG funding and scale up effective interventions for HIV prevention, care, and support. For new USG partners in the fight against HIV and AIDS, NPI provided a range of tools and resources as well as customized technical assistance and broad-based trainings so that skills learned during the NPI grant period would be institutionalized and sustainable. *Implementation Tips for USAID Partners* is one of many significant products to emerge from this ongoing commitment.

Users of *Implementation Tips* will recognize the advice of many development experts whose efforts have been harnessed to create a comprehensive, dual-purpose product. First, this guide provides a resource for new USAID partners to better understand the many USAID rules, regulations, and procedures set forth in Cooperative Agreements. Second, this guide offers a variety of practical steps and strategies to help new partner organizations better manage and implement their HIV/AIDS activities. In addition, *Implementation Tips* will help an organization better manage USAID grants, function more efficiently and respond more effectively to prevention, care and support needs within the communities it serves.

We dedicate *Implementation Tips* to all three rounds of NPI grantees and the local implementing partners in the movement toward an AIDS-free generation. Through your dedication and tenacity, you have proven that given the right mix of support, organizational capacity can be successfully strengthened for improved functioning at institutional and service-delivery levels. We commend your many accomplishments and applaud your successes.

Kenneth Sklaw
USAID's NPI Team Leader
U.S. Agency for International Development

About this Book

Note: Articles in this collection focus specifically on U.S. Agency for International Development (USAID) regulations, not those of other USG agencies. The information is intended only to help USAID grantees.

The regulations themselves and your Cooperative Agreement with USAID are the definitive sources.

This collection of tips brings together and expands on a series of monthly electronic newsletters, *NPI-Connect eNews*, that supported new partners and technical assistance providers who had little or no prior experience working with the USG. Each newsletter responded to specific questions about how to strengthen an organization's systems and processes and how to navigate USAID rules and regulations. Each one also related to an aspect of organizational development (OD)—governance, financial management, human resources, program management, external relations, compliance and monitoring and evaluation. This collection gathers together all of the topics under their relevant OD domain to make the information easier to consult and use.

Experienced OD practitioners working with NGOs around the world contributed to and reviewed the contents of this collection to ensure it filled gaps in available capacity-building resources. We hope that this collection, along with complementary tools and resources available on *www.NPIConnect.Net*, does this, and, in the process, helps NGOs grow and become ever better at implementing their programs and fulfilling their missions.

How to Use This Guide

The table of contents at the beginning and the index at the end help you quickly find the specific topic you need.

Online version

If you are reading this online, you can skip from one page to another whenever a word or phrase is in green and underlined. These are active links, meaning that, when clicked, a new page will appear that contains more information on that particular subject.

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

Governance

GOVERANCE

Governance refers to the systems and processes needed to ensure the overall direction, effectiveness, supervision and accountability of an organization. This is typically the responsibility of the Board of Directors who make the policies that the executive director and staff carry out day to day.

Good governance is essential to effectively operating any non-governmental organization (NGO). Many NGOs, founded to address pressing social needs, start with just a few people doing multiple tasks and often make no clear distinction between governance and management functions. However, as an organization grows, distinguishing governance from management is critical to enabling the organization to fulfill its mission, live up to its values, and be successful over the long term.

This section introduces basic governance concepts, the distinctions and relationships between management and the Board of Directors and offers an overview of strategic planning, a key process for setting an organization's future direction.

Topics:

1.1 Governance, Management and the Role of a Board of Directors

1.2 How to Set Up a Board of Directors

1.3 An Overview of Strategic Planning

1.1

Governance, Management and the Role of a Board of Directors

Q **What is the difference between governance and management? Who provides governance, and why is it important?**

A As an organization grows and expands, it is important to understand the difference between governance and management and who is responsible for each. Governance is about vision and organizational direction, while day-to-day implementation of policies and procedures is the role of management.

In most civil society organizations, governance is provided by a Board of Directors, which may also be called the management committee, executive committee, Board of Governors or Board of Trustees. This group oversees the organization, making sure it fulfills its mission, lives up to its values and remains viable for the future.

Although by no means an exhaustive list, essentially, the Board has the following responsibilities:

- *define expectations for the organization*
  - set and maintain vision, mission and values;
  - develop strategy (for example, a long-term strategic plan); and
  - create and/or approve the organization's policies.
- *grant power*
  - select, manage and support the organization's chief executive.
- *verify performance*
  - ensure compliance with governing document (for example, a charter);
  - ensure accountability and compliance with laws and regulations; and
  - maintain proper fiscal oversight.

Management takes direction from the Board and implements it on a day-to-day basis. Management has the following responsibilities:

- *communicate expectations*—mission, strategy, policies—to the entire staff;
- *manage day-to-day operations* and program implementation to fulfill the expectations; and
- *report results* to the Board.

When the balance between the responsibilities of the Board and management is established and functioning well, the organization is better able to:

- *meet expectations* of clients, beneficiaries and other stakeholders;
- *deliver quality programs* that are effective and efficient; and
- *comply with laws, regulations* and other requirements.

DEFINITIONS

Governance—The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization; typically the purview of a Board of Directors.

Management—The art of directing the day-to-day operations of the organization.

By-laws—Rules governing the operation of a nonprofit corporation. By-laws often provide the methods for selecting directors, creating committees and conducting meetings.

Board	Executive Management	Results
Defines Expectations	Communicates Expectations	= Stakeholders' expecations met
Grants Power	Implements	= Effective, quality programs
Verifies Performance	Reports Performance	= Compliance with requirements and regulations

If your organization is struggling with finding a balance between the roles of the Board and executive management, review your organization's charter or other governing document, the Board's terms of reference and the job descriptions of senior management staff to see what parameters are defined.

If these sources are insufficient to provide clarity, then consider asking the Board to define responsibilities and procedures more precisely. In the end, it is part of governance—and therefore part of the Board's responsibilities—to ensure that organizational roles and structures are clearly defined.

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Governance & Board Mechanics
www.help4nonprofits.com/H4NP.htm#Boards

1.2

How to Set Up an Effective Board of Directors

Q **Why does our organization need a Board, and how do we create an effective one?**

A One of your organization's key assets is its Board of Directors. The Board, needed in most countries to enable an NGO to register and operate legally, mainly provides oversight, but its members may also serve as advocates and fundraisers.

Governance 1.1: Governance, Management and the Role of a Board of Directors discussed the differences between governance and management and introduced the broad responsibilities of a Board of Directors. Here we focus on how to form a Board.

An NGO's Board of Directors is typically made up of volunteers and is separate from the organization's management and paid staff. The Board's primary function is to provide oversight to the organization, including ensuring that the NGO fulfills its mission, lives up to its values, and remains viable for the future. It may be composed of community leaders, representatives of beneficiary groups, and/or private donors. A Board typically meets regularly with the organization's executive director and management team to review progress.

Organizations are governed in different ways. Some Boards meet frequently, especially when organizations are young or facing challenges. Other Boards are more hands off, meeting quarterly or annually to review financial and performance reports and to set goals for the coming year.

Like it or not, your Board members will be seen in the community as a reflection of your organization. In this way, the Board can be both the face and fate of your organization. Therefore, it is very important that you find Board members who will represent your organization well and be able to attract support for your cause.

Define Eligibility Criteria

Although each NGO is unique, there are some qualifications for Board members that are nearly universal. First, a Board member should be committed to the mission of the organization. You want someone who cares about your work and is willing to volunteer to support it. Second, a Board member must be willing to commit to fulfilling the Board responsibilities set forth by the organization. These responsibilities can include attending Board meetings, participating on a committee, and helping raise funds. Third, determine how long a Board member's term will last. Establishing the length of the term at the outset will help candidates decide if they can commit to the position and will help the organization maintain a fresh and vibrant Board.

Once you determine the qualifications that you are looking for in Board members, write up position descriptions to refer to when evaluating Board candidates.

DEFINITIONS

Governance—The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization; typically the purview of a Board of Directors.

Management—The art of directing the day-to-day operations of the organization.

AVOID CONFLICTS OF INTEREST

It is assumed that an NGO's Board members act in the best interests of the organization. There are, however, situations that cast a shadow on this statement. Here are some examples:

- The Board member also serves on the Board of a rival NGO.
- The NGO buys office equipment from the company of the Board member's cousin.
- A Board member hires a staff person to provide services privately.
- The NGO gives a stipend to the son of the chair of the Board.

There may be reasonable explanations for these situations that do not necessarily involve actual wrongdoing. But in all of these cases there are *potential* or *perceived* conflicts of interest even if no actual wrongdoing exists. Because the Board is a reflection of your organization, it is best to steer clear of even the appearance of a conflict of interest.

Source: *Questions Every Board Member Should Ask* by the CEE Working Group on Nonprofit Governance, The Global Forum on NGO Governance, www.NGOBoards.org. http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Take time to get to know your candidates for the Board and carefully consider what they will bring to the Board if selected to serve.

Below is one example of a Board member position description. To see other examples, visit www.bridgestar.org, managementhelp.org or www.scoreknox.org.

Example of Position Description for Board Members

1. Know and support the mission of the organization
2. Attend (specify monthly, quarterly, etc.) Board meetings regularly
3. Prepare for meetings in advance
4. Maintain confidentiality
5. Offer informed and impartial guidance
6. Avoid special agendas and conflicts of interest
7. Participate in committees and special events
8. Advise the chief executive
9. Take part in resource development
10. Promote the organization in the community

Source: *A Position Description for Board Members* from the *A Handbook on NGO Governance* by CEE Working Group on Nonprofit Governance, http://www.ecnl.org/dindocuments/18_Governance%20Handbook.pdf

Next, consider what you want the composition of your Board to be. Although all Board members should meet the qualifications in the position description, a diverse Board brings a wide range of perspectives to the organization, which in turn generates more thoughtful approaches to realizing its mission. Think about what skills are needed and whether an individual can help with resource mobilization. For example, an organization focused on HIV/AIDS prevention or water and sanitation issues may want Board members who have expertise in those technical areas. Diversity in Board make-up may be reflected in gender, age, religious affiliation, income, skills, professional experience and so on.

Where to Look for Board Members

Consider recruiting individuals who are:

- *leaders in the communities your organization serves.* This is a good way to ensure that your organization's strategies are relevant and in line with the needs of the community. Also, such leaders often have connections to groups and networks that may be able to support your work.
- *active in professional associations* such as those that represent business, accounting, law or the technical sector within which your organization works. These individuals can offer services that might otherwise be very costly for the organization.
- *prestigious or famous.* Weigh the potential benefits and disadvantages of famous Board members carefully. Before you approach them, you may want to determine whether they have expressed an interest in your cause. Also, be aware that often such celebrities may not have enough time to fulfill the commitments asked of Board members.
- *from your beneficiary group.* Doing so will ensure that the voice of the people you serve is heard in the Board room.

Every member is expected to contribute to the Board's governance of the organization. The level and type of contribution will vary depending on the individual Board member's situation, skills and experience. Do not exclude a candidate because he/she does not have the same material resources as others you are considering.

Board members can contribute in different ways, and a unique perspective may be just as valuable as fundraising ability, depending on your organization's circumstances and needs.

Develop a standard process to recruit and select candidates

Recruiting Board members is not a one-person, or one-time job. It is good practice to enlist a small committee who will follow a systematic process of recruiting, interviewing and selecting new Board members. Recruitment and selection processes should be described in the organization's by-laws so that they can be referred to whenever a position on the Board needs to be filled.

To start, survey your community to identify a pool of potential candidates the committee believes could be a good match for Board positions based on the descriptions you developed. As when filling a staff job, try to find at least two candidates for every open seat on the Board so you can have some choice when it comes time to make final decisions.

After identifying candidates, contact them by mail, if possible and appropriate in the country context, to explain the recruitment process, position description and information about the organization.

If a candidate is open to serving on your Board, schedule an interview as soon as possible. This is a chance for you to learn more about the candidate and for the candidate to learn more about the position and your organization. It is also the best opportunity to screen a candidate for potential conflicts of interest. If a Board member has a conflict of interest, it can threaten the integrity of the entire organization. Thus, it is very important to ask about any relationships the candidate has with the organization's executives, staff and competing organizations.

At the end of the interview, ask whether the candidate is still interested in serving on the Board so you do not waste time considering someone unwilling to accept the position if offered.

After concluding all interviews, convene the selection committee. When deliberating, take into account the position description, as well as the goals of the organization and desired make-up of the Board. Make your selection and inform the lucky candidate.

Although it can be challenging to find effective Board members, it is worth the effort because having the right people with the right skills on your Board can help you realize your mission and increase your impact on your community.

Sample Orientation Agenda

- Welcome and introductions
- Overview of mission, vision and goals of organization
- Overview of roles and responsibilities of the Board
- Review of the Board position description detailing specific expectations
- Opportunity for Board candidate to ask questions
- Inquiry into candidate's willingness to serve on Board
- Next steps discussion

Source: *Sample Orientation Agenda* by Create the Future, Developing a Board Recruitment Plan http://www.createthefuture.com/developing.htm

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Recruit Nonprofit Board Members
http://www.bridgestar.org/LearningCenters/Recruiting/RecruitingBoardMembers.aspx

1.3

An Overview of Strategic Planning

DEFINITIONS

Action Plan—A series of specific steps describing what needs to be done, how, when and by whom, to accomplish one or more objectives. Written action plans can be used at the organizational, project or activity level.

Horizon—The amount of time an organization will look into the future when preparing a strategic plan. This time frame typically ranges from two to five years, but the appropriate horizon depends on the industry.

Vision—An inspiring statement of what an organization is striving to achieve. NGOs often focus on the problem they hope to solve by painting a picture of a vision they have for the future after the problem has been solved or the situation measurably improved.

Mission—Takes the vision a step further by summarizing the actions the organization is going to take to make its vision a reality. It is a statement that clarifies the purpose of the organization and its daily business.

Stakeholders—Individuals or organizations that can influence or be affected by your program.

Q **How do we get started planning for the future?**

A Strategic planning is a participatory and structured process for setting your organization's future direction. It is a management tool that will help your organization identify its current capacities, its needs and its goals. There are various methods for conducting strategic planning, but at its simplest it is a process of collectively answering four basic questions:

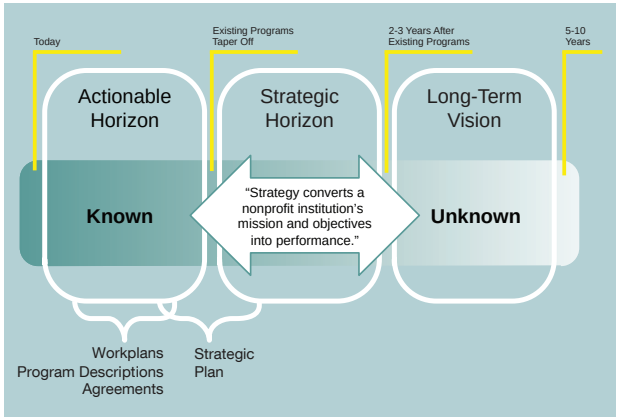
- Where are we now?
- Where are we going?
- How will we get there?
- How will we know if we have arrived or not?

A strategic planning process and its results are only as good as they are honest and useful—honest means looking at internal and external factors objectively, and useful means putting into words the specific goals and actions steps to help guide the organization forward.

The Planning Timeframe

The future of your organization can be thought of as divided into three phases: the actionable horizon, the strategic horizon and the long-term vision. Each organization will be at a different place on this continuum, and each will be at a different place at different times in its organizational life span. Regardless of where your organization is today, strategic planning is a critical process to help you move forward.

The **actionable** or **short-term horizon** is defined by program descriptions, agreements, staffing arrangements and workplans currently in place. Your actionable horizon may be a year or it may extend through the end of your U.S. Government (USG) award. Your **strategic** or **medium-term horizon** is typically a two- to five-year period, which begins when your actionable horizon starts to taper off. Variables such as funding, staffing and workplans tend to be increasingly uncertain as funding for specific programs ends.



However, some variables may not be completely open-ended. For example, you may not be able to identify future funding sources precisely, but you likely have some good ideas and leads. This is the phase during which your strategic plan is especially relevant.

Beyond your strategic horizon lies your **long-term vision**. This is where variables become unpredictable, but your organization's long-term vision is the driving force for charting your course.

Ten Steps in Strategic Planning

1. **Agree on a strategic planning process.** To get buy-in and improve the chances that the plan will not sit on a shelf, involve the people who will be responsible for implementing the plan. At a meeting with the key staff, Board members and even some external stakeholders, clarify the mandate and scope of work and discuss the value of strategic planning and its costs in terms of time and resources. Develop a workplan and timetable and assign specific tasks to individuals.
2. **Define or review the organization's vision and mission.** Be sure there is a consensus on why the organization exists, what it seeks to achieve and whom it serves. This forms the basis for writing or reviewing your vision statement. For example: "XYZ NGO envisions our community free of hunger, where every person has secure access to sufficient and safe food to sustain a healthy and productive life." Then, write or review your mission statement. For example: "Our mission is to fight poverty and hunger in our community by building agricultural, educational and economic development programs that meet the needs of the community."
3. **Conduct an environmental scan.** Look at strengths, weaknesses, opportunities and threats (a SWOT analysis). Strengths and weaknesses refer to internal workings of the organization; they are akin to current assets and liabilities. Opportunities and threats exist outside the organization, and they refer to the future.
4. **Identify key issues and choices.** Discuss and specify the organization's priorities in terms of time and importance.
5. **Develop strategic goals.** Link your strategic goals to your vision. This is essentially a picture of what the organization will be like if it successfully implements the strategic plan. For example: "Increase the income of female-headed households in X province through better animal husbandry and marketing."
6. **Develop strategic objectives.** Develop objectives that describe how you intend to accomplish your goals. For example: "By [year], our NGO will support [N number of] initiatives aimed at increasing the income of [Y number of] female-headed households in X province through improved livestock breeding and raising practices and better marketing."
7. **Create an action plan.** Describe the specific steps—what needs to be done, how, when and by whom—to accomplish each strategic objective.
8. **Identify the resources needed to carry out your action plan.** Answer basic questions including: What funding sources do we have? Where else might we find funding? What human resources do we need? Who among our staff has the necessary knowledge, skills and experience? Add the answers to your action plan.
9. **Create a budget and implementation plan.** Once you have developed the action plan and identified the necessary resources, estimate how much it will cost to carry it out over the next three years.
10. **Monitor and evaluate progress; adjust the plan as required.** The strategic planning committee should continue to meet regularly to look at internal progress and external realities and then, modify the plan as necessary to reflect new circumstances.

"Strategic planning is a process by which we can envision the future and develop the necessary procedures and operations to influence and achieve that future."

-Clark Crouch

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Financial Management

FINANCIAL MANAGEMENT

Financial management is more than just keeping accurate accounting records. It also involves planning, controlling and monitoring financial resources to achieve organizational objectives. At a minimum, a financial management system should ensure that costs are properly categorized, tracked and charged to the appropriate accounts, and that managers are able to report financial information accurately to the Board and to donors.

A good financial management system makes it easier to be accountable to donors and project beneficiaries, thereby enhancing their respect and confidence in the organization. This, in turn, helps an NGO be more competitive and can increase its chances of maintaining long-term financial health.

This section introduces the key elements of a comprehensive financial management system and ways an NGO can strengthen its capacity in this critical area. It also covers USAID requirements for requesting funds, reporting expenditures, allocating resources and auditing.

Topics:

2.1 Overview of Financial Management

2.2 Pipelines and Burn Rates

2.3 Understanding Fluctuating Exchange Rates

2.4 Cost Share

2.5 Allocating Shared Costs

2.6 Foreign Tax (VAT) Reporting

2.7 Requesting USG Funds Using the SF-270

2.8 SF-425: Completing Your USG Financial Status Reporting Form

2.9 Annual Audit Requirements: Questions and Answers

2.1

Overview of Financial Management

Q **What does good financial management involve?**

A Good financial management involves planning, organizing, controlling and monitoring resources so that your organization can achieve its objectives and fulfill its commitments to beneficiaries, donors and other stakeholders.

Good financial management requires more than simply keeping accurate accounting records. Many NGOs may have only an accounting or bookkeeping system rather than a financial management system. Accounting is a subset of financial management. A financial management system encompasses both administrative systems and accounting systems.

Administrative systems provide the framework for handling procurement, travel, inventory, facilities and personnel matters such as payroll and benefits. (See *Compliance 5.1–5.6*).

Accounting systems encompass the methods, procedures and controls established to gather, record, classify, analyze, summarize, interpret and present accurate and timely financial data.

Four Key Pillars of Financial Management

Although no one model of financial management fits every organization, the following components are essential to good financial management:

1. **Planning** looks ahead to prepare for the future, such as developing budgets to cover activities of a program or the entire organization for a year or a longer period.
2. **Organizing** clarifies who does what, why, when and how.
3. **Controlling** establishes systems and procedures, checks and balances, to make sure that the financial resources of the organization are properly handled and that risks are managed.
4. **Monitoring** compares plans with actual performance to identify strengths and weaknesses in planning and implementation and adjust as necessary.

Who is responsible for financial management?

Staff members at every level have a role to play in helping manage risks, answer to donors and beneficiaries and deliver results for the organization. The Board is responsible for the financial oversight of your organization and is ultimately accountable by law. However, the Board typically delegates the day-to-day responsibilities to the executive director or top management who delegate some functions to senior

DEFINITIONS

Financial Management—Planning, organizing, controlling and monitoring financial resources to support the objectives and functioning of an organization.

Financial Management Manual—A collection of the policies and practices that describes how an organization conducts its day-to-day fiscal affairs.

NGO FINANCIAL MANAGEMENT MANUAL

Sample Table of Contents

- Financial accounting routines
- The Chart of Accounts and cost center codes
- Delegated authority rules (that is, who can do what)
- The budget planning and management process
- Ordering and purchasing procedures
- Bank and cash handling procedures
- Management accounting routines and deadlines
- Management and control of fixed assets
- Staff benefits and allowances
- Annual audit arrangements
- How to deal with fraud and other irregularities
- Code of Conduct for staff and Board members

The manual may also include reference materials such as:

- organization chart,
- job descriptions,
- standard forms, and
- glossary and/or list of acronyms and abbreviations.

Source: *Practical Financial Management for NGOs—Getting the Basics Right*. Terry Lewis. Mango (Management Accounting for Non-governmental Organisations) 2009. http://www.mango.org.uk/

Good financial management enhances your accountability to your donors and beneficiaries. It also builds respect for and confidence in your organization, improving your chances for long-term financial health.

managers. The senior managers, in turn, delegate some functions downward, and so on, as illustrated in the table below.

Players in Financial Management	Sample Responsibilities
Board of Directors (Trustees)	• Oversee financial controls and ensure accountability • Review and approve annual budget • Approve financial policies, including delegating authority • Review and approve financial reports and audited financial statements • Monitor and support resource mobilization • Assess financial risks facing the NGO
Chief Executive Officer — CEO (Executive Director)	• Report to the Board and manage budgeting process • Appoint/hire financial staff and delegate tasks • Review donor and other agreements/contracts • Ensure financial records are accurate and up to date • Ensure correct, timely preparation and submission of financial reports • Ensure that program activities are in line with budget and deliverables • Monitor resource use and manage income generation • Monitor financial needs of the organization and business planning
Senior Managers	• Manage and monitor the budgets for their departments or projects • Review organization financial reports and give input to CEO • Further delegate some financial responsibilities to their team • Project future financial needs
Program Staff	• Set project budgets to ensure that all costs are included (such as deliverables, M&E implementation) • Control budgets to ensure money is spent as agreed and work with finance staff to ensure policies and procedures are followed, expenditures are coded and reported accurately • Work with appropriate staff to ensure that procurements are best value for money
Finance Staff	• Handle the NGO's cash, including banking and issuing receipts • Administer the payment process to ensure bills are paid on time • Complete the books of accounts and reconcile them every month • Prepare internal and external financial reports

Review USG Financial System Minimum Requirements

The U.S. Code of Federal Regulations (CFR) provides a set of minimum requirements that an NGO's financial management system must meet before it can receive a USG award and must maintain throughout the period of performance. Detailed information is available online at **http://www.access.gpo.gov/nara/cfr/waisidx_10/22cfr226_10.html**.

Create a Financial Management Manual

Document how your administrative and accounting systems work. There is no single model financial management manual, and yours will depend on the needs and structure of your organization. However, the sample table of contents on the previous page is a good starting point. Print and assemble the policies and procedures in a manual that is shared with staff and readily accessible to everyone.

REFERENCES

U.S. Government Standards for Financial Management Systems U.S. Code of Federal Regulations 22 CFR 226.21 http://www.access.gpo.gov/nara/cfr/waisidx_10/22cfr226_10.html

The NPI Resource Guide www.npi-connect.net

Practical Financial Management for NGOs—Getting the Basics Right. Mango (Management Accounting for Non-governmental Organisations) http://www.mango.org.uk/Guide

A Practical Guide to the Financial Management of NGOs. Namibia Institute for Democracy http://www.nid.org.na/pdf/publications/Financial%20training%20manual.pdf

MSH EHandbook Chapter 6 "Managing Finances and Related Systems" http://www.msh.org/Documents/upload/msh_eHandbook_ch06.pdf

2.2

Pipelines and Burn Rates

Q **What are our "pipeline" and "burn rate," and how do we calculate them?**

A You may have heard the terms "pipeline" and "burn rate" discussed in relation to the financial management of your Cooperative Agreement. But what do they mean, what are they used for and how do you calculate them?

To monitor how much money you are spending under your U.S. Government (USG) Agreement and to make sure there is enough money available to cover your upcoming expenses, two key figures to track are your **pipeline** and **burn rate**.

To calculate these, start by looking at your grant agreement to identify the amount the USG has committed so far, known as the "obligated amount." Note that this amount is different from the "award amount," which is the total expected to be obligated over the life of the Agreement.

Your **pipeline** is the amount of funds obligated but not yet spent. This is the amount of money that is available for you to draw down on for project activities. Calculate this by adding up all the funds you have spent to date and subtracting that amount from the total obligation.

Calculation: Pipeline = Obligation – Total Amount Spent

The **burn rate** is the rate at which you are spending your obligation. The basic calculation for your burn rate is to figure how much you have spent and divide that by the number of months you have been spending.

Calculation: Burn Rate = Total Amount Spent / # of Months

Example:

- "MyNGO" has been awarded a Cooperative Agreement for a total of US$1,000. We received an initial obligation of US$10. When the workplan was approved, we received an additional obligation of US$300, bringing our total obligation to US$310.
- MyNGO has been operating the project for four months and has spent a total of US$145.
- Subtracting our total spent (US$145) from our total obligated (US$310) gives us a pipeline of US$165.
- Dividing the amount spent (US$145) by the number of months we have been spending (4) gives us a burn rate of US$36.25 per month.

DEFINITIONS

Award Amount—The total amount that is anticipated to be spent by the USG over the life of the project.

Obligated Amount—The amount the USG has committed to the project at any given time, which may be the full amount of the award or a portion of the award amount. In other words, it is the amount available to your organization to spend on the project at that particular time.

Pipeline—The amount of funds obligated but not yet spent.

Burn Rate—The rate at which an organization spends its award funds on a periodic basis, typically monthly.

OBLIGATIONS VS. AWARD

It is important to understand that your obligation amount is not necessarily the full amount of your award. The total award amount is the amount anticipated to be spent over the life of your project. The obligated amount is the amount the USG has definitely committed to spending on the project.

Therefore, just because your organization has received an award, the USG is only liable to pay you up to the amount of the obligation. Any spending your organization does above the obligated amount is at your own risk!

ITEMS TO CONSIDER

Remember: The process for requesting and receiving additional funds from the USG can take a considerable amount of time, so plan ahead so that your project can continue without interruption.

Next Steps

Using your pipeline and burn rate, you can calculate how many months worth of money you have left before you will need an additional obligation.

> **Calculation:** Pipeline / Burn Rate = Approximate # Months Money Left Before the Obligated Amount Will be Spent

In our above example, dividing MyNGO's pipeline of US$165 by the burn rate of US$36.25 tells us that MyNGO will spend its remaining obligation in about four and a half months, assuming spending stays at about the same level.

By tracking your pipeline and burn rate, you can monitor your spending to make sure you are neither spending too quickly nor too slowly. Most important is that by watching these figures, you will know when you need to request an additional obligation from the USG.

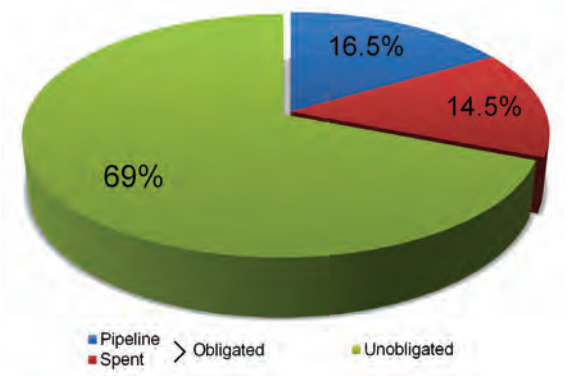
MyNGO's USG Award

Award Amount	$1,000
Original Obligation	$10
Additional Obligation	$300
Total Obligation to Date	$310

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

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

Total Award Amount Breakdown



REFERENCES

ADS Glossary
http://www.usaid.gov/policy/ads/glossary.pdf

USAID's Accrual Documentation
http://www.usaid.gov/policy/ads/600/631sab.pdf

2.3

Understanding Fluctuating Exchange Rates

Q **What are fluctuating exchange rates, and what is their impact on project implementation?**

A Although most transactions with vendors in-country need to be completed in local currency, the budget submitted for your USAID award, the amount obligated and the financial reports you provide need to be in U.S. dollars (USD). Consequently, as you convert funds from one currency to another, you need to be aware how changes in the exchange rate between currencies can affect the actual amount of funding available to implement your program.

The following discusses the effects of fluctuating exchange rates and provides strategies for addressing the issue with minimum disruption to program services.

Fixed versus Fluctuating Exchange Rates

An exchange rate is the price for which one currency may be exchanged for another at a given moment in time. There are two ways the price of a currency can be established: 1) the government (central bank) determines the rate and maintains it as the official exchange rate; or 2) the private foreign-exchange (forex) market determines the rate based on supply and demand for a particular currency relative to other currencies. As a result, the rate fluctuates or floats. The majority of the world's currencies are fluctuating.

One example of a country with a fluctuating exchange rate is South Africa, where the value of the Rand might be 8 Rand to 1 USD one day and 11 Rand to 1 USD the next day.

Program Impact

When you created the budget for your program, you likely used the exchange rate in effect when you submitted your proposal. But that rate has likely changed since you won the award and began receiving funding in USD. As a result, when you convert your funds USD into local currency, you may find that the actual amount will vary depending on how different the current exchange rate is from the rate projected in your original budget. In some cases, this may work to your advantage, and you will end up with more funding than anticipated; in others cases, you will end up with less.

Managing the Effects of Fluctuating Exchange Rates

Sound financial management practices are the best way to anticipate the impact of fluctuating exchange rates and mitigate any negative effects on your program. Ideally, an organization will have a multi-currency accounting system that can automatically record transactions in local currency and generate reports in local currency and equivalent USD.

DEFINITIONS

Burn Rate—The rate at which an organization spends its award funds on a periodic basis, typically monthly.

Exchange Rate—The amount of money needed in one currency to purchase another. This process is frequently called "currency conversion."

Obligated Amount—The amount the USG has committed to the project at any given time, which may be the full amount of the award or a portion of the award amount. In other words, it is the amount available to your organization to spend on the project at that particular time.

Pipeline—The amount of funds obligated but not yet spent.

Weighted Average Exchange Rate—The average of the exchange rates over a given period of time.

Sound financial management practices are the best way to anticipate the impact of fluctuating exchange rates and mitigate any negative effects on your program.

If the exchange rate greatly affects your programming and your targets, it is important to share this challenge with your funder and troubleshoot how the shortfall will be addressed.

For organizations that do not have a multi-currency system, there are two methods suggested to account for the exchange rate:

- "first in, first out"; and
- weighted average exchange rate.

"First In, First Out" Method

The "first in, first out" method uses the oldest exchange rate to account for expenses until funds received at that exchange rate have been fully expensed. For example, let's say your organization receives US$1,000 on January 1, and the exchange rate at that time is US$1 = 7 Rand. Then on January 15, you receive US$2,000 at an exchange rate of US$1 = 8 Rand, and on January 23, you receive US$500 at an exchange rate of US$1 = 5 Rand. During this period of time, you spend 17,300 Rand. Using the "first in, first out" method, this amount will be converted to USD as follows:

Date	Amount Received in USD	Exchange Rate	Amount Received in Rand	Expenses in Rand	Expenses in USD
January 1	1,000	7	7,000	7,000	7,000/7 = 1,000
January 15	2,000	8	16,000	8,000	8,000/8 = 1,000
January 23	500	5	2,500	2,300	2,300/5 = 460
TOTAL	**3,500**		**25,500**	**17,300**	**2,460**

In this example, if you spent 17,300 Rand, it would be equal US$2,460, and your balance of funds in USD would be US$1,040 (US$3,500 – US$2,460).

Weighted Average Exchange Rate Method

In locations where the exchange rate fluctuates significantly during a month, using the weighted average is the preferred method to calculate a realistic exchange rate.

The weighted average exchange rate is the average of the exchange rates over a given period of time. It is calculated by multiplying each rate by the amount exchanged at that rate, adding the three subtotals together and dividing by the total USD amount exchanged. Using the same example, the table below shows the exchange rate at which costs can be converted back to USD for reporting on expenses.

Date	USD	Exchange Rate	Rand
January 1	1,000	7	7,000
January 15	2,000	8	16,000
January 23	500	5	2,500
TOTAL	**3,500**		**25,500**

In this example, the weighted average exchange rate would be 7.29 (3,500/25,500). If you spent 17,300 Rand, using the weighted average exchange rate method, it would be equal to US$2,373.11 (17,300/7.29), and the balance of funds on hand would be US$1,126.89 (US$3500–US$2,373.11).

With the weighted average exchange rate, the program can accurately capture the costs incurred and what funds are remaining and minimize the exchange rate variance, which should be accounted for in your accounting system.

As you can see, the different methods result in slightly different answers. However, the goal is to limit the foreign exchange risk using a relatively simple conversion method.

As mentioned above, you may have used a different exchange rate in effect when you submitted your proposal. For this example, had the exchange rate been 10 Rand to US$1 at the time, either illustrated method would provide a more accurate reflection of costs in USD than if you were to use your initially budgeted exchange rate.

Pipelines

Calculating how much you are spending in both local currency and USD is crucial to effectively managing your award, but it is only the first step. Once you account for the fluctuating exchange rate, it is important to keep track of your spending by regularly updating your pipeline and burn rate so that you know how much funding remains for planned activities, and you can adjust activities if necessary. (For information on how to calculate your pipeline and burn rate, see *Financial Management 2.2.*)

It is important for your financial team to be in touch with your program team regarding the project's pipeline and the amount of funding remaining for activities. Work planning in particular should be done with careful consideration of updated pipelines.

Reporting

Quarterly and annual financial reports to USAID must be in USD. Local costs will be captured in the report according to the exchange rate method your organization selects.

Maintaining communication with USAID is essential. If the exchange rate has a measureable impact on your programming and your targets, it is critical to share this information and troubleshoot how you will address a shortfall. On the other hand, should the exchange rate result in some additional money, it may be used for the program.

Documentation

Establish a written policy on how you will address foreign exchange rates. Not only will this help ensure that the policy is applied consistently by all staff, but it will also serve as backup documentation if questions arise during an audit.

Managing Subgrantees

To reduce the burden of managing foreign exchange rates, it is recommended that all subgrants be signed in local currency. This allows your subpartner to better manage its budget, since both the budget and actual expenditures are in the same currency. (See *Program Management 4.2.*)

REFERENCES

Mandatory Standard Provisions for Non-U.S. Nongovernmental Recipients – Local Procurement (#8)
http://www.usaid.gov/policy/ads/300/303mab.pdf

Code of Federal Regulations – Local Procurement – 22 CFR 228.40
http://www.access.gpo.gov/nara/cfr/waisidx_01/22cfr228_01.html

2.4 Cost Share

DEFINITIONS

Cost Share—The portion of project costs not covered by the USG. This may be cash or in-kind contributions.

In-Kind Contribution—Non-cash resources contributed to a project. This may include volunteer services, equipment or property.

COST SHARE VS. MATCHING FUNDS

The term "matching funds" is used when program recipients are required to provide a certain amount of non-USG funds to a project in order to be eligible to receive USG funds.

"Cost share" refers to all other cases where non-USG contributions are committed to a program.

Q **What is cost share? What counts toward cost share, and how do we report it?**

A Cost share is the non-U.S. Government portion of the costs of your project. Cost share may either be cash or in-kind contributions.

Once you commit to providing cost share and it is included in your agreement's approved budget, you are required to provide documentation showing that this obligation has been met successfully.

If you committed to providing cost share, but are unable to meet your obligation as planned, you are still responsible for it.

Example: Your agreement has an approved budget of US$1.1 million, which is composed of US$1 million in USG funds and US$100,000 in cost share. If you document and report cost-share contributions of only US$75,000, you are responsible for the remaining US$25,000. If you do not provide acceptable documentation and report the remaining balance before the end of the project's period of performance, the Agreement Officer may reduce your final obligation of USG funds by US$25,000.

What Counts Toward Cost Share?

Cash and in-kind contributions from a non-USG source may be eligible to count toward your cost-share commitment. To be counted, a cost-share contribution must meet all of the following criteria:

- must be verifiable in your organization's records;
- cannot be included as a contribution for any other USG-assisted program;
- is necessary and reasonable for proper and efficient accomplishment of project objectives;
- is allowable under the applicable USG cost principles (including reasonableness of the cost or value of the donated goods or services);
- is not paid for by the USG under another agreement; and
- is included in your approved budget.

Tip: Certain procurement restrictions that apply to the use of USG funds may not apply to the use of non-USG cost-sharing resources. For example, the source and origin procurement requirements and international travel provisions in your agreement may not apply to purchases or travel using non-USG funds.

Reporting Cost Share

In order to demonstrate that you are meeting your cost-share obligation, you must record the amount (or equivalent amount in the case of in-kind contributions) in your quarterly Federal Financial Report using the Standard Form-425 (See SF-425, section 10. Transactions, Recipient Share: line i.) Cost share amounts must be verifiable in your organization's records and are subject to being audited.

Tips for Documenting and Reporting In-Kind Contributions

- *Volunteer services* may count toward your cost-share obligation, but they must be documented and, to the extent feasible, supported by the same methods you use with your employees (such as timesheets). Rates for volunteers should be consistent with those paid for similar work by your organization or rates paid for similar work in the local labor market.
- *Donated supplies* may include expendable equipment, office supplies, laboratory supplies or workshop and training materials.
- The value claimed for expendable personal property, donated or loaned equipment, donated land or buildings or donated space must be reasonable and may not exceed its market value at the time of the donation.
- The value of donated land and buildings or office space should be established by an independent appraiser (e.g., certified real property appraiser) and certified by a responsible official in your organization.
- You must document the basis you used for determining the value for any personal services, material, equipment, buildings, or land that you report as an in-kind contribution. There is no mandatory way to do this, but it must be fair and clearly documented.

With the authorization of the Agreement Officer, you may capture cost-share contributions from your subrecipients on the project (if any) in meeting your obligation. Please note that the same parameters apply to the subrecipients.

IN YOUR AGREEMENT

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

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

REFERENCES

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
http://www.whitehouse.gov/omb/circulars_a110

2.5

Allocating Shared Costs

DEFINITIONS

Direct Project Expenses—Goods and services specifically purchased for the exclusive benefit of one project that are charged to that project.

NICRA—Negotiated Indirect Rate Cost Agreement, a rate negotiated individually between an organization and the USG to cover indirect costs.

Shared Project Costs—Goods and services used by multiple projects and for which a vendor cannot invoice each project separately that are charged to each benefiting project based on a pre-determined formula.

Q **We have multiple projects with different funders; how do we account for shared office expenses?**

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

1. **Direct project costs**. Costs that can be clearly attributed to a specific project, such as a dedicated staff person, office space used by project staff or specific equipment and supplies used only by a single project.
2. **Shared project costs**. Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff.
3. **Non-project costs**. Legitimate organizational expenses, but costs not related to any specific project or costs that are not "allowable."

Most of your expenses will easily fall into the direct cost category, while non-project costs are usually self-evident. Costs that may be shared, however, may be the biggest challenge.

Shared Resources versus Shared Costs

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

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

Another example: If your organization has a vehicle, it may be used for trips by staff working on more than one project. Every trip taken should be noted in the vehicle usage log book. Therefore, the expenses for each trip can be allocated as a direct cost to each project.

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

Some organizations have gone through a process with USAID to establish a Negotiated Indirect Cost Rate Agreement (NICRA) and use that to address these kinds of costs. But most organizations do not have a NICRA (or only have a NICRA for headquarter expenses) and, therefore, need a method for figuring out how to allocate these kinds of costs.

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

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

- What specific costs and resources are considered "shared"?
- How will your organization divide shared costs among different projects?
- When the formula will be revised?

Sample Formula for Calculating Shared Expenses

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

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

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

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

Multiple Offices

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

ITEMS TO CONSIDER

Q: If we have a NICRA, do we still need to allocate shared costs?

It is tempting to think that having an established Negotiated Indirect Cost Rate Agreement (NICRA) will solve the challenge of allocating shared project costs. A NICRA can simplify how you are reimbursed for your overhead costs in certain USG-funded projects. However, if you have projects funded by other donors, if your NICRA only covers headquarters' expenses or if you want to verify that your NICRA is accurately covering your shared expenses, you will still need to allocate your shared costs. Thus, regardless of whether or not you have a NICRA, it is a good management practice to establish a policy for allocating shared project expenses.

REFERENCES

Best Practices Guide for Indirect Costing. http://www.usaid.gov/business/regulations/BestPractices.pdf

2.6

Foreign Tax (VAT) Reporting

DEFINITIONS

VAT—Value Added Tax. Tax levied on the purchase of goods and services, similar to sales tax in the U.S.

IN YOUR AGREEMENT

The "Reporting Foreign Tax" clause is in the standard provisions of a Cooperative Agreement.

The Foreign Tax Report must be submitted by all organizations receiving USAID funding by April 16 each year.

Q **Is our organization exempt from paying VAT and customs duties on goods and services purchased with USG funds? And, what are the Foreign Tax Reporting requirements?**

A Organizations implementing U.S. Government (USG)-funded development projects are exempt from certain taxes and duties imposed by the government of the country where they are working. Exemptions cover both prime recipients as well as subrecipients.

Specific exemptions and the process for requesting reimbursements of taxes paid are outlined separately for each country in bilateral agreements between the USG and host governments. Below are several common exemptions, as well as taxes you may be required to pay. You will need to find out what exemptions and requirements are relevant in each of the countries in which your organization is working.

The following provides examples of the kind of information to report, discusses the requirements of the USAID Foreign Tax Report, due from USAID recipients every year on April 16, and offers suggestions for tracking your tax payments and reimbursements to make reporting easy.

Taxes Exempt in Most Countries

- Value Added Tax (VAT) levied on commodities purchased in-country.
- Customs duties levied on commodities imported into the country for use in USG-funded projects.

Taxes Not Exempt

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

Other Taxes Levied by Host Governments

Though the USG seeks exemptions on all taxes levied against foreign assistance projects by host governments, there are several categories of taxes that you may be required to pay, for example:

- Taxes levied on services, including lodging and rental of conference facilities;
- Payroll taxes; and
- VAT on projects with no USG funding.

Be sure to check with the in-country Mission and other donors for details about what taxes your organization may be required to pay.

Country Specifics

Each country negotiates its own bilateral agreement with the U.S., which includes provisions regarding the taxation of U.S. foreign assistance. These provisions typically address what taxes are exempt and how organizations implementing USG-funded programs can receive reimbursements for any taxes paid. Exemptions and reimbursement procedures can vary widely from country to country, but it is your responsibility to check with the Mission regarding the rules in the country where you are working.

Work with the in-country USG team to answer the following questions:

- What taxes am I exempt from paying?
- What taxes, if any, am I required to pay?
- What is the process for obtaining an exemption or reimbursement?

The process for obtaining an exemption or reimbursement varies by country. Some countries provide VAT exemption letters to show vendors at the time of the purchase. Others require that you pay the VAT and later request reimbursement, either through the Revenue Authority or through the local Mission or Embassy.

Look to the USG in-country team or your Contracting Officer's Representative/Agreement Officer's Representative (COR/AOR) for further guidance.

Foreign Tax Reporting

A Foreign Tax Report must be submitted by all organizations receiving USAID funding by April 16 each year. All organizations receiving USAID funds must comply with the foreign tax reporting requirements established by the U.S. Embassy in that country.

The purpose of the Foreign Tax Report is to ensure that U.S. foreign assistance is not being taxed and, therefore, that the funds are used for their intended purposes. The USG uses these reports to track whether or not foreign governments are complying with the terms of their bilateral agreement.

Who Must Report

Any organization that purchased US$500 or more worth of commodities with USG funds or paid any customs duties in the country where it is operating during the prior fiscal year, is required to submit an annual report on foreign taxes. This report is required *even if you did not pay any taxes* on those items during the reporting period!

All subrecipients under your award with in-country purchases of US$500 or more must also track taxes paid and reimbursements received. You must incorporate subrecipient data directly into your report.

The purpose of the Foreign Tax Report is to ensure that U.S. foreign assistance funds are being used for their intended purposes and not being taxed, and to track whether or not foreign governments are complying with the terms of their bilateral agreements.

Because exemptions and reimbursement procedures vary from country to country, check with the in-country team or U.S. Embassy in the country in which you are working.

What Taxes Do I Report?

Only include taxes paid in the Foreign Tax Report if the following conditions are all true:

- The tax was paid to the government in the country where you are implementing.
- The transaction was US$500 or more (not including the VAT).
- The tax being paid is one your organization is exempt from paying (for example, if you are not exempt from lodging taxes in a particular country, then do not report them).
- The purchase is related to your USG-funded project. (Report the purchase regardless of whether the specific purchase is made with USG funds or is part of cost share, as long as it is a legitimate part of the project).

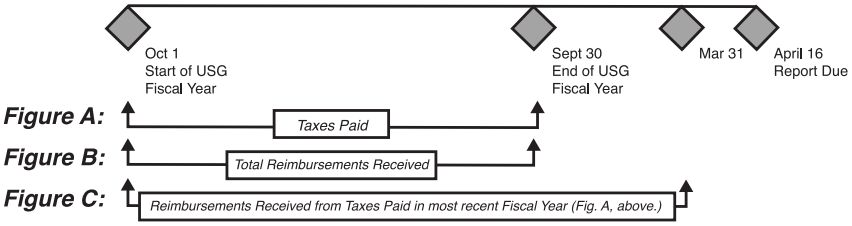
When Is the Report Due, and What Time Frame Should It Cover?

The Foreign Tax Report is due each year on April 16. You are required to report the following three figures:

Figure A. ***Taxes paid to the host government during the previous fiscal year.*** This includes VAT and customs duties.

Figure B. ***All reimbursements received during the previous fiscal year,*** regardless of when the original tax was paid.

Figure C. ***Reimbursements received*** from the taxes paid ***through March 31 in the current fiscal year*** being reported on.



Where Do I Submit My Report, and What Is the Format?

Submit the report to the office listed in your Cooperative Agreement under the Reporting of Foreign Taxes standard clause or as directed by your funding agency (usually the U.S. Embassy or your funding agency's in-country financial management office). Also send a copy of your report to your AOR/COR.

There is no standard form for the report. However, the report must contain the following:

1. Your organization's name.
2. Contact name with phone, fax and e-mail.
3. Your agreement number(s).
4. Amount of foreign taxes assessed by a foreign government on purchases valued at US$500 or more financed with USG funds under the agreement(s) during the prior fiscal year. If you work in multiple countries, list each country separately. However, if you work on multiple projects within one country, you can report on the total for each country. Only

foreign taxes assessed by the foreign government in the country in which you are working are to be reported. Foreign taxes assessed by a third-party foreign government are not to be reported.

5. Report all reimbursements you have received during the prior fiscal year regardless of when the foreign tax was assessed. Also, provide a separate figure giving the total of any reimbursements of taxes assessed during the fiscal year for which you are reporting and that you have received through March 31.

Example

Organization: MyNGO

Contact: Jane Smith

Phone: +255-555-5555. *Fax*: +255-555-5556. *Email*: jane@myngo.org

Agreement Number: XYZ-123

Country	Taxes Assessed during FY 08	Total Reimbursements Received during FY 08	Reimbursements Received on FY 08 Taxes through Mar 31
Mozambique	US$0	US$500	US$0
Tanzania	US$1,000	US$1,000	US$1,000

In this example, the organization is operating in two countries: Mozambique and Tanzania. The amounts in this table are summaries by country and are not broken down by project or subrecipient. During FY08, the Mozambican government did not assess any taxes on the prime recipient (or subrecipients, if any). However, it did reimburse the organization US$500 for taxes assessed prior to FY08. During FY08, the Tanzanian government assessed the organization US$1,000 in taxes, but reimbursed the organization in full by March 31, 2009. A separate Foreign Tax Report must be submitted for each country (Tanzania and Mozambique).

Tracking VAT and Duty Payments and Reimbursements

Your organization should develop a process for tracking VAT and customs duties paid, as well as for requesting and receiving reimbursements from the host government. Establishing such a process greatly simplifies your annual reporting and helps ensure your funds go toward providing services to beneficiaries.

Consider the following strategies for tracking your VAT payments and reimbursements:

- *Develop a list of exemptions and required taxes*, so everyone in your organization involved with procurements is aware of the policy. Share this with subrecipients as well.
- *Create a special code in your accounting system for tracking all payments of exempt taxes*. Use this code only for exempt taxes—not for legitimate taxes paid.
- *Create a special code in your system for tracking incoming tax reimbursement payments from the host government*. Make sure you can tie the reimbursements received back to the original accounting

To simplify your annual reporting, your organization should develop a process for tracking VAT and customs duties paid, as well as for requesting and receiving reimbursements from the host government.

entry that recorded the taxes being paid. This will make it easy to identify which reimbursements have and have not been received.

- *Establish a log that tracks the tax payment and reimbursement process.* This should document each tax payment, reimbursement request and payment received. You may also want to have a policy for keeping copies of receipts and reimbursement requests sent to the host government or USG office, as applicable (see the example below). Customize your process so it fits in with the host government and USG in-country requirements regarding submitting requests and expected turn-around time for tax reimbursements.
- Since your subrecipients also may have purchases of commodities or other expenditures covered by these provisions, *work with subrecipients to submit their reports to you prior to the April 16 deadline*, so you will have sufficient time to incorporate their data into your report. Note that their reports also must include reimbursements through March 31, so their deadline would need to be sometime between April 1 and April 15.

Example VAT Tracking Log

Below is an example of a log for tracking your VAT payments, reimbursement requests, and payments received. You can create a log like this for each country in which you operate, and the log can include all requests related to that country, even from different projects. You also may want to use this log to track VAT payments for transactions under US$500 for auditing purposes, though you will not include these in your USAID-required Foreign Tax Report.

* You may want to track your payments and reimbursements in local currency.

Acct Sys Ref #	Date	Vendor	Desc	Transaction Value (pre-VAT)*	VAT*	Proj.	Date Reimb. Requested	Date Reimb. Received
210	23-Oct-07	ABC Supplies	Office Furniture	$1,200	$120	A	31-Oct-07	15-Jan-08
223	15-Jan-08	DEF Imports	HBC Kits	$1,000	$100	B	31-Jan-08	
235	02-Feb-08	GHI Computers	Com-puters	$2,000	$200	C		
236	02-Feb-08	JKL Inc.	Printer	$500	$50	D		

REFERENCES

USAID Guidance on Foreign Tax Reporting
http://www.usaid.gov/policy/ads/300/302mac.pdf

2.7

Requesting USG Funds Using the Standard Form-270 (SF-270)

Q **When and how do we request funds, and how much may we request at a time?**

A The U.S. Government (USG) disburses funds to grantees in two ways: 1) by advancing funds or 2) by reimbursing partners for expenses after they have been incurred. Your Cooperative Agreement and/or USAID's financial management office (FM) will direct you on the disbursement channel you are authorized to use.

To request funds, you must fill out the *SF-270 Request for Advance or Reimbursement* and submit it to your funding agency's FM. If you have multiple USG awards, you must fill out a separate SF-270 for each award. A detailed explanation of how to fill out and submit the SF-270 follows.

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

Though individual agency policies may vary, typically you will be required to complete the SF-270 and submit it approximately one week before the month in which you require the funds. The FM will review and determine the appropriateness of the funds requested. If your request is unusual, such as a request for an atypically large amount of funds for an upcoming procurement, it may be helpful to provide an explanation or documentation with your request. Turn-around times vary among agencies, but generally you can expect funds within one week.

When you have demonstrated, over a period of time, that the funds you request are spent efficiently and that you are neither spending too quickly nor too slowly, you may be allowed to request funds on a quarterly basis. Your Agreement Officer's Representative/Contracting Officer's Representative (AOR/COR) and FM will determine this by reviewing the data from your quarterly SF-425 Federal Financial Reports and your SF-270 to calculate your pipeline and burn rates.

DEFINITIONS

FM—Your funding agency's financial management office.

Program Income—Program income is money earned by a program for the benefit of the program itself. It is generated from charging fees for services or from sales of commodities. Program income also may be generated by selling equipment that is no longer needed that was purchased with program funds.

Program income is different from income-generating activities, through which a program's grantees or beneficiaries keep income earned.

DOWNLOADING SF-270

Download a PDF version of SF-270 at http://www.whitehouse.gov/omb/grants/sf270.pdf.

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

ITEMS TO CONSIDER

Timing Your SF-270 and SF-425 Submissions
Since the FM uses the information from your SF-425 Federal Financial Report to process your SF-270 Request for Advance, it is important to make sure you have completed and submitted your SF-425 in a timely fashion. Though you are technically not required to submit the SF-425 until 30 days after the end of the quarter, waiting that long could delay the processing of your request for funds. Therefore, submit the SF-425 as soon as possible if you have a pending request for funds.

Bank Account Requirements
Your organization and your subrecipients are required to keep USG funds in interest-bearing accounts, separate from all other funds. You may only use a non-interest-bearing account if:
1) your organization (or one of your subrecipients) receives less than US$120,000 in USG funds per year; or 2) an interest-bearing account requires a minimum balance that is so high as to make it impractical to use.

You may keep up to US$250 of any interest earned to cover administrative costs. Interest earned in excess of US$250 per year must be remitted to your funding agency.

Keep an Eye on Your Obligation Ceiling!
The turn-around time for processing a request for funds is fairly short *as long as you have sufficient funds obligated under your award.* If you request funds above your obligation ceiling, your agreement will have to be modified to obligate additional funds to your award amount before the FM can process your SF-270.

It is in your best interest to monitor your obligation amount closely. As soon as you have expended 75% of your obligation, contact your AOR/COR and Activity Manager and request that additional funds be obligated. (For more information on tracking your obligation amount, see the sidebar "Obligation vs. Award" in *Financial Management* section 2.2 *Calculating Pipeline and Burn Rates.)*

Estimating Advances

When estimating your request, do not merely divide your annual budget by 12 months; instead, calculate specifically what you think you will spend in the upcoming month. Some elements of your budget may be divided evenly among months, (for example, salaries), but some, such as purchases of non-expendable equipment, may happen all in one month (for example, at the beginning of a project).

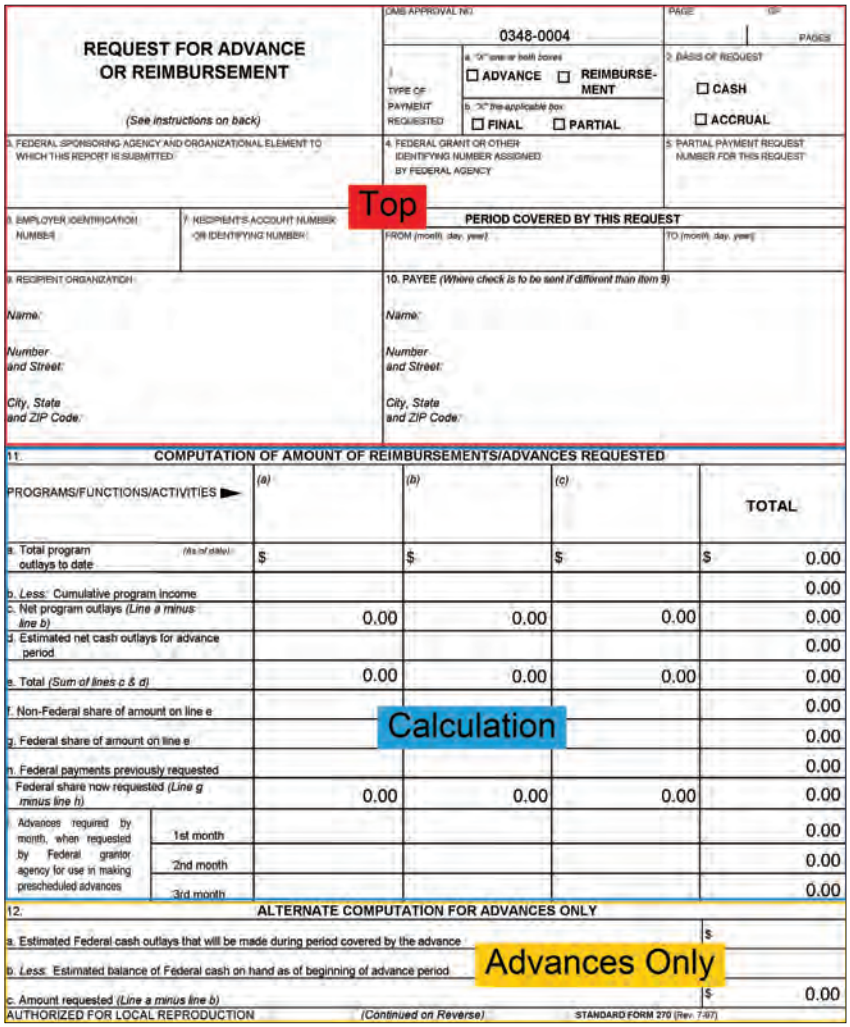
Partners who are implementing projects with subrecipients should work together to ensure funding requests and spending are managed smoothly, so no organization runs out of money. To do this, ask subrecipients to provide monthly or (when approved) quarterly funding estimates. You also may wish to institute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

Filling Out the SF-270

The SF-270 is used to request advances or reimbursements from the USG.

The SF-270 is a two-page form: the first page contains space for you to input information and data; the second is for signature and includes instructions on how to complete the form.

On the first page, there are three primary sections—the top portion for information about your grant and your request; the middle section in which you calculate your advance or reimbursement; and the third section for requesting advances only.


REQUEST FOR ADVANCE OR REIMBURSEMENT
(See instructions on back)
OMB APPROVAL NO. 0348-0004
PAGE | PAGES
TYPE OF PAYMENT REQUESTED: a. "X" one or both boxes: ☐ ADVANCE ☐ REIMBURSEMENT; b. "X" the applicable box: ☐ FINAL ☐ PARTIAL
2. BASIS OF REQUEST: ☐ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED
4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY
5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
6. EMPLOYER IDENTIFICATION NUMBER
7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER
PERIOD COVERED BY THIS REQUEST: FROM (month, day, year) TO (month, day, year)
8. RECIPIENT ORGANIZATION: Name; Number and Street; City, State and ZIP Code
10. PAYEE (Where check is to be sent if different than item 9): Name; Number and Street; City, State and ZIP Code
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED
PROGRAMS/FUNCTIONS/ACTIVITIES ► (a) (b) (c) TOTAL
a. Total program outlays to date (As of date): $ $ $ $ 0.00
b. Less: Cumulative program income 0.00
c. Net program outlays (Line a minus line b) 0.00 0.00 0.00 0.00
d. Estimated net cash outlays for advance period 0.00
e. Total (Sum of lines c & d) 0.00 0.00 0.00 0.00
f. Non-Federal share of amount on line e 0.00
g. Federal share of amount on line e 0.00
h. Federal payments previously requested 0.00
i. Federal share now requested (Line g minus line h) 0.00 0.00 0.00 0.00
Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances: 1st month 0.00; 2nd month 0.00; 3rd month 0.00
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY
a. Estimated Federal cash outlays that will be made during period covered by the advance $
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period
c. Amount requested (Line a minus line b) $ 0.00
AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97)

Top Portion

Below are tips for the key sections.

OMB APPROVAL NO. 0348-0004		PAGE OF PAGES
1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes ☐ ADVANCE ☐ REIMBURSE-MENT (1(a))	2. BASIS OF REQUEST (2) ☐ CASH ☐ ACCRUAL
	b. "X" the applicable box ☐ FINAL ☐ PARTIAL (1(b))	
4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
8. PERIOD COVERED BY THIS REQUEST (8)		
FROM (month, day, year)		TO (month, day, year)

- Box 1(a) – The type of payment requested will be an *advance*, a *reimbursement* or a combination of the two.
- Box 1(b) – For all requests other than the final request at the end of your grant, select *partial* payment.
- Box 2 – The basis of the request depends on the type of accounting system you are using.
- Box 8 – The "period covered by this request" should be one calendar month (for example, from January 1, 2012 to January 31, 2012), unless otherwise directed by the FM.

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

Fill out the full calculation area if any portion of the funds requested includes a reimbursement. You also must fill out the full calculation area if you have any **program income**.

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

Calculation Area

The primary calculation area includes three columns across the top (*a-c*) and a *Total* column. It is not necessary to break out your funding request across these columns unless directed to do so by your AOR/COR or FM.

The calculations (rows labeled *a-j*) are explained and illustrated on the following page.

The U.S. Government disburses funds to grantees in two ways: 1) by advancing funds or 2) by reimbursing partners for expenses after the fact.

Initially, you may be limited to requesting funding advances one month at a time. When you have demonstrated that you are spending funds efficiently, your donor agency may allow you to request advances quarterly.

In general, you will be required to complete and submit the SF-270 no earlier than a week before the month in which you require the funds.

11. COMPUTATION OF AMOUNTED			
PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a)		TOTAL
a. Total program outlays to date (As of date)	$		175,000
b. Less: Cumulative program income			0
c. Net program outlays (Line a minus line b)		00	175,000
d. Estimated net cash outlays for advance period			58,250
e. Total (Sum of lines c & d)		0.00	233,250
f. Non-Federal share of amount on line e			11,750
g. Federal share of amount on line e			221,500
h. Federal payments previously requested			167,500
i. Federal share now requested (Line g minus line h)		0.00	54,500
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month			
2nd month			
3rd month			

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

Advances Only

To fill out the alternate computation for advances only *(see box 12)*, calculate how much funding you will need for the next month and subtract the amount of any unspent USG funds you have remaining from your previous advance to come up with the amount you are requesting for the period. During the previous period, if you spent more than your previous advance, the unspent funds remaining block may show a negative amount.

Submitting Your SF-270

Once you complete the first page, have the Project Director or other designated certifying authority within your organization sign and date the second page. Then, scan and email the form to your FM, and copy your AOR/COR and USAID/Washington Activity Manager. USAID grantees also may email the form to ei@usaid.gov and mark for the attention of the FM. Always make a copy for your files and then *mail the original to the FM*. If you have not heard from your FM within a few days, email him/her and your AOR/COR to make sure he/she has received your request.

REFERENCES

SF-270 Request for Advance or Reimbursement
http://www.whitehouse.gov/sites/default/files/omb/grants

SF-425: Completing Your USG Financial Status Reporting Form

DEFINITIONS

FFR—Federal Financial Report, also called the SF-425.

FM— USAID's financial management office.

Obligated Amount—The amount the USG has committed to the project at the time of the award, which may be the full amount of the award or a portion of the award amount. In other words, it is the amount available to your organization to spend on the project at that particular time.

Recipient Share or **Cost Share**—The portion of project or program costs not covered by USAID. This may be in the form of cash or in-kind contributions. On the SF-425 this is called the recipient share.

USG—United States Government

DOWNLOADING SF-425

Download a PDF version of SF-425 at http://www.whitehouse.gov/omb/assets/grants_forms/ff_report_fill.pdf.

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

Q **How do we complete the SF-425, and when is it due?**

A The Federal Financial Report (FFR), often referred to as SF-425, is a snapshot of where you stand on spending your award and tracks how much cost share your organization has contributed. The completed SF-425 must be submitted quarterly to your funding agency's financial management office (FM).

Filling Out the SF-425

What follows are tips to help you complete the form. This information is not meant to substitute for the USG instructions found online or for guidance provided by your FM. Instead, these tips aim to address some questions first-time users may have when filling out this form.

Use a separate SF-425 for quarterly reporting for each Cooperative Agreement. Download a PDF version of the SF-425. Start by filling out the top portion. It asks for basic information about your organization, grant and the period covered in this report.

Top Portion of the SF-425

FEDERAL FINANCIAL REPORT
(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)		Page 1 of pages
3. Recipient Organization (Name and complete address including Zip code)				
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	6. Report Type ☐ Quarterly ☐ Semi-Annual ☐ Annual ☐ Final	7. Basis of Accounting ☐ Cash ☐ Accrual
8. Project/Grant Period From: (Month, Day, Year)		To: (Month, Day, Year)	9. Reporting Period End Date (Month, Day, Year)	

The numbers in the following list correspond to the numbered blanks on the SF-425.

1. *Federal Agency and Organizational Element to Which Report is Submitted*—USAID or other USG funder.
2. *Federal Grant or Other Identifying Number Assigned by Federal Agency*—Insert your Cooperative Agreement identification number, which may look something like XXX-A-00-09-00XXX-00, and can be found on the first page of your agreement.

4b. *EIN*—Employer Identification Number, for U.S. grantees only.

5. *Recipient Account Number or Identifying Number*—This number is for your use only and is not required by the USG.
7. *Basis of Accounting*—Your accountant or financial manager will know whether you are reporting on a cash or an accrual basis.
8. *Project/Grant Period*—The start and end dates of your award.

9. *Reporting Period End Date*—The date for each report depends on which quarter you are covering:
   - 1st Quarter: December 31
   - 2nd Quarter: March 31
   - 3rd Quarter: June 30
   - 4th Quarter: September 30.

Next, fill out the middle portion, which contains the main calculations as outlined below. Some figures will be calculated automatically if you are using Adobe Reader. Once you have finished, double-check to make sure all the calculations are correct.

Middle Portion of the SF-425

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	
e. Federal share of expenditures	
f. Federal share of unliquidated obligations	
g. Total Federal share (sum of lines e and f)	
h. Unobligated balance of Federal funds (line d minus g)	
Recipient Share:	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	
Program Income:	
l. Total Federal program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

Section 10: Transactions

Federal Cash

a. *Cash Receipts*—Enter the total amount of actual cash received from the USG (before deduction of bank fees and other miscellaneous fees) through the end date of the reporting period specified in line 9.

b. *Cash Disbursements*—Enter the cumulative amount of cash and check payments as of the reporting period end date. This total includes the sum of cash expended for goods and services, cash advances and payments made to subrecipients and contractors as well as the amount of indirect expenses charged to the award.

c. *Cash on Hand*—Enter the amount of Line 10a minus Line 10b.

Federal Expenditures and Unobligated Balance

d. *Total Federal funds authorized*—Enter the total award amount. This refers to the "Total Estimated USAID Amount" listed in your Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.

e. *Federal share of expenditures*—Enter the amount of expenses.

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

g. *Total Federal share*—Enter the amount by adding line 10e plus line 10f. This will equal the total USG funds obligated as of the reporting period date.

h. *Unobligated balance of Federal funds*—Subtract line 10g from line 10d.

Recipient Share

i. *Total recipient share required*— Enter the total required recipient cost share as listed in the Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.

j. *Recipient share of expenditures*—Enter the amount of cost share expended through the reporting period.

k. *Remaining recipient share to be provided*—Enter the amount by subtracting line 10i minus line 10j.

Program Income

If your agreement allows for program income, please refer to the detailed instructions on how to fill lines 10l through 10o at http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf

Next, fill out the bottom portion, which contains the main calculations as outlined below. Some figures will be calculated automatically if you are using Adobe Reader. Once you have finished, double-check to make sure all the calculations are correct.

Finally, the bottom portion contains information on indirect expenses and the signature. All documents must be signed by the authorized certifying officer.

Bottom Portion of the SF-425

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

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:*

13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official	c. Telephone (Area code, number and extension)
	d. Email address
b. Signature of Authorized Certifying Official	e. Date Report Submitted (Month, Day, Year)
	14. Agency use only:

Section 11: Indirect Expense

Complete this information only if required by the USG and in accordance with your Cooperative Agreement.

b. *Rate*—Enter the indirect cost rate(s) in effect during the reporting period.

d. *Base*—Enter the total amount against which the indirect rate is applied.

e. *Amount Charged*—Enter the amount of indirect costs charged during the time period specified.

Section 13: Certification/Submission

Once you have finished, double check to make sure all calculations are correct. Type in the name of the authorized certifying official (13a), have this person sign the form (13b), provide his/her contact information (13c/13d) and date the form (13e) Then scan and email the form to your FM at ei@usaid.gov, copying your Agreement Officer's Representative (AOR). Always make a copy for your file, and then mail the original to your FM. If you have not heard from your FM within 10 days, follow up to make sure your submission was received.

Due Dates for Submitting the SF-425

Although each Cooperative Agreement varies, most grantees are required to submit Federal Financial Reports 30 days after the end of a quarter, based on the USG's fiscal year (October 1–September 30). The table below lists the due dates for each quarter and what period each report covers. Please check your Cooperative Agreement to make sure this applies to you.

Period	Due	Covers
Quarter 1	Jan. 30	Oct. 1–Dec. 31 (of the previous calendar year)
Quarter 2	Apr. 30	Jan. 1–Mar. 31
Quarter 3	July 30	Apr. 1–June 30
Quarter 4	Oct. 30	July 1–Sept. 30
Final Financial Status Report	90 days after the end of the award	Entire life of award

REFERENCES

Federal Financial Report SF-425
http://www.whitehouse.gov/omb/assets/grants_forms/ff_report_fill.pdf

Detailed instructions to fill out Federal Financial Report SF-425
http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf

2.9

Annual Audit Requirements: Questions and Answers

DEFINITIONS

ADS—The Automated Directives System encompasses the totality of USAID's regulations. It also includes suggested, but not mandatory, procedures and links to examples of best practices.

Allowable Cost—An incurred cost determined to be an acceptable charge to the USG.

Audit—An independent review and examination of system, records and activities.

Finding—Any error, exception, deviation or deficiency noted by an auditor as a result of an examination of audit evidence. Findings generally relate to (a) compliance with policies, procedures and legal requirements, (b) adequacy and effectiveness of controls and/or (c) efficiency and effectiveness of administration.

Fiscal Year—Sometimes called a financial or budget year, a period organizations use for calculating "yearly" financial statements. It may or may not correspond to the calendar year, which is January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends September 30.

Management Decisions—The evaluation of a recommendation by management and a decision upon an appropriate course of action.

OMB—The Office of Management and Budget (OMB) is one of the agencies of the Executive Branch of the U.S. Government. Among other duties, OMB evaluates the effectiveness of agency programs, policies and procedures, assesses competing funding demands among agencies and sets funding priorities.

Q **What is an annual audit and how does the audit process work?**

A An audit is an independent review and examination of an organization's systems, records and activities. Many donors require yearly audits of their grant recipients, and the U.S. Government (USG) is no different. Both prime recipients and subrecipients that receive a certain threshold of funds from the USG must conduct an annual audit.

An audit enables you to verify financial numbers, ensure their accuracy and identify and assess internal controls that should be in place to improve the integrity of your financial systems. It evaluates how you are spending USG funds and complying with the regulations set forth in your agreement. Think of it is a tool to help you keep your financial house in order. To ensure objectivity, an independent auditor, whom you hire, conducts the annual audit.

The audit process involves gathering financial and other records, providing them to your auditor, responding to your auditor's report, and implementing corrective action plans. What follows are answers to some commonly asked questions about annual audits.

Who is Required to Conduct an Annual Audit?

- U.S.-based nonprofit organizations that receive US$500,000 or more in total funding from the USG either directly or as a subrecipient, during their fiscal year.
- Foreign nonprofits that receive all or a majority of their USG funding from USAID (either directly or as a subrecipient), if they receive US$300,000 or more during their fiscal year.
- For-profit organizations that receive all or a majority of their funding from USAID will be reviewed annually to determine if an audit is required.

Are Audit Costs Allowable?

If your organization is required to be audited, the costs of conducting the audit are allowable, provided the audit is conducted according to the appropriate regulations outlined below.

If you are not required to be audited (in other words, if you do not reach the funding threshold), then audit costs are not allowable.

Where May I Find the Audit Requirements?

U.S.-based nonprofits are governed by the rules outlined in OMB Circular A-133. These regulations are the same regardless of what USG agency provides the majority of your funding.

USAID ADS Chapter 591 governs all USAID for-profit and foreign-based recipients. This document also may be helpful to U.S.-based nonprofits as it provides clarification of OMB Circular A-133.

What Needs to Be Audited?

An audit typically covers your entire organization. However, if you have just one program that receives USG funding, you may choose to have a single-program audit.

Additionally, if you have a large, complex organization with many different operational units, it is possible to have an audit focus on the organizational unit that receives USG funds.

What Time Frame is Covered by the Audit?

The time frame covered by the audit is your organization's fiscal year. In addition, the audit may look at previous audit findings to determine if corrective actions taken were sufficient to address previous findings.

Who May Conduct an Audit?

U.S.-based nonprofit organizations must follow the procurement process and regulations in their Cooperative Agreements.

USAID-funded foreign-based organizations should contact their in-country or regional mission to request a list of organizations authorized to conduct audits of USG programs.

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

What are Primes and Subrecipients Responsible for if a Subrecipient is Audited?

Subrecipients submit their audits directly to the USG. They are not required to submit their audits to the prime, *unless there are findings related to the funding from that award,* in which case they must submit a copy to the prime.

A prime has the right to request a copy, regardless of whether or not there were findings, and this may be specified in the award between the prime and the subrecipient. (See *Program Management section 4.2.)*

When subs have findings, the prime takes on the role of issuing management decisions on the corrective actions. The management decisions must be issued within six months of receiving the audit.

The Five Step Audit Process

1. Before the Audit

Prepare the following before your audit is conducted:

- identify all USG funds received and the programs under which they were received;
- gather financial reports (such as SF-425s) covering the fiscal year being audited (See *Financial Management section 2.8*);
- prepare a schedule of expenditures made under your USG awards; and
- prepare a schedule of prior audit findings (if any).

2. The Audit

The audit will focus on the following questions:

- Were financial reports submitted during the year accurate?
- Were the rules, regulations and policies governing the award followed?
- What is the status of any previous audit findings?
- Are there any questionable costs?

ITEMS TO CONSIDER

Q: If we have a NICRA, do we still need to allocate shared costs?

It is tempting to think that having an established Negotiated Indirect Cost Rate Agreement (NICRA) will solve the challenge of allocating shared project costs. A NICRA can simplify how you are reimbursed for your overhead costs in certain USG-funded projects. However, if you have projects funded by other donors, if your NICRA only covers headquarters' expenses or if you want to verify that your NICRA is accurately covering your shared expenses, you will still need to allocate your shared costs. Thus, regardless of whether or not you have a NICRA, it is a good management practice to establish a policy for allocating shared project expenses.

An audit typically covers your entire organization. However, if you have just one program that receives USG funding, you may choose to have a single-program audit.

WHO IS YOUR OVERSIGHT AGENCY

If you receive funding from multiple USG agencies, one acts as you oversight agency and takes the lead on management decisions for any audit findings that relate to multiple USG agencies.

The oversight agency is the USG agency that provides the majority of funding in a given year. The oversight agency is responsible for:

- Providing technical audit advice to your organization and your auditor;
- Considering requests for extensions; and
- Reviewing the audit package for quality and completeness.

3. Responding to Findings

If an audit results in any findings, each must be addressed specifically by your organization in a plan for corrective action. For each item, provide the following:

- the responsible individual;
- the corrective action planned; and
- the anticipated completion date.

If you do not agree with an audit finding or believe corrective action is not required, then include an explanation and specific reasons.

4. Submitting to the USG

U.S.-based nonprofit organizations will submit their audit packages directly to the Federal Audit Clearinghouse (FAC). The FAC will distribute copies to the USG agency funding your award. Submit one copy to the clearinghouse, plus one copy for each USG agency that had audit findings in your report.

The address for the FAC is:
Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132, USA

Your audit package must be submitted within 30 days of receiving the report from your auditor or 9 months after the end of your fiscal year (the audit period).

The Audit Package Must Include:

- SF-SAC Form (Data Collection Form for Reporting on Audits)
- Financial Statements
- Schedule of Expenditures Under USG Awards
- Summary Schedule of Previous Audit Findings
- The Auditor's Report
  - Opinion on the Financial Statements
  - Opinion on the Schedule of Expenditures
  - Report on Internal Controls for Financial Statement
  - Report on Internal Controls for Compliance
  - Schedule of Findings of Questionable Costs
- Corrective Action Plan

You are not required to submit your audit directly to your USG funding agency.

Example: If you receive funding from USAID and CDC, but only had findings related to your CDC award, you are required to submit two copies (one for the FAC, one for CDC.)

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

5. Issuing Management Decisions

For each finding, the agency or the prime (in the case of a finding for a subrecipient) will issue a corresponding management decision within six months of receiving the audit package.

The management decision must clearly state whether or not the agency is supporting the audit finding, the reasons for the decision and the expected auditee action, such as repaying disallowed costs, making financial adjustments or taking other action.

If the auditee has not completed corrective action, a timetable for follow-up will be given. The management decision should describe any appeal process available to the auditee.

Audit Follow-Up

In addition to submitting the audit package, you will be responsible for implementing your corrective action plan. Be sure to maintain documentation showing your progress on each item.

Even if there were no findings relevant to a particular USG agency, that agency still may request a copy of your audit directly from you. Further, the USG reserves the right to conduct its own audits, regardless of the outcomes of your audits.

Finally, you are required to maintain records and a copy of the audit package for a minimum of three years following submission or three years after a finding from that year was resolved.

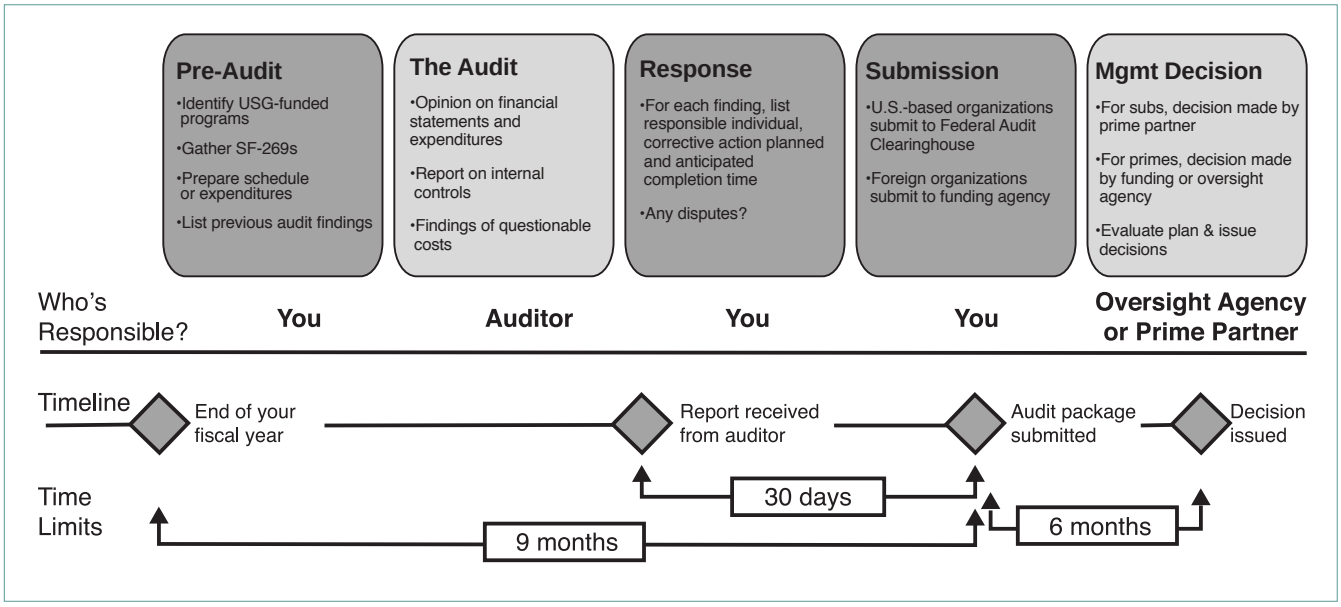
REFERENCES

OMB Circular A-133: Audits of States, Local Governments and Nonprofit Organizations http://www.whitehouse.gov/omb/circulars_default

USAID ADS Chapter 591: Financial Audits of USAID Contractors, Recipients and Host Government Entities http://www.usaid.gov/policy/ads/500/591.pdf

FAR (48 CFR part 42) https://www.acquisition.gov/far/current/html/FARTOCP42.html

SF-SAC –Data Collection Form for Reporting Audits https://harvester.census.gov/fac/collect/ddeindex.html



Five Key Steps in the Audit Process

Human Resources

HUMAN RESOURCES

Human Resources (HR) is the function that deals with managing an organization's most important asset—the people who do its work. Ideally, HR policies and rules are designed to level the playing field; to help guide and protect staff and volunteers so they can contribute to the best of their abilities. Effective HR policies and procedures also help attract and retain the right people for each job and support the team who will accomplish the organization's goals.

Although some HR policies must follow local law as well as donor requirements, most should reflect an NGO's own mission, vision and values. This section introduces fundamental HR concepts and highlights some of the policies that USAID-funded organizations must follow. It also also explores practical ways to motivate staff, as well as to recruit and manage volunteers.

Topics:

3.1 Overview of Human Resources

3.2 HR: Putting Polices into Practice

3.3 Supportive Supervision: A Strategy to Strengthen Organizations and Individuals

3.4 Performance Appraisals

3.5 Key Personnel

3.6 Collaborating with Volunteers to Strengthen Your Organization

3.1

Overview of Human Resources (HR) Policies

Q **What HR policies do we need to have in place?**

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

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

Although a number of U.S. Government (USG) regulations touch on HR-related issues (for example, under procurement you will find policies on conflict of interest, gratuities and disciplinary actions) only a few HR-specific USG regulations apply to all recipients of USAID funding. The following focuses mainly on those.

Policy Essentials

Local Labor Laws and Regulations—Organizations must comply with local labor laws where they employ staff. For example, there may be regulations to prevent hiring discrimination or to require certain benefits. It is also important for both the organization and the employees to be clear from the beginning about the rights of the employee and employer, the grounds for discipline/termination and the processes for discipline and termination.

Standards of Conduct—Standards of conduct are established to address the behaviors and professional conduct that affect the employee's ability to perform his/her job and represent the organization. They may include reporting to work on time, performing assigned duties, supporting a safe and healthy work environment and common workplace standards, such as prohibiting sexual harassment or discrimination.

Timesheet Tracking—Timesheets are required for your annual audit and for all personnel who are paid with USAID funds, including contractors and part-time staff. In addition, it is helpful to have volunteers fill out simplified timesheets, so you can track their hours and count their contribution toward your cost-share contribution (if you have one).

Due Diligence in Hiring Decisions—You are required to have a summary of a candidate's academic and work history (a Curriculum Vitae or CV) for every employee hired under your award to verify his or her employment and salary history. While your Cooperative Agreement may *not* require the use of the SF-1420—the *Contractor Employee Biographical Data Sheet* (form AID-1420-17, http://www.usaid.gov/forms/AID1420-17.doc), the standard form used to document the salary

DEFINITIONS

HR Policies—A set of rules, values or guiding principles that define how an organization addresses human resources-related matters. Human resources policies should reflect sound practice, be written down, be communicated across the organization and be reviewed and modified periodically to reflect changing circumstances.

HUMAN RESOURCES POLICIES

Apply to: All recipients of USG funds

Required for: Annual Audit (particularly time tracking)

Verified by: Annual Audit

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

The laws of the country in which you are registered as an organization and in which you work take precedence over U.S. Government policy.

history of employees and contractors, the SF-1420 bio data sheet is often used during the hiring process, because it is an easy way to capture the relevant information. It is also used by USAID to help justify salaries.

Faith-Based Organization Hiring Protections—Under U.S. Equal Employment Opportunity laws, a faith-based organization implementing a USAID program has the right to hire people who share the organization's faith. If you choose to do this, make sure your HR policies are clear. You may wish to have a lawyer or HR expert review your policies before implementing them. (See *Program Management 4.8.*)

Drug-Free Workplace Policy—Your Cooperative Agreement requires you, and any of your organization's subrecipients, to establish a drug-free workplace policy. This policy statement must be signed by every staff member in your organization. A good way to address the signature requirement for this policy is to include it in two documents: first in the personnel manual and second as a separate one-page policy document that is signed by each employee and filed in personnel files.

According to USG Mandatory Standard Provisions, the Drug-Free Workplace Policy statement must include:

- a declaration that the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited in the workplace;
- specific actions your organization will take against employees who violate that prohibition; and
- conditions of employment under any award, which state that an employee must abide by the terms of the statement, and must notify you in writing if he or she is convicted of violating a criminal drug statute occurring in the workplace no later than five calendar days after the conviction.

In addition, your organization is required to establish an ongoing drug-free awareness program to inform employees about the dangers of drug abuse in the workplace; your drug-free workplace policy; any available drug counseling, rehabilitation and employee assistance programs; and the penalties you may enforce for drug-abuse violations in the workplace.

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

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

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

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

In the event that local laws prevent you from following the mandates of the USG drug-free workplace policy in full, notify your AO or AOR and seek their guidance. (See *Program Management 4.2.*)

HIV/AIDS Policy—An HIV/AIDS policy defines an organization's stance on the employment of persons living with HIV or AIDS and the expected treatment in the workplace of persons living with HIV or AIDS. Although an HIV/AIDS policy is not required by USG funding agencies, it is considered best practice for any organization, particularly those working within the

field of HIV/AIDS. An HIV/AIDS policy formalizes the organization's commitment to addressing HIV/AIDS and supporting staff living with HIV or AIDS, including benefits for care or treatment, adjustments in working assignments where possible and job security. The development of a comprehensive HIV/AIDS policy can enable the organization to keep and benefit from talented staff.

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

Creating an Employee Handbook

Once you have developed and reviewed your organization's HR policies, print and assemble them in an employee handbook to share with your staff. Ensure that staff sign a statement that they have received, reviewed and understand their obligation to adhere to your organizational policies, and include a personnel policy review in your orientation process. (See *Human Resources 3.2.*)

REFERENCES

Mandatory Standard Provisions:
U.S.-based Organizations
http://www.usaid.gov/policy/ads/300/303maa.pdf

Non-U.S.-based Organizations
http://www.usaid.gov/policy/ads/300/303mab.pdf

3.2

Putting Human Resources Policies into Practice

DEFINITIONS

Human Resources (HR)—The people who staff and operate an organization. The term is also used to describe the function within an organization responsible for implementing policies related to the management of employees.

HR Policies—A set of rules, values or guiding principles that define how an organization addresses human resources-related matters.

HR Procedures—Specific steps needed to implement an HR policy.

HR Practices—How policies and procedures are actually designed and implemented.

Employee Handbook (also called an employee manual, HR handbook, HR manual or personnel policy manual)—A written guide outlining an employer's policies, procedures, working conditions and behavior expectations governing employee conduct in the workplace. It may also contain information on the organization's history, its goals and its commitments to beneficiaries and the community.

Q **Why develop an employee handbook?**

A The employee handbook is one of the most important communication links between your organization and your employees. Although organizations have policies and procedures for managing employees, they are not always written down and understood by everyone. By documenting the rules and policies of your organization in a handbook, you are communicating what the organization expects from its employees and what they can expect from the organization in turn. This helps to eliminate any confusion and makes it easier to enforce the policies, if necessary.

A previous article (3.1) focused on human resources (HR)-specific U.S. Government (USG) regulations that all USAID grantees are required to follow. This issue provides a broader view of additional types of policies and procedures that should be captured in your employee handbook.

Key Elements of an Employee Handbook

No two employee handbooks are exactly alike. Each organization needs to develop policies that are relevant to its particular operations. However, there are some key policies that belong in every handbook. These include the following:

1. **Introduction**
   Every employee handbook should start with an explanation of its purpose and how to use it. It may be helpful to define common terms and include an organizational chart or organogram.

2. **Policies include:**
   - ***Recruitment Policies and Procedures***. The rules surrounding hiring, including how job descriptions are developed, positions advertised, candidates vetted and offers made and what the organization's policy is on hiring relatives.
   - ***Employment Categories***. The types of employment supported by the organization, such as regular full time, regular part time, part time, consultant, temporary or other, and whether these categories are entitled to full, partial or no benefits. You may need to check on national labor laws as "full time" can be defined by differing numbers of hours.
   - ***Employment Conditions***. The conditions the organization adheres to in employing staff, including employment at will and equal employment opportunity. Employment conditions may also include policies on outside employment, disability accommodation, overtime, conflicts of interest and termination, among others.
   - ***Other Employment Policies***. Additional conditions of employment including, but not limited to, introductory/probationary period, personnel data and management of personnel files.

3. **Compensation and Benefits**
   Organizations should clearly define policies on employee compensation and benefits. This does not mean that the organization should include its salary scale in the employee manual, but it should state what employees are entitled to in terms of compensation and benefits and how promotions are managed. Examples of compensation and benefits policies include:

   - ***Salary Administration***. Information on salary scale or the rationale for determining salaries and conditions for pay increases.
   - ***Timekeeping and Payroll***. Time-keeping requirements and pay days.
   - ***Leave Benefits***. The benefits surrounding paid or unpaid time off, including vacation, holiday, sick leave, bereavement leave, leave without pay, maternity and paternity leave, home leave, time off to vote and jury duty. National labor laws are usually very explicit on leave, so make sure your policies comply with local law. If your organization has offices in different countries, you may have to establish different leave policies in each country to ensure compliance with national laws.
   - ***Other Benefits***. Additional kinds of compensation that an organization can offer, such as health insurance or medical compensation, workers compensation insurance, death benefits, pension/retirement plans, professional development benefits, termination pay and bonuses, among others.

4. **Work Conditions and Hours**
   Policies on work conditions and hours set standards for the work schedule/office hours, flextime, overtime, as well as use of office equipment and Internet, safety, transportation, telecommuting, business meals or entertaining clients, among others.

5. **Employee Conduct and Disciplinary Action**
   Policies related to employee conduct and disciplinary action cover a wide range of topics from how employees are expected to dress for work to the organization's policy toward whistle blowers. This is also the section where organizations would include a drug-free workplace policy, HIV/AIDS policy or child protection policy. Other important policies that can be included in this section are sexual harassment, bribes or payoffs, attendance and punctuality, problem resolution, and disciplinary action procedures.

Putting Policy into Practice

How policies are put into practice is also important. HR policy design and practice should strive to find the balance between what is good and sustainable for the organization and what is good for employees. Having a trained HR manager who understands his or her responsibilities is critical.

Even if your organization cannot afford a full-time HR manager, make sure your staff have the training they need to effectively manage your human resources policies and procedures.

Six Steps to Effectively Implementing HR Policies

1. **Involve.** Involve staff and give them a voice in the development of HR policies by getting their input or feedback.
2. **Disseminate.** Print the employee handbook and distribute to all staff; have copies available in a central place in the office, and/or post it on computer(s) that are readily accessible to staff.
3. **Notify.** Notify staff, in writing, of key policy changes; post updates on a central notice board.

KEEP IT PRACTICAL
Having more policies and procedures is not always better. Develop a manual that is comprehensive enough to serve your needs, safeguard your organization, and guide and protect your staff, but is not so extensive that it is unusable or so mired in detailed procedure that it places excessive demands on staff, making them feel they are not trusted by the organization to do the right thing.

REFERENCES

HR Toolkit
HR Council for the Voluntary and Nonprofit sector http://hrcouncil.ca

The Essential NGO Guide to Managing Your USAID Award
http://www.ngoconnect.net/resources/ngoguide

Examples of HR Policy Documents
http://www.ngoconnect.net/humanresources

4. **Orient.** Integrate an overview of HR policies and procedures into employee orientation processes and continue to inform staff with refreshers.
5. **Require Signature Statements.** Require staff to sign a statement verifying that they have received and reviewed the employee handbook and had an opportunity to ask questions about personnel policies and procedures.
6. **Be Open to Change.** Sometimes policies seem good when they are designed but do not work in practice; sometimes the policy is good, but its implementation is not. Assess your policies, procedures and practices periodically to determine if they are followed and useful. Listen to staff complaints and take them seriously. Do not be afraid to change or adjust a policy, procedure or practice if it is not working.

3.3

Supportive Supervision:

A Strategy to Strengthen Organizations and Individuals

Q **Why is supportive supervision important, and how do we do it?**

A Beyond simply overseeing employees' responsibilities and tasks, managers can play a key role in making their employees feel supported and motivated and, as a result, more productive. Making employees feel valued and supported is essential, particularly in challenging environments where resources are scarce and the needs of the community are vast.

Supportive supervision is a key way to achieve this. By employing supportive supervision, managers can not only create a healthy work environment, but can improve and sustain the performance and satisfaction of their most valuable asset: the people in their organization. Using a few key skills and tools—and with a little practice—managers can create a dynamic relationship with staff and subrecipients to help them grow as individuals and organizations.

Guidelines for Supervising Staff

To effectively provide supportive supervision and help staff accomplish their goals, managers should consider the following guidelines:

1. **Set clear expectations from the beginning.** Supportive supervision can begin as soon as a person is recruited to work for your organization. The first step is providing your new employee with a *clear job description.* This ensures that both the manager and the employee have a common understanding of the expectations and responsibilities of the position. As time goes on, the manager and employee should work together to periodically review and revise the job description to develop "*SMARTER" goals* that align the employee's work with the organizational mission. (See *Performance Appraisals* 3.4)

SMARTER Goals are:

Specific and clear about what needs to happen and who needs to be involved
Measurable, with clear targets against which progress can be measured
Aligned with the organization's mission and vision
Realistic and can be accomplished
Time bound so that there is an appropriate sense of urgency
Evaluated periodically and, if necessary, adjusted
Rewarded when accomplished

DEFINITIONS

Active Listening—A communication technique that requires the listener to focus on *understanding*, *interpreting* and *reflecting upon* what the other person is saying.

Social Intelligence—The capacity to understand social and interpersonal relationships and situations. Having high social intelligence helps you work with groups of people to develop and pursue a common goal, such as building a workforce committed to activities that support an organization's mission.

Supervision—The process of fostering and reviewing staff performance according to the defined standards of the organization.

Supportive Supervision—A process that uses dialogue and constructive feedback to help staff, volunteers or entire organizations improve their performance in pursuit of the organization's mission, while also setting goals for personal growth and development.

A related tool regularly used in supportive supervision is a *tailored checklist* outlining exactly what will be assessed and what is required for employees to get a positive assessment. The checklist should be made available to staff ahead of their actual supervision session. This ensures that people see that they are being treated fairly and assessed objectively.

2. **Provide regular feedback.** Supportive supervision is not a once-a-year performance review; it involves *continuous performance assessment*. This means making time and space for the supervisor and employee to regularly communicate about job performance. Managers should employ active listening skills and provide feedback in an open and respectful manner to facilitate a dialogue about improving behavior and job performance over time.

Active Listening Skills

- *Eliminate distractions* (such as phone calls) and avoid having physical barriers (sit in comfortable chairs rather than having a desk between the two of you).
- *Listen carefully* to the main ideas, and let the speaker finish his or her thoughts without interruption.
- *Ask open-ended questions* that show that you are interested in the speaker's ideas and interpretations (for example, "What are your suggestions about how we should address this problem?")
- *Do not judge, critique or get defensive* while the speaker is talking; instead, focus on understanding his or her experience and perspective. Verify your understanding by repeating key points back (for example, "If I understand you correctly, you are saying…").

Remember: You have two ears and two eyes… but only one mouth. So let your ears and eyes do twice as much work!

Managers can play a key role in making their employees feel supported and motivated and, as a result, more productive.

During supportive supervision sessions, both the manager and employee should have time to describe achievements in the period under review as well as challenges and areas for improvement. These discussions should be documented by the manager and shared with the employee to ensure that both agree on the outcomes of the discussions, and the employee's progress is tracked in the event of a change in management.

3. **Provide opportunities to discuss challenges and suggestions.** Supportive supervision should be *two-way communication*. Your staff members are the ones doing the work on a day-to-day basis, so they have first-hand knowledge of what is and is not working. Often they also have ideas about how to address challenges or gaps; other times they will need advice and suggestions for problem solving.

4. **Ensure staff get the tools, skillls and rsources necessary.** A key part of supportive supervision is following up on any issues or challenges that are identified during discussions. If, for example, a staff member describes having a hard time completing his or her monthly site visits due to lack of transport, you may need to work with the finance manager to determine how the organization can allocate additional funds for fuel, or work with the program director to coordinate sharing the organization's vehicle.

Likewise, supportive supervision provides opportunities to discuss—and sometimes even provide—the additional skills and training that will enhance your staff's ability to do their work. Identifying training needs is important, as is following up after trainings to ensure that staff members have opportunities to apply the skills in their work and to share with colleagues.

5. **Reward high performance through recognition, incentives and opportunities for advancement.** Most people working in health and development are motivated by values and ideals to help people in need and strengthen communities. But intrinsic motivation alone may not be enough to sustain performance for everyone over the long term. External recognition for excellent work will help your employees maintain their energy and commitment. Rewards can include public recognition (such as commendation during community events or write-ups in widely distributed publications) and incentives (such as small gifts or invitations to special events). Another critically important part of rewarding staff is ensuring that they have opportunities for advancement (such as trainings to enhance their knowledge and skills).

Strategies for Supervising

Supportive supervision strategies also work well in relationships with partner organizations and subgrantees. Similar to what is needed with employees, support supervision for a non-governmental organization, community-based organization or other partner entails:

- Ensuring that the organization's leaders and stakeholders understand what they are expected to do (including reporting);
- Providing regular and constructive feedback on performance;
- Creating regular opportunities for them to provide feedback to you on their challenges and get assistance with solving problems;
- Supplying adequate resources and skills, so they can conduct their programs effectively; and
- Recognizing and rewarding good performance.

Culture of Supportive Supervision

Integrating supportive supervision throughout your organization's structure will result in a stronger organization, with more efficient and satisfied people working to achieve your organization's mission. Creating a *culture of supportive supervision* will help your staff, volunteers and the organization flourish.

REFERENCES

Initiative's Training and Supervision
http://initiativesinc.com/resources/publications/techExpertise/training.htm

Supportive Supervision to Improve Integrated Primary Health Care
http://www.msh.org/Documents/OccasionalPapers/upload/Supportive-Supervision-to-Improve-Primary-Health-Care.pdf

Guidelines for Implementing Supportive Supervision:
A Step-by-Step Guide with Tools to Support Immunization
http://www.path.org/publications/detail.php?i=1212

3.4

Performance Appraisals

DEFINITIONS

Performance Appraisal (PA)—A structured process to review and discuss an employee's performance of assigned duties, achievement of goals and fulfillment of responsibilities over a specific time period.

360° Review—A type of performance appraisal that incorporates feedback from management, subordinates, peers, clients and others into the review process.

Performance Improvement Plan (PIP)—A structured, measurable plan to help an underperforming employee improve to the expected level of performance for his/her position.

Q **Why and how should our organization conduct performance appraisals of our employees?**

A The performance appraisal (PA) process strengthens organizations and fosters improved individual performance by enhancing and reinforcing the link between individual and organizational performance. The performance appraisal process can help:

- ***Align staff responsibilities and goals with organizational or program objectives.*** PAs often include reviewing an employee's job description and goals to ensure that responsibilities and goals are consistent with those of the organization or program.
- ***Align staff attitudes and performance to organization's values.*** When planning performance goals, identify the values the organization wants to see reflected in an employee's performance beyond the execution of tasks related to job duties.
- ***Recognize and reinforce good performance.*** The PA process provides an opportunity for recognizing and reinforcing good performance. When employees feel valued, they are more likely to engage in their work and, as a result, be more productive.
- ***Identify and formally address issues.*** PAs reinforce ongoing communication by providing a forum for employees and supervisors to discuss problems or challenges and document the issues discussed.
- ***Identify training and professional development needs.*** When developing performance goals, the employee and the supervisor can plan for any training required to help the employee meet performance goals.

How to Establish a Performance Appraisal Process

To set up your PA process, use the following steps as a guide.

1. Outline the purpose and objectives of the PA process.
Defining the purpose and objectives helps staff and the organization to understand and monitor the process.

Step 1: Sample

Purpose

- To strengthen the organization by fostering improved performance and linking individual performance to organizational success.

Objectives

- Review and update job descriptions.
- Open a dialogue between the employee and supervisor.
- Identify professional development needs and desires.
- Establish and agree upon performance goals.

2. Map out the PA process for your organization.
With input from staff at different levels, tailor the process to the needs of your organization and decide on the following:

- What type of performance appraisal system do you want? One-on-one, 360° review—a type of performance appraisal that incorporates feedback from management, subordinates, peers, clients and others into the review process—or a combination?
- How often should appraisals occur? Annually, annually with a six-month review or as part of a probationary period?
- Will appraisals be customized for different staff—management, general staff and volunteers?
- Who will conduct the appraisals and for whom?
- How will the information gathered in the appraisal be documented and used?
- How will the PA process be linked to other organizational processes, such as pay period, supervision or quality assurance?

3. Develop PA materials.
When developing PA forms and tools, consider fairness, consistency and functionality. Keep tools simple and user-friendly, and test them prior to implementation. The following table outlines some useful PA tools.

TOOL	USE	PROCESS ELEMENTS
Employee Performance Plan	Developed at the start of employment. Updated periodically after the supervisor's assessment and the employee's self-evaluation have been jointly reviewed and discussed.	• Attach revised final job description. • Set and document performance goals for the upcoming year. • List professional development activities (fulfillment of activities are based on organizational priorities and available funding).
Employee Self-Evaluation	Completed by employee first and given to the supervisor to incorporate into his/her evaluation.	• Review job description. • List achievements and constraints in meeting goals set in the Employee Performance Plan. • Rate performance according to key criteria. • List performance objectives for coming period. • List desired professional development. • Give feedback on supervision and support received.
Supervisor's Evaluation of Employee	Completed by supervisor after receiving the employee's self-evaluation.	• Review job description. • Assess achievement of performance goals set for the period under review. • Summarize findings from 360° review (if appropriate). • Include comments on overall performance.

ITEMS TO CONSIDER

An effective PA process is:

- **Participatory**—Both the supervisor and employee should provide input. Feedback from peers and other managers can also be included.
- **Transparent**—All staff should understand the PA process and criteria used for performance assessment.
- **Applied consistently**—Regardless of whether the individual employee appraisals are conducted in phases or simultaneously, they should be done uniformly *with all staff* to ensure fairness and consistency.
- **Reviewed regularly**—PAs should be checked regularly to ensure relevance, accuracy and consistency with organizational needs.

TOOL	USE	PROCESS ELEMENTS
360° Performance Evaluation	Used to assess the employee's performance by supervisor, peers, subordinates. The results may be provided to the employee and/or incorporated into the supervisor's evaluation to provide a more diversified assessment.	• Assess performance indicators, such as job skills, dependability, communication, teamwork and professionalism. • Comment on employee's areas of strength and areas for improvement.
Performance Improvement Plan	Used when an employee's performance does not meet the expectations of the position.	• Identify the job duties or responsibilities that are not being performed at the expected level. • Outline specific, work-related examples of performance (poor, acceptable). • Indicate acceptable work performance standards and expectations that must be completed on a consistent basis. • Specify clear timeline for follow-up. • Identify the measurements to evaluate progress.

4. Establish a plan for PA implementation and monitoring.
Develop a clear timeline of activities and list of participants in the process:

- ***Establish indicators*** to measure the effectiveness of key milestones during the PA process (for example, deadlines for developing, testing and revising PA forms, dates for finishing a pilot process and number of performance reviews completed in a specified time period).
- ***Pilot the approach with a small group of staff*** to observe how the process flows, determine how easy it is to use and make adjustments as needed.
- ***Launch*** the process (in stages if needed) throughout the organization.
- ***Assess and address lessons learned*** to improve the process, make it easier for supervisors and employees to use and increase overall effectiveness.

5. Train staff and supervisors on the PA process.
Performance appraisal is not intuitive. Supervisors and staff need training in how to complete the forms, communicate with one another and set goals. Supervisor training should include: explaining the purpose and objectives of the PA, facilitating the performance appraisal, giving feedback to employees and setting performance goals.

Employees will require training to understand the purpose and objectives of the PA process, what to expect during a PA meeting, how to handle feedback, communicate with supervisors and set performance goals.

REFERENCES

Funds for NGOs – Human Resources Management for NGOs
http://www.fundsforngos.org/human-resource-management-2/human-resource-management-ngos

360 Degree Feedback
http://www.businessballs.com/performanceappraisals.htm

Free Management Library – Employee Performance Reviews/Appraisals
http://managementhelp.org/emp_perf/perf_rvw/perf_rvw.htm

3.3

Key Personnel

Q **What do we do if someone designated as *Key Personnel* leaves the project?**

A Your Cooperative Agreement names as "Key Personnel" specific individuals on your project team that were approved at the time the award was made; it states that any changes must be approved by the Agreement Officer (AO). But what does this mean?

Key Personnel are individuals identified in your Agreement who are in positions essential to the successful implementation of the award or personnel directly responsible for the management of the contract.

Although everyone on your team plays an important role, only a small number of people will be designated in the Agreement as Key Personnel. The number of key personnel designated for any award must not be more than five individuals or five percent of your employees working under the award, whichever is greater.

Any changes to Key Personnel require USAID approval. If a change is necessary, you will want to follow these steps:

1. Notify your Agreement Officer's Representative/Contracting Officer's Representative (AOR/COR) as soon as a possible change is brought to your attention (for example, if an individual designated as Key Personnel gives his or her resignation). In the case of a termination, be sure you have followed your organization's human resources (HR) procedures.
2. Following your organization's procedures, conduct a fair and open competition to recruit a replacement. Document the process and your decision. Based on the position's requirements, select the best candidate to be put forward to your funding agency, as only one candidate can be proposed per key personnel position.
3. When you have selected a candidate, if your HR policy allows, you may extend a conditional job offer that states that the candidate's selection must be approved by the AO. Do not offer a job or sign an employment agreement without this condition.

Note: If you are considering hiring someone from another project or the host country government, please discuss this with your AOR/COR early, before even a conditional offer is extended. The issue of concern is "poaching": hiring someone away from another USG-funded project or the host country government.

DEFINITIONS

Key Personnel—Personnel directly responsible for management of the contract, or those personnel whose professional/technical skills are certified by the AOR/COR as being essential for successful implementation of the program.

IN YOUR AGREEMENT

The *Key Personnel* clause may be found in the *Substantial Involvement* section of the *Schedule* of your Agreement. The clause contains both the terms of the requirement and the list of Key Personnel named in your Agreement.

ITEMS TO CONSIDER

Does your organization have human resources policies in place that address recruitment, resignation and termination?

- Submit a request for approval of the new candidate in writing to your AO, including his or her CV and a brief explanation of why the individual is being proposed (for example, strengths, expertise and so on).

Tip: Always make sure you have approval documented in an email or formal letter. If you discuss a change with your AO on the telephone, follow up the conversation with an email confirming a verbal approval.

Barring any concerns, the AO will communicate back to you an approval, after which you can move forward to hire the individual you have selected.

Finally, the AO will submit a request to modify your agreement to formally document the change in Key Personnel. This formal modification may come at a later date. Sometimes the AO will wait to make several modifications together to cut down on paperwork, but this will not delay your ability to hire your new Key Personnel.

REFERENCES

USAID ADS Chapter 303 – Grants and Cooperative Agreements to Non-Governmental Organizations
http://www.usaid.gov/policy/ads/300/303.pdf

Results-Oriented Assistance: A USAID Sourcebook
http://wwww.usaid.gov/policy/index.html

3.3

Collaborating with Volunteers to Strengthen Your Organization

Q **How can volunteers support our organization?**

A Volunteers can be a major asset to an organization. By contributing time, energy and talents, volunteers can generate enthusiasm, provide new skills, increase community engagement, serve as bridges to target populations, augment fundraising efforts and complement the work of paid staff. They can be an especially vital resource for organizations straining to meet the needs of beneficiaries with limited staff and budgets.

To make the most of volunteers and ensure they have a positive volunteer experience, it is important to manage them effectively. The following addresses how to recruit, select, train, supervise and appreciate volunteers.

Getting Started: Key Questions to Ask

The value of your volunteers will be determined by the degree to which they meet your organization's needs. To assess this, carefully consider where you need help, what resources you have in place and whether volunteers are the right solution. Here are some key questions to ask to determine whether you *should* and *can* engage volunteers:

- Do we have activities or tasks that are appropriate for non-staff to do?
- What kind of skills or knowledge does a person need to perform them?
- Are the activities or tasks specific and short-term? Or are they ongoing ones, which require a longer term commitment?
- Will we need to train volunteers to ensure they are able to perform their duties and maintain the quality standards of our organization?
- Do we have enough paid staff to train and support volunteers?
- Do we have the supplies that volunteers need for their activities?
- How will we supervise and evaluate the work of volunteers?
- Once we have invested in training volunteers, how will we keep them committed to our program?
- How will we document time contributed by volunteers, either to meet our cost-share requirement and/or to demonstrate the community's support for our activities? (See *Financial Management 2.4*)

Recruit by Reaching Out to the Community

Once you determine that volunteers are right for your organization, and you know what you want them to do and what resources you need to support them, the next step is finding them. In general, people become volunteers at an organization by 1) contacting an organization to offer their help, or 2) responding to recruitment efforts.

DEFINITIONS

Volunteer—A person who performs a service or task willingly and without pay.

Volunteer Management—The process of recruiting, selecting, training, supervising and supporting volunteers to enhance an organization's performance and results.

FIVE COMMON MISCONCEPTIONS ABOUT VOLUNTEER MANAGEMENT

1. Volunteers are free.
   In fact, volunteers require investments of time and money to be effectively utilized.
2. Anyone can manage volunteers.
   Volunteer management is as much a skill as staff management.
3. You do not need much time to manage volunteers.
   Volunteers need both supervision and support—as you know, this takes time!
4. You do not need staff to manage volunteers (volunteers manage themselves, volunteers will just show up).
   To maintain the quality of your programs, you must assign staff to oversee the work of your volunteers.
5. Volunteer management is a luxury we cannot afford.
   Not true! Managing volunteers helps you make them an asset.

Adapted from Idealist.org, a website devoted to linking volunteers, job-seekers and nonprofit organizations

Recognizing the work, time and energy of volunteers… not only thanks people for their service, but it highlights the importance of their contributions and encourages them to continue their work.

For recruitment, think about the kinds of people you are hoping to attract to serve as volunteers, keeping in mind that people from within the local community are often the most invested and dedicated volunteers, because they have a personal interest in the work. Also consider finding volunteers from different gender, age and ethnic groups (if appropriate) to create a diverse team. Then develop a recruitment plan. This might include:

- *Enlisting staff, Board members and other personal contacts:* Many volunteers start doing community work because they are asked by a friend, family member or neighbor. People often respond positively if someone they know extends a personal invitation to them.
- *Going where the people are:* Instead of trying to get people to come to you, try going to them. To recruit volunteers, attend meetings of other groups and go to places and events where potential volunteers gather.
- *Getting the word out:* It is important to inform people that your NGO exists and welcomes volunteers. Post information at markets, schools and community centers, on websites, and in newsletters and other places potential volunteers might look.

Match the Volunteer to the Task or Activity

It is helpful to create an application for potential volunteers to fill out, so you can gather contact information, background, education level, skills, time available and any additional information that may be relevant.

Upon receiving applications, review applicants' qualifications and consider if their skills and abilities match the tasks and responsibilities you need them to do. You may want to invite selected applicants to your office for an interview, solicit and check references and verify any important background information.

If you have lots of volunteers at one time, create a chart that includes the potential volunteers' names, contact information, available days and hours, special skills and what they are willing and not willing to do. This will help you keep track and match volunteers to positions in which they will be interested.

You should clearly outline for applicants the roles and responsibilities of potential volunteers for your organization. This can take the form of a simple discussion or a written agreement. Items you may want to address are: time commitment required (short term, long term or ongoing), specific tasks to be performed, reporting, location and any training and supervision you will provide. By clarifying everyone's roles from the very beginning, you ensure that both the volunteers and your organization have a shared understanding of what you can expect of them and what they can expect of you. This will help to prevent confusion or disagreements in the future.

Orient Volunteers to Your Organization

Just like staff members, volunteers need someone to orient, train and manage them. You want to make new people feel welcome and explain your work, why you do it and why their help is important. Many people function better when they see the "big picture."

Delegate a staff member to provide volunteers with a comprehensive orientation, introducing them to your organization, its staff, vision and mission, offices, activities and structures. Not only will this orientation help them understand and perform their duties, but it will also provide them with valuable information to share with friends, family and acquaintances. Remember that, by virtue of their work with you, volunteers become ambassadors of your organization within the community.

Training Volunteers Is Crucial to Success—Yours and Theirs

Often volunteers are ready and willing to work, but may not be technically skilled or understand your organization's systems and procedures. Do not assume that new people will just "figure things out." Consider creating a training binder that contains general information about your NGO and information specific to what the volunteer will be doing. Also, develop a volunteer manual with relevant policies and procedures that can be given to each volunteer at the beginning of his or her service.

If you have a large cohort of volunteers, you may want to do formal training sessions; if there are just a few volunteers doing different tasks across your organization, you may find it more efficient to use individualized mentorship and coaching to train volunteers.

Supervise as You Would Paid Staff

Overseeing the work of volunteers is just as vital as overseeing the performance of staff. Here are a few essentials:

Use peoples' time wisely: Keep time demands reasonable and clear. People like to know in advance what time commitment is needed.

Supervise volunteers: Every volunteer should be supervised by a specific staff member, either a central volunteer coordinator or another staff member with whom they work closely. The volunteer and supervisor should check in regularly to address any questions or concerns each may have. Frequent and open communication between supervisors and volunteers helps to improve performance, ensure volunteers feel supported and address any problems that may arise.

Monitor and evaluate volunteers: Even though they are unpaid, volunteers represent your organization, and their work can affect your reputation in the community and among donors. You may want to develop some performance measures to track attendance and punctuality, participation in project activities and achievement of results.

Recognize Good Work and Reward It

Recognizing the work, time and energy of volunteers is a crucial part of effectively managing and maintaining them. It not only thanks people for their service, but it highlights the importance of their contributions and encourages them to continue their work. Some ways to demonstrate your appreciation include:

- certificates of service;
- volunteer profiles in reports and other publications;
- volunteer appreciation events;
- small gifts, such as t-shirts, hats or bags;
- public acknowledgment during community events;
- opportunities to develop new skills and knowledge through training and conferences, and;
- leadership opportunities among the cohort of volunteers.

Remember that, by virtue of their work with you, volunteers become ambassadors of your organization within the community.

REFERENCES

Ashoka – How to Recruit and Train Volunteers
http://www.genv.net/en-us/grow_it/sustainability/volunteers

Idealist Volunteer Management Resource Center
http://www.idealist.org/info/VolunteerMgmt

Making the Most of Volunteers
http://volunteer.org.in/MakingMostVolunteers.php

Program Management

PROGRAM MANAGEMENT

Managing a program well requires effectively balancing resources, people, money and time. Programs funded by USAID require that the grantee specify in a workplan its activities, the resources it will use and the expected results. To maximize those results, the NGO will likely work in partnership with others and thus, enter into and manage formal and informal relationships.

This section introduces the reports and approvals that USAID requires to run, report on and close out programs it funds. The topics also offer tips on managing the range of an NGO's relationships, including those with subrecipients, community stakeholders and donors. Faith-based organizations will also find information here that addresses their questions about partnering with the USG.

Topics:

4.1 Using Your Workplan as a Management Tool

4.2 Managing Subrecipients under a Cooperative Agreement

4.3 You and Your USAID Team

4.4 Managing Your Relationship with Your Donors

4.5 Engaging the Community

4.6 Requirements for Semi-annual Performance Reporting

4.7 Faith-based Organizations and USG Funding

4.8 Project Close Out: Timeline

4.9 Project Close Out: Required Reports and Actions

4.1

Using Your Workplan as a Management Tool

Q **How can we best take advantage of our approved workplan?**

A The transition from project planning to implementation is a challenging part of program management. However, if you use your workplan not just as a planning tool but as a management tool as well, the transition to implementation is much easier.

Assign each section of your workplan to appropriate individuals or teams. For example, assign the budget section to your finance staff, the section on targets to the monitoring and evaluation staff, the activities section to the program staff and so on.

Each person assigned should review the actual implementation and monitor progress against the workplan and note:

- Are all the steps in the workplan being followed?
- Are additional steps necessary that were not planned for?
- Will these additional steps require additional funds or resources for the program to be successful?
- Were the time estimates realistic? Are things taking longer or going faster?
- Do any changes need to be made in light of your answers and do these changes require U.S. Government (USG) approval (see sidebar at right)?

By giving ownership of each section to the different project team members, the entire team is involved in keeping the plan on track and working together to make adjustments and improve program implementation.

A Model from Workplan to Implementation

As a service provider, your unique approach to your work is your implementation model. Your model describes how you do your work, the costs associated and the expected results. All of these elements are captured in your workplan. By treating these as components of your implementation model, your team can focus on how to improve your results.

The three primary components of your implementation model are:

1. **Activity descriptions** (how you go about providing your services);
2. **Budget;** and
3. **Indicators and targets** (both the USAID indicators and other internally developed indicators, including process indicators you may have).

When you link these three elements together, you can begin to see how changes in one will affect the other two. Your model may start simple, but

DEFINITIONS

Workplan—Document that lays out your planned activities, resources required and targets.

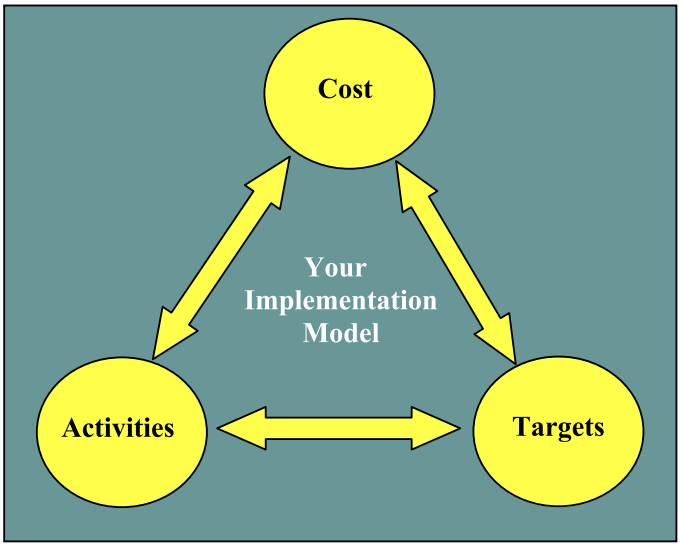
ITEMS TO CONSIDER

What changes need to be approved by the USG?

Some changes to your program will require USAID approval, including:

- changes in key personnel;
- changes in targets;
- changes in geographic scope; and
- budget modifications.

you can expand it by adding more detailed indicators to allow you to manage and evaluate your program on various levels. As you grow, you could scale up targets in your implementation model. The workplan will be similar since you are doing the same type of activity, but it will have an impact on your budget, since you may need more staff or more equipment to reach more people with services and achieve the revised targets.



Three main components of your implementation model

If, on the other hand, you decide to increase the types of activities you are undertaking (for example, you have a home-based care program and add an orphans and vulnerable children component) you will have to expand your workplan. You will require additional funds for implementation and you will have increased targets as you also have a new set of indicators and targets that will need to be addressed. You should assess your organizational capacity to expand your program to ensure that the capacity exists to achieve the activities you indicate need to be done.

Next Steps

Meet with your team regularly to review progress made compared to the workplan:

- Is the project on time? On target? On budget?
- What adjustments have been or need to be made and why?
- How will you monitor the impact of those adjustments to make sure they are successful?
- Do any of the proposed changes require USG approval?

Be sure to record the successes and failures and the decisions you make. This body of knowledge will become the foundation for your next workplan and future applications for funding. By continually monitoring your progress against your workplan, your workplan will evolve, continuously advancing your program and improving the services to beneficiaries.

REFERENCES

Ten Steps You Should Follow to Successfully Manage Your Workplan
http://www.techrepublic.com/blog/10things/10-things-you-should-do-to-successfully-manage-your-workplan/937

Developing and Using Workplans
http://erc.msh.org/mainpage.cfm?file=2.2.3.htm&module=planning&language=English

4.2

Managing Subrecipients Under a Cooperative Agreement

Q **What is the relationship among a prime recipient, a subrecipient and the U.S. Government? What responsibilities does a prime recipient have regarding working with subrecipients?**

A The U.S. Government (USG) agency funding an award has a contractual relationship with the prime recipient. Under the Agreement, there are various requirements and provisions by which the prime must abide. These are specified or referenced in the Agreement.

The prime recipient has a similar relationship with a subrecipient. As the USG does not have a direct relationship with the subrecipient, the prime is responsible for ensuring that all mandatory provisions and important clauses in the award flow down to the subrecipient.

The easiest way to do this is through a subagreement. The subagreement includes the requirements and practices by which the subrecipient must abide, and these are specified or referenced in the agreement between the prime and the sub.

The following covers major areas a prime partner needs to ensure are being addressed when selecting and managing a subrecipient.

Subrecipient Selection Process

Selection Process. A prime will need to use its established selection process and properly document selection decisions. Suggested practices for selecting subrecipients include issuing a Request for Applications (RFA), formalizing informal relationships or soliciting bids from organizations that have the skills you are looking for.

Pre-Award Assessment. Prior to making a final selection, evaluate a prospective subrecipient's financial and management systems and ability to implement a program. If possible, take the time to visit any finalists from your selection process. Ensure the subreceipient organization has the capacity to manage funds and comply with USG regulations.

USG Approval. Because of the substantial involvement clause in your Cooperative Agreement, the USG must approve any subrecipient before it can receive funding. If a sub was named in your original proposal and budget, then it should be approved in your Cooperative Agreement; if not, seek approval from your Agreement Officer.

Agreement. When executing a subaward, the recommended agreements are the Standard Grant Agreement or the Fixed Obligation Grant Agreement. A valid Memorandum of Understanding or other less formal agreement is not a means of contracting a subrecipient because such agreements are not legally binding. Prior to entering into a contractual relationship, ensure that all parties understand the legal obligations

DEFINITIONS

Prime Recipient—An organization receiving direct financial assistance (a grant or Cooperative Agreement) to carry out an activity or program; often known as a prime recipient.

Subrecipient—An organization receiving financial assistance to carry out an activity or program from a prime recipient (or other subrecipient); often known as a sub.

WORKING WITH LOCAL SUBRECIPIENTS

There are both financial and program considerations when deciding whether or not to use local subs.

Organizations may choose local subs to build indigenous capacity.

Also, if subs need a great deal of assistance, organizations may need to have in-country staff on hand. Local organizations may operate at lower costs than international organizations.

Regardless, ***primes are accountable for all activities and actions undertaken by subs***. Primes may need mechanisms to ensure appropriate monitoring and support.

involved, including provisions that flow down from a prime to a sub and any certifications or other documents required under the agreement.

Planning and Implementation

Requirements and Regulations. Check your award to see what provisions "flow down" to subs, and work with subs to review the requirements and USG regulations related to the type of agreement you use with them (standard or fixed obligation grant).

Examples:

Procurement—Ensure subs are aware of cost principles and allowable costs and are properly documenting procurement actions.

Marking and Branding—Ensure subs understand the marking and branding requirements.

Cost Share. Any cost share that a subrecipient contributes may be aggregated and apply toward your cost-share contribution. Therefore, you should work with any subs to capture things such as volunteer hours and other in-kind contributions. (See *Financial Management 2.4*)

Reporting

Timelines. Give your subs deadlines that allow you to receive reports early enough that you can review and consolidate your reports for submission to the USG.

Audits. Determine if subs will need to have an outside audit conducted. The threshold for foreign NGOs funded primarily with USAID funding is if they receive US$300,000 or more in a given year. The threshold for U.S.-based NGO's funded by USAID is US$500,000. This threshold amount includes *total* funding from the USG—not just the funding subs receive from your organization under your award (See *Financial Management 2.9*)

Post-Award

Close Out. Subs must close out financially, complete all required deliverables and clarify plans for any equipment or other inventory purchased with USG funds. All of this must be done prior to your own close out. (See *Program Management 4.9*)

Records. Ensure subs are aware of what documentation must be maintained and for how long (typically three years after submission of the final report, but local laws may vary).

REFERENCES

USAID Mandatory Standard Provisions For Non-U.S., Nongovernmental Recipients
http://www.usaid.gov/policy/ads/300/303mab.pdf

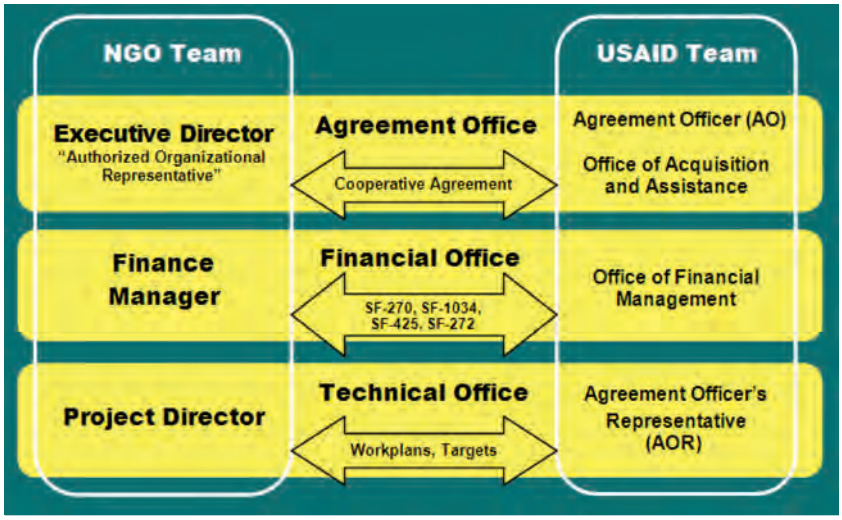
4.3

You and Your USAID Team

Q **Whom is on the USAID team administering our grant award? What are their responsibilities? Whom do we contact with requests or reports?**

A During the life of your award, you will deal with three primary offices at the USAID headquarters level: the agreement office, the financial office and the technical office.

The chart below shows who in your organization is the likely counterpart for the individuals on the USAID team.



Agreement Office – The Office of Acquisition and Assistance (OAA) is where you applied for funding, negotiated and received your award. The agreement office is responsible for managing issues related to compliance with the terms of your USAID award agreement. Many major administrative issues and changes with your Agreement will need to be approved in writing by the Agreement Officer.

Any financial, technical and/or programmatic issues under the award should be raised first with your agency's financial and technical offices.

The title of the key USAID individual you will work with in this office is the Agreement Officer (AO).

The AO counterpart in your organization will likely be the Executive Director or Contracts Officer or someone in a similar leadership role with the authority to enter into legal agreements on behalf of the organization.

Financial Office – The finance office is the Cash Management and Payment Division (CMP), but is often simply referred to as "FM," short for Office of Financial Management.

Technical Office – In most cases, the technical office will be your primary, day-to-day point of contact. The technical office deals with all the program aspects of your award.

DEFINITIONS

Agreement Officer (AO)—The agency official with the authority to enter into, administer, terminate and/or close out agreements and make related determinations and findings on behalf of USAID.

Agreement Officer's Representative (AOR) or **Contracting Officer's Representative (COR)**—The USAID official responsible for monitoring grantee progress toward achieving the agreement's purpose and for serving as technical liaison between the grantee and the AO. The AO will specifically name and delegate authority for specific responsibilities to the AOR/COR, who typically is named in your Cooperative Agreement.

Activity Manager—The USAID representative who may be designated to serve as your day-to-day point of contact.

ITEMS TO CONSIDER

Q: Do you know all your USAID contacts? Do the members of your team know who their USAID counterparts are?

For easy reference, you may want to make a chart similar to the one in this article, filling in the names of staff and USAID contacts. Then, you can share it with your team.

Q: Do you know who at USAID should receive your reports, requests and other items related to your award? Do the appropriate members of your team know?

The names of your AO and AOR/COR are found in your Agreement.

REFERENCES

22 CFR 226 Administration of Assistance Awards to U.S. Non-Governmental Organizations (See subsections 52 and 71) http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=e09a890a366dd0d569b1aeb311cdc0bf;rgn=div5;view=text;node=22%3A1.0.2.22.25;idno=22;cc=ecfr

Federal Audit Clearinghouse http://harvester.census.gov/sac/
Federal Financial Report SF-425 http://www.whitehouse.gov/omb/assets/grants_forms/ff_report_fill.pdf

Instructions to fill out Federal Financial Report SF-425 http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf

SF-270 Request for Advance or Reimbursement http://www.whitehouse.gov/sites/default/files/omb/grants/sf270.pdf

Requesting USG Funds Using SF-270 http://www.ngoconnect.net/c/document_library/get_file?p_l_id=36853&folderId=43508&name=DLFE-3598.pdf

USAID agreements identify the Agreement Officer's Representative (AOR) or Contracting Officer's Representative (COR)—formerly referred to as the Cognizant Technical Officer or CTO—as the primary point of contact in the technical office (named in your Cooperative Agreement by the AO). However, the AOR/COR may delegate day-to-day interactions to an Activity Manager. In this case, the Activity Manager will have all the same responsibilities as the AOR/COR, except the ability to sign and approve certain documents and actions. To obtain approval, the Activity Manager will review requests and get approval when needed.

Although the AOR, COR or Activity Manager will be your primary contact, you may need to contact other members of the teams to make specific requests or submit required reports.

The following summary table contains general guidelines for which USAID offices and/or personnel are responsible for common requests, forms and reports.

Request, Form or Report	Office(s) and Individual(s) that Generally Handle
Pre-Award Audit Response	Submit to one AO.
Annual Audit	Submit to the AO. Also check your agreement as to whether you must submit to the Federal Audit Clearinghouse. (See *Financial Management 2.9*)
Federal Financial Report (SF-425)	Submit to the FM and copy both the AO and the AOR/COR. (See *Financial Management 2.8*)
Request for Advance or Reimbursement (SF-270)	Submit to the FM and copy the AOR/COR. Your AOR/COR may track your burn rate in order to make sure you have enough funds obligated. (See *Financial Management 2.7*)
Workplan	Submit to the AOR/COR or as required by your Agreement. (See *Program Management 4.1*)
Performance Reports	Performance reports are typically required on a quarterly basis to the AO and the AOR/COR. (See *Program Management section 4.6*)
Final Reports	Submit to the AOR/COR and the Development Experience Clearinghouse. (See *Program Management 4.9*)
Requests for Vehicle Purchase Approval	Submit to the AO. (See *Compliance section 5.6*)
Request for Cost or Non-funded Extension	Submit to the AO.
Request for Additional Obligation	Submit to the AO.
Change to M&E Plan or Reduction in Targets	Submit to the AOR/COR. (See *Monitoring & Evaluation 6.1*)
Request for Budget Realignment	Submit to the AO.
Change in or Expansion to a New Geographical Location	A significant location change or expansion may involve a change to your approved program description (described in next box).
Changes to the Program Description	Although changes to your workplan generally need AOR/COR approval, changes to the program description—approved as part of your Agreement with USAID—should be sent to the AO for approval.

4.4

Managing Your Relationship with Your Donors

Q **Why is maintaining a good relationship with donors important? How do we do it?**

A Maintaining good relationships with your donors is critical to the survival of your organization. If you are like most non-governmental organizations (NGOs), you need to secure sufficient resources to achieve your goals and fulfill your mission. This is an ongoing need that will likely be met by a number of donors over time. It is through your relationship with donors that your organization becomes connected with potential funding. The deeper the relationship, the stronger that connection, and the more likely that donor will support your organization and its mission.

However, just because a donor supported a program once, does not mean it will do so forever. Donor loyalty and trust must be earned again and again. How do you earn this? Comply with the rules for funding, demonstrate effectiveness of your interventions and communicate, communicate, communicate. Below you will find tips on communicating effectively to strengthen your relationship with donors and maintain their support.

What Donors Need

Whether the donor is the U.S. Government, a national or local government agency, a foundation or a business, donors are "investors" who help you achieve your mission. Like you, donors are held accountable and must show results to their funding sources. Therefore, when you get results, donors do, too; when you succeed, they succeed.

When communicating with donors, keep in mind three main concerns because they shape a donor's perceptions and willingness to continue supporting your program. Donors want reassurance that your organization is:

- using its funds effectively and efficiently for the purpose originally intended;
- effecting positive change on the lives of the individuals or communities the donor aims to serve; and
- reflecting positively on the donor through a good image and reputation.

Establish a Positive Relationship with Donors from the Start

Your relationship with a donor likely began with the development of a proposal. During that process, you demonstrated that you understood the issues and needs to be addressed, and showed that you had feasible, cost-effective solutions and systems in place for managing financial resources. When you won that support, your relationship took on new meaning. There are a few basic steps that will help the relationship get off to a smooth start.

DEFINITIONS

Donor—Source of funding for an organization's program activities or operations. Typically, funding is for a specific intervention with a specific timeframe and budget. A donor may be:

- an individual or group;
- a large agency, such as the United States Agency for International Development (USAID);
- a multinational agency, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria; or
- a corporation, such as Nike.

Deliverables—Products or outputs that must be completed and presented to the donor under the terms of an agreement or contract.

Communication Protocol—A set of rules governing what information (finance, programs, technical) is to be shared, how (email, phone) it is shared, and who at the organization manages that interaction.

The initial stages of the donor relationship are crucial to establishing strong and open communication that will be important throughout your entire award.

Conduct a Launch Meeting

It is good practice to hold a "launch meeting" with a donor as soon as possible to review the terms of your Agreement; establish key contacts; discuss roles, responsibilities and program activities; and share expectations. During this meeting, clarify terms of the Agreement you find confusing. Ask questions. Learn how the donor wants to hear from you and how often—monthly, quarterly, semi annually. Build this regular communication into your workplan. Present this information to your team to create mutual understanding and expectations about the donor.

Where possible, share the timeframe for start-up activities, your initial program objectives and solicit your donor's feedback and questions. If both organizations have a clear initial understanding of each other's expectations for the program, this will set a strong foundation for open communication and collaboration and may reduce the likelihood of future misunderstandings.

Develop a Donor Communication Protocol

As part of your Communication Plan (see *External Relations 7.1*), develop a set of rules (a protocol) stating what information is shared with donors, how it is shared and who at the organization manages the interaction with donors. Create a list of the staff within your organization (finance, program, technical) that may be called upon to communicate with a donor. You may wish to refer the donor to different people on your team to address specific issues; or you may decide that one person should be the gatekeeper for all donor communications. Note what form of communication the donor prefers (email, phone) and what issues/results are of greatest interest. Once decided, create written guidelines to discuss and share with your staff.

Ten Tips for Maintaining a Strong Relationship with Donors

As with any mutually beneficial relationship, it is easier to nurture and build on an established connection than to start from zero. Below are a few tips to reinforce your rapport with major donors.

1. **Communicate effectively.** Be as clear, direct and honest in your communication as you can, verbally and in writing.
2. **Follow up after donor meetings.** After key meetings or conversations between the leadership of your organization and the donor, send a written summary of key issues discussed and follow-up actions. This creates a record of the meeting and clarifies decisions and actions that will be taken in the future.
3. **Be responsive to donor requests.** When a donor requests information, respond quickly. Ask questions to ensure you understand what is being requested and when it is due. If a request is unrealistic, be honest and explain why. If it will take you some time to compile the information requested, be clear about when you can submit it.
4. **Make realistic promises and deliver on them.** Be careful not to compromise the quality of your work for the sake of speed. Thus, when facing a deadline, ensure you can deliver what you promise with a worthwhile product. If this is not possible, be honest about it.
5. **Use donor funds as expected**. Implement your program as described in your proposal; that is what your donor "bought." Notify the donor of any needed alterations (for example, changes in scope, location of work, target audience) to your work right away to get guidance on how the donor would like you to proceed.

6. **Submit accurate, complete program deliverables on time**. Reports and other deliverables document your program accomplishments and successes. Therefore, it is critical that deliverables are clear, well-written and without errors so that they reflect well on your organization and may be shared with other funders and stakeholders. Emphasize quality over quantity. Meet the deadlines set by your donor as this demonstrates your professionalism, reliability and responsiveness. Know your donors well enough to link their support with your organization's activities, progress and results they find most meaningful.
7. **Do not surprise donors**. Be open and truthful about challenges and barriers in your program as well as successes throughout the period of performance. Setbacks and missteps are normal and most donors understand the challenging environment in which you work. If you maintain an open and collaborative relationship, there should be no surprises when your donor receives your deliverables.
8. **Share your achievements. Recognize and give credit to donors.** Tell your organization's story (see *External Relations 7.5*) and disseminate program results broadly and through a variety of media—newspapers, radio, websites, social media, conferences, meetings, special events. Make sure your donor's support is always acknowledged in accordance with your marking and branding plan as necessary (See *External Relations 7.3*) and always thank the donor for their support. In addition, you may wish to invite your donor to participate in events, conferences or meetings where you present program findings and results.
9. **Take solutions a step further**. Suggest ways in which you can eliminate a problem and articulate how you can share new knowledge with other stakeholders to support lasting solutions. Identify gaps in your present program or interventions, and recommend a new direction or strategy for greater effectiveness. Also, take time to reflect on the approaches that did not have the intended result and note them along with other "lessons learned" that you can compile at the end of the program. These types of proactive approaches may influence donor priorities in future years.
10. **Prepare for visitors and opportunities to showcase your program**. Your local and global reputation and image can be affected by the impressions made in known and spontaneous interactions with high-level officials, international and local visitors in addition to new staff. A well-organized and informative introduction and site visit with program stakeholders is an important way to communicate your successes and needs. Always plan ahead and have strong spokespersons available to showcase your work to visitors, potential donors and advocates.

By communicating effectively, a donor will see you as a reliable and trusted partner and may become both an important advocate for your organization and instrumental in sustaining its long-term financial health. Building a strong relationship through open, two-way communication is key to making this a reality. The confidence people have in an organization has a great deal to do with their loyalty to it and their willingness to support it.

Accountability and trust are keys to building relationships with donors who will sustain the long-term financial health of your organization.

REFERENCES

The Resource Alliance
http://www.resource-alliance.org/

Worldwide Fundraisers Handbook: A Guide to Fundraising for Southern NGOs and Voluntary Organizations, by Michael Norton, published by Resource Alliance and Directory of Social Change, 3rd edition, 2009

4.5

Engaging the Community

DEFINITIONS

Community—A group of people united by location or by common beliefs, values or characteristics. Community also includes social interactions that promote:

- bonding around shared interests or characteristics;
- a sense of belonging, purpose and common good;
- a high degree of cooperation and participation in working for common goals; and
- an interpersonal climate of mutual respect.

Culture—A set of shared values, beliefs and practices that characterize a group. Culture is learned through socialization and endures across generations. Shared culture, including gender roles, can be part of what unites a community.

Stakeholder—An individual, community or institutional entity that will be affected by, or who can affect, your project.

Beneficiary—An individual or institutional entity that is directly supported, improved or assisted by your project.

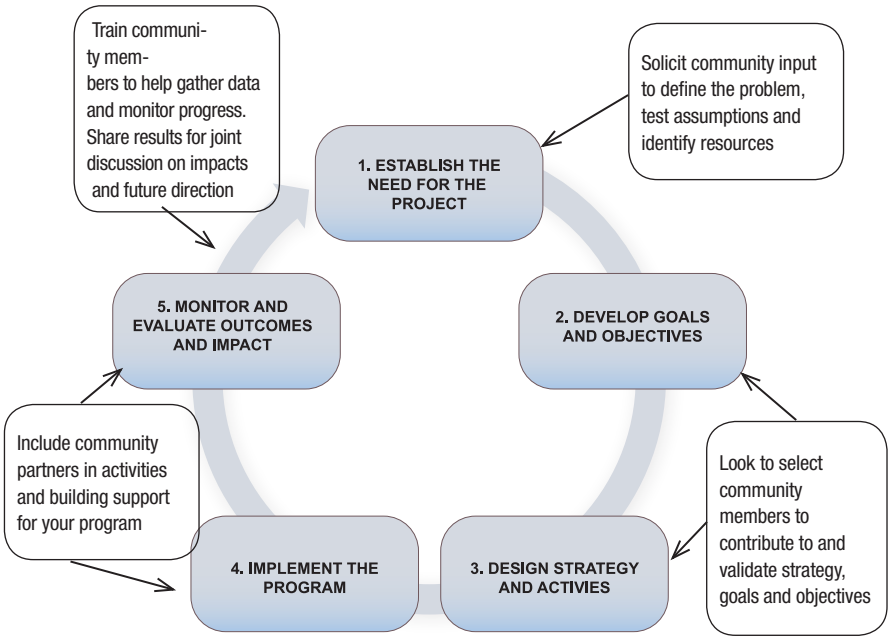
Engaging your community will help your organization achieve long-lasting results and real change.

Q **What does community engagement mean? How does it work?**

A Community engagement is a process of building and maintaining relationships with beneficiaries and other stakeholders who will be involved with your organization in a variety of ways around a shared goal to the benefit of both the organization and community members. It means creating processes and structures that consistently involve community members in decisions about program direction, service quality, client satisfaction and results. Community engagement takes time and energy. However, an investment in such a two-way process often pays off in enhanced accountability, more sustainable outcomes and greater confidence in a community's ability to solve problems.

Community Engagement and the Project Life Cycle

The project life cycle follows a basic, logical sequence of steps that help an organization move from identifying a problem to developing solutions to implementing activities to evaluating results. Different organizations will use different planning methods to suit their needs, but involving the community at every stage of the project can contribute to lasting results and real social change.



Establishing the Need for the Project

To help determine why an intervention is necessary, test your assumptions and check that your information is current and accurate by soliciting input from people who are most affected by the problem as well as those who

can influence outcomes. Identifying needs and resources before starting a program means that you know from the beginning what you are dealing with, and are less likely to be surprised later by something you didn't expect.

Depending on the issue, you may want to consult formal and informal leaders, men and women, young people, old people, technical experts, teachers and businesses. The more diversity among the people you engage, the more different opinions will likely be expressed and discussed; that means better decisions may get made. (See *Monitoring & Evaluation 6.3*.)

Developing Goals and Objectives

Analyze the input you gathered to ensure that the project's goals and objectives match the wants and hopes of the community. It may be important to address the community's priorities first. To establish trust and show respect, even if you do not believe that those priorities are in fact the most important. Building relationships and credibility may be more important at the beginning of a long association than immediately tackling what seems to be the most pressing need. Among other things, community members' priorities may be the right ones: they may see underlying factors that you do not yet understand.

Designing Your Intervention Strategy

Once you determine your goals and objectives, use what you learned in the assessment phase—about things such as community gender roles, cultural or religious values and practices and how they may help promote desired behaviors—to inform project design, as well as how and when you will measure, record and collect data to review progress. Create a community advisory committee to review, comment on and validate your strategy and activities.

Engaging the Community in Program Implementation

Promote sustained involvement over the life of the program. Ensure that the community has a role to play in both implementing and monitoring the program. Creating regular opportunities for the community to keep a program on track may increase the chances that program benefits can be sustained. For example, program staff may meet regularly with an advisory committee to share and discuss project results.

Identify community resources that can be used to inform the project, share information and implement activities. These resources include people, institutions and other organizations active in the area. Establish ways for community members and program teams to learn, discuss and make decisions together.

Monitoring and Evaluating Outcomes and Impact

Review progress together and build opportunities to gather and share results with the community at regularly scheduled intervals. Share results regularly and troubleshoot relevant problems together. Enroll and train community members to help with site visits, client satisfaction surveys, focus groups and other monitoring and evaluation (M&E) processes. Such participatory M&E, that both comes from and goes directly back to the people who are most deeply affected by the intervention, yields useful data and gives everyone a sense of ownership in the results.

OUTREACH VS. COMMUNITY ENGAGEMENT

Many people use the terms "outreach" and "engagement" interchangeably, but they are not the same. Here are some important distinctions.

Outreach

- Is primarily one-way, like a radio broadcast.
- Focuses on talking to people, rather than listening.
- Means approaching an audience or community with information.
- Focuses on educating people.
- Should be an important part of both a communication and community engagement strategy.

Engagement

- Requires building ongoing, two-way relationships based on trust.
- Involves listening to people.
- Means working collaboratively to address community concerns.
- Is integrated with an organization's culture, strategy and practices.
- Means working with the community to mutually identify solutions.
- Focuses on a conversation—an ongoing dialogue to develop understanding.

In both cases, using local experts and consultants can help to ensure that you are reaching out to and engaging the community appropriately and effectively.

Source: *The National Center for Media Engagement, http://www.mediaengage.org/engage/community.cfm*

REFERENCES

Asset-Based Community Development Institute
http://www.northwestern.edu/ipr/abcd.html

The Community Toolbox
http://ctb.ku.edu/en/default.aspx

Ten Principles of Authentic Community Engagement
www.afterschoolresources.org/kernel/images/10principles.pdf

4.6

Requirements for Semi-Annual Performance Reporting

DEFINITIONS

Semi-Annual Performance Report (SAPR)—Report due every six months on your project's progression.

Unit Cost—The actual cost of your program divided by the actual number of targets reached. For example, a US$100,000 prevention program that reaches 1,000 people has a unit cost of US$100 per person reached.

DUE DATES

Unless otherwise specified, your semi-annual performance report is due 30 calendar days after the end of the reporting period.

In-country annual reports may be due at a different time than your report to your.

Partners implementing in multiple countries should note that each country may have a different due date.

Q **What are performance reports and how do we prepare them?**

A Under the terms of your USAID grant, you will need to produce performance reports every six months to describe how your project is progressing and compare actual results with the targets laid out in your workplan. These Semi-Annual Performance Reports (SAPR, commonly pronounced "sapper") are required by your Agreement Officer's Representative/Contracting Officer's Representative (AOR/COR) as well as to fulfill in-country reporting requirements. If you have a multi-country award, you need to provide separate reports to each country. Submit copies of all reports to your AOR/COR and the in-country Activity Manager. The SAPR is due on April 30th. The second report is considered the *Annual Report* and is due on October 30th.

The following tips are designed to help you develop the best semi-annual performance report possible.

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

2. Be aware of in-country requirements.
As you plan for your report, be sure you have requirements and deadlines for in-country reporting. Some countries' requirements are very different from what your AOR/COR requires. Always check to make sure requirements have not changed from last year.

3. Do not surprise your AOR.
When your AOR/COR reads your report, there should be no surprises. Ensure that your AOR/COR and the in-country Activity Manager are aware of major changes that impact your budget or targets (such as changes in subrecipients, geographic location or Key Personnel) before they happen since many require AOR/COR approval. Do not wait to notify your AOR/COR in the performance report. Your performance report should document these changes and give updates on progress since these changes were put into place.

4. Take the time to do an honest evaluation.
With many day-to-day demands, it is tempting to reduce the effort put into the report. However, the performance report is one of the most important reports of your program, serving as one of the documents that is used to market your organization. When evaluating your progress over the last year, there will be successes and challenges. A good performance report

provides a balanced look at the program, both in terms of progress as well as setbacks.

5. Quantify your conclusions with data.
Although the bulk of your performance report may be a narrative discussion of progress and setbacks, the core of your report is the data. You should be able to demonstrate the successes and challenges by looking at your data. This includes both targets financial performance and the unit cost of a service.

6. Use your workplan and budget as baseline data sources.
The "data" that are driving your report come from your monitoring and evaluation (M&E) system and your accounting system (to show actual costs). However, to measure "performance" you must compare "actual" data to the goals you laid out in your workplan and workplan budget. This shows if your program exceeded, met or fell short of your expectations.

7. Preview your next workplan.
Use the performance report as a baseline for future activities. Challenges faced in the past year should be addressed in the next workplan. Preview various options your organization is planning in the next year to address these challenges.

8. Link to the in-country strategic objectives.
Your program is not a stand-alone effort—you are working as a piece of a much larger effort in the country where you are implementing. Your program links to other programs through referrals, building the capacity of local NGOs, participating in technical working groups and demonstrating and sharing your successes with other NGOs. Your report should not just look at the performance of your program, but also show how your activity is linking with and contributing to the wider program targets in your country.

9. Keep documentation for your final performance report.
The performance reports and workplans tend to make us overly focused on the yearly segments of our programs. However, your program is an ongoing effort. Above and beyond meeting targets and staying within budget, your staff are constantly refining a program model to address the challenges of the communities where you work to be more effective, more sustainable and more efficient. As you refine your model, keep documentation of your activities. This helps you write your final performance report. It also provides guidance should you want to expand your model in the future or try to replicate it elsewhere. It will allow you to avoid making the same mistakes that may have occurred in the past.

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

IN YOUR AGREEMENT

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

REFERENCES

Monitoring & Reporting Program Performance Regulations (USAID) 22 CFR 226.51
http://law.justia.com/cfr/title22/22-1.0.2.22.25.3.65.29.html

4.7

Faith-based Organizations and USG Funding

DEFINITIONS

Cost Share—The portion of project costs not covered by the USG. This may be cash or in-kind contributions.

In-Kind Contribution—Non-cash resources contributed to a project. This may include volunteer services, equipment or property.

DO WE NEED TO SET UP A SEPARATE ORGANIZATION?

FBOs must ensure that they are separating their religious services and activities from USG-funded services and activities.

Some organizations choose to set up a separate "charitable" non-profit organization under section 501c(3) of the U.S. tax code.

Although not required, doing so may make it easier for the FBO to track the USG funds it receives and spends, as well as easier for the USG to monitor the use of the funds.

Q **Faith-based organizations (FBOs) and NGOs partnering with the U.S. Government (USG) have numerous questions about what FBOs can and cannot do as USG partners. What are the additional responsibilities for FBOs partnering with the USG?**

A An increasing number of FBOs are contributing to the success of various USG-funded programs in countries around the world.

In 2002, former U.S. President George W. Bush issued an Executive Order that provided equal protection for FBOs to ensure that no restrictions would bar FBOs from competing for USG funds. As a result, guidance is now available that explains FBOs' responsibilities when receiving USG funds.

The same rights and responsibilities apply to FBO subrecipients. If you are managing FBO subrecipients, it is your responsibility to ensure they are aware of their rights and fulfill their responsibilities. (See *Program Management 4.2*).

Your organization *does not* need to change:

- its name—if your organization has religious references or words in its name, they may remain;
- its charter—if your organization has religious references in its charter or mission statement, they may remain;
- its Board of Directors—there is no need to alter the make up of your Board of Directors, even if it is made up exclusively of members of your faith;
- its workspace—if you provide services in a building that is also used for religious activities, you do not need to cover up or remove any religious artwork, signs or materials; or
- its hiring practices—if your organization wants to hire individuals who share the organization's faith, you many continue to do so.

Note: Certain USG programs require beneficiaries or community leaders to have representation on the Board of Directors regardless of religious affiliation.

Your Responsibilities

FBOs are required to follow two principles to be eligible to receive USG funding:

- They may not discriminate against anyone receiving their services based on religious beliefs or make participation in religious activities a condition for receiving their services; and
- They must be accountable for the USG funds they receive and use them only for their intended purposes with no USG dollars being used to support inherently religious activities.

Non-discrimination in Service Provision: Make sure that potential beneficiaries clearly understand that they are eligible to receive your services regardless of their faith.

Separation by Time or Location: FBOs must take steps to ensure that the religious activities they conduct are separate from the USG-funded services they provide in either *time* or *location*.

Example: You are permitted to advertise your organization's other religious services. For example, a poster may announce an upcoming Bible study. However, it must be clear to the beneficiaries that they may receive the USG-funded services regardless of whether or not they choose to participate in the religious activity.

Separation in Organizational Practices: Your accounting records must show a separation between religious activities and USG-funded activities.

Example: If your project pays for palliative care training of home-based care-givers, you may conduct this training in a church, but it must be at a time other than during a worship service. Or you may choose to conduct the training at the same time as the worship service, but it must be in a different location (perhaps another room in the church).

Example: If an employee works part time on your project and part time conducting religious activities for your organization, the employee's job description and time sheets should clearly reflect these separate responsibilities, and the funding for his/her paycheck should come from separate sources.

REFERENCES

Executive Order 13279 – Equal Protection of the Laws for Faith-Based and Community Organizations
http://edocket.access.gpo.gov/cfr_2003/pdf/3CFR13279.pdf

Protecting the Civil Rights and Religious Liberty of Faith-based Organizations
http://www.religionandsocialpolicy.org/docs/general/6-24-2003_whofbci_religious_hiring_rights.pdf

USAID Center for Faith-based and Community Initiatives
http://www.usaid.gov/our_work/global_partnerships/fbci/

4.8

Project Close Out: Timeline

DEFINITIONS

Non-Funded Extension (sometimes called a No-Cost Extension)—When the recipient requests and is given additional time beyond the award end date to use unspent funds from the original award to complete activities. This does not increase the overall award amount. There is no guarantee that the USG will approve such an extension. So, a recipient who has unspent funds as the award end date approaches might consider requesting a non-funded extension from its AO no later than 10 days before the end of the Agreement date.

Documenting the successes and lessons learned during your program will help your organization, the USG and your local partners improve future activities.

Q **Our U.S. Government (USG)-funded award is coming to an end. What steps should we take to close out our award?**

A There are several important steps your organization is required to take during the final phase of your award. Because many of these steps take time and money, they must be planned, budgeted and started well before the end date of the award. Other steps may be completed after the end date, but it is advised to complete them beforehand if possible as **project funds may not be spent after the award end date** and staff may move on to other projects. Below you will find a checklist of what is required when preparing to end a USG-funded program.

Close-Out Timeline

This timeline covers close-out tasks to be undertaken in the final 12 months of your award, plus key tasks that may be completed either before or after your award end date. Some of these items are required of all recipients, while others, such as reporting cost share, may only be applicable to certain recipients.

Items on this timeline are relevant to both prime recipients and subrecipients. Primes should work closely with their subs throughout the close-out process to make sure they understand and comply with their requirements.

Time	Activity	Who	Details
12 months before end of award	Budget for close out (required) **Red indicates required activity*	Program Manager	Develop a workplan and budget for the project's final year that includes costs for all close-out related activities.
9 months before end of award	Plan for continuity of services or other project-funded activities (optional, but highly recommended)	Executive Director	**1.** Assess the need for continuing your project's services or interventions, and, if warranted, explore options for future funding. In consultation with partners, community leaders, beneficiaries and donors, determine whether your organization will: **a.** Continue the project with funding from new sources; **b.** Transfer management of the project or responsibility for services or interventions to a local partner who has alternate funding; or **c.** Close out your activities because, for example, there is no ongoing need for the services. **2.** Create a plan that describes the steps necessary for a smooth transition. (See *Governance 1.3*)

Time	Activity	Who	Details
6 months before end of award	Begin end-of-project evaluation (optional)	M&E Manager or Consultant	Conduct an evaluation of the project and document your experiences. This will help the USG and your local partners improve future activities.
	Request a non-funded extension (optional, as needed)	Program Manager	Determine whether your program needs a non-funded or other type of extension. Then, begin discussions with your Contracting Officer's Representative /Agreement Officer's Representative (COR/AOR) and/or Agreement Officer (AO). Review your pipeline and burn rates to determine if you will have funds remaining at the end of your program. The USG officials will require an explanation of why you need the extra time and what you plan to achieve during the proposed extension period. A detailed budget for any expenditures to be incurred after the original award end date will be required for a cost or non-funded extension. (See *Financial Management 2.2*)
	Work with key staff on employment transition (as needed)	Executive Director	Discuss employment opportunities and end-of-project transitions with staff early. This should help to retain them as long as possible and also prepare you if a person chooses to leave before the end of the project period. Consult local labor laws to ensure you comply with all requirements.
	Develop close-out requirements for subrecipients (as needed)	Prime and subrecipient Program Managers	**1.** Review close-out requirements with subrecipients and make sure they have the resources and help necessary to comply. **2.** Set a deadline for when reports must be submitted to you to ensure you have ample time to incorporate them into your final report. (See *Program Mangagement 4.2*)
3 months before end of award	Begin subrecipient close out	Subrecipient Executive Director	Some organizations choose to have their subs close out 30-90 days before the end of the award, so they can be sure that all final costs and reports are complete before the award end date. This is the suggested course of action.
	Submit the final SF-270 request for funds	Financial Manager	Submit your final funding request or invoice to cover all final expenses. (If not operating on a quarterly advanced-funding basis, review the practices of USAID's Financial Management office for SF-270 deadlines). (See *Financial Management 2.7*)
	Begin tracking accruals	Financial Manager	Keep a close eye on remaining award funds by tracking accruals during the last three months of your award.
	List administrative close-out tasks	Program Director	List all contracts, leases, insurance policies and other items that will need to be cancelled or transferred, as well as important dates and contract provisions to be considered. (See *Program Management 4.9*)

IN YOUR AGREEMENT

When Does Your Agreement End?
Check your Cooperative Agreement to find out the exact end date of your award. If you have received an extension, you should have a modification of your agreement from your AO documenting the change that states the new end date.

Agreement End Date vs. Program End Date
Your agreement end date may not be the same as your program end date. In many cases, organizations continue implementing their programs with new funding sources.

When the USG gives you a follow-on award to fund an ongoing program, it may be in the form of a modification or amendment to the original award, or it may be an entirely new agreement. If you receive a follow-on award from the USG that is a new agreement altogether, you must close out the original award.

You are required to retain all accounting records related to your award for at least three years following the submission of the final financial report.

It is best to have your subrecipients close out 30-90 days before the end of the award to ensure that all final costs and reports are complete.

Keep a close eye on all remaining grant funds by tracking accruals during the last three months of your award.

Time	Activity	Who	Details
3 months before end of award (*continued*)	Submit inventory disposition request to your AOR	Program Manager	Review the regulations regarding selling or using equipment outside of award-related activities. Create a detailed description of what you propose to do with the equipment or unused supplies when the award ends. Note that the USG has the final say over equipment disposition. Submit this to your AO who will either approve your proposals or provide further instructions as to what is to be done with the equipment. If you do not hear from the USG within 120 days of submitting the inventory report, you may sell the equipment and reimburse the USG for its share. (For more information, USAID partners can review the "Title To and Use of Property" provision in their Cooperative Agreement.)
End of award	Review information needed for financial and performance reports required by your donor	Executive Director, Financial Manager	**1.** Cease incurring costs to be charged to the award (unless you have prior approval, which means the award date has been extended). **2.** Begin financial close out, including demonstrating that you have met all the cost-share requirements and finalizing all award-related expenditures. (See *Program Management 4.9*)
60 days after end of award	Collect subrecipient reports due to prime (recommended)	Subrecipient Executive Director	If your subs did not close out before the end of the award, collect their reports now to ensure adequate time to incorporate their contributions into your final report.
	After receipt of the subrecipient reports, send close-out letter to subs	Executive Director	Send a letter formally ending your contractual relationship with your subrecipient(s).
90 days after end of award	Submit the final SF-425 Federal Financial Report (required)	Financial Manager	Submit the final SF-425 in accordance with the terms of your Agreement covering the entire award period. Be sure it demonstrates that you have met any and all cost-share requirements and that your accounting system confirms your cost share, in case of an audit. Unspent funds must be returned to the USG. (See *Financial Management 2.4* and *2.8*)
	Submit final performance (required)	Program Manager	Submit final performance report, which focuses on final outcomes and lessons learned throughout the entire award period to your AOR and the Development Experience Clearinghouse, in accordance with the terms of your Agreement. (See *Program Management 4.6*)
	Submit final inventory report (required)	Program Manager	Submit final inventory report in accordance with the terms of your Agreement including: **1.** A list of equipment costing US$5,000 or more with a useful life of one year or more purchased with USG funds. **2.** A statement describing where the final inventory was disposed.
	Submit final VAT (foreign tax) report (required)	Financial Manager	Submit the final VAT report to your in-country Activity Manager, which covers taxes paid and reimbursed through the end of your award in accordance with the terms of your agreement. (See *Financial Management 2.6*)

Time	Activity	Who	Details
End of your fiscal year after award close out	Submit final audit (required)	Auditor	Conduct a final audit covering the last year of your award. You may conduct this in sync with the end of your organization's fiscal year and submit it as you would other audits in accordance with the terms of your agreement. (See *Financial Management 2.9*)
3 Years following submission of final financial report	Maintain records (required)	Headquarters Office Financial Manager	Maintain all accounting records related to your award for at least three years following the submission of the final financial report. The USG retains the right to audit you or your subrecipient(s) at anytime during those three years. (For more information, review the "Accounting, Audit and Records" provision in your Cooperative Agreement.)

REFERENCES

Review Cooperative Agreements for specific award close-out requirements and 22 CFR 226. http://law.justia.com/cfr/title22/22-1.0.2.22.25.html

4.9

Project Close Out: Required Reports and Actions

DEFINITIONS

Administrative Close Out—When an Agreement Officer (AO) approves an organization's request to incur close-out-related expenses during the 90 days between the award end date and the submission of the final report. These expenses may only cover close-out-related costs. No implementation or other costs are covered. No additional funds are granted. Therefore, an organization must have sufficient funds remaining in its award to cover these costs.

Some organizations choose to close out with their subrecipients 30-90 days before the end of the award. This ensures that no costs are incurred by the subrecipient after the award end date.

Q What are the final reports, required actions and other key considerations related to project close out?

A There are numerous tasks related to close out, covering every aspect of your organization's management, including finances and accounting, human resources, inventory and property management, program management, record keeping, subrecipient management and other administrative issues. Below we cover the reports, required actions and other key considerations related to each of these management areas.

Each of the items below applies to most, but not necessarily all, recipients and their subrecipients. Be sure to review the terms of your Agreement to confirm which requirements apply to your award.

Finances and Accounting

Reports and Forms

- ***Final invoice or request for advance.*** Submit a final invoice or advance payment request to the USG according to the arrangements laid out by USAID's Financial Management office.
- ***Final SF-425.*** Submit 90 days after award end date, your final SF-425 may be subject to NICRA adjustments based on either your own or a Federal audit. (For tips on completing the final SF-425, see the sidebar on the following page.)
- ***Final VAT (Foreign Tax) report.*** Submit a report to your in-country Activity Manager summarizing all foreign taxes paid to and reimbursed by the host government since the last tax reporting cycle. If you receive reimbursements at a later date, you must submit these funds to the USG. (See *Financial Management 2.6.*)

Required Actions

- ***Reimburse remaining funds.*** Reimburse the USG any remaining unspent funds within 90 days of the award end date.
- ***Conduct audit.*** Conduct and submit the results of your annual audit as you normally would, but ensure the auditor also reviews the close out of your award.

Key Considerations

- ***Track accruals.*** If your accounting system is cash based, rather than accruals based, set up a special spreadsheet to track accruals during the last three months of your award to closely monitor remaining funds and outstanding costs.
- ***Document cost-share contribution.*** To ensure the cost-share requirement is met, document both in-kind and cash contributions. Some organizations attach a memo to their final SF-425 that summarizes their cost-share contribution, stating if it was or was not met and why.
- ***Finalize indirect cost rate.*** If your organization has been granted a provisional Indirect Cost Rate, it must be finalized before you submit your final invoice. Address this issue early with your AO. If the finalized cost rate is different from the provisional rate, you may have to reimburse the USG for overcharges.

- ***Do not incur expenses.*** You are not allowed to *incur* any expenses *after* the award end date. You can request prior approval from your AO if you foresee the need to incur expenses after the award ends.
- ***Liquidate funds.*** Though you cannot incur expenses after the award end date, you still may have outstanding obligations to pay invoices to vendors for costs incurred prior to the end date. You must pay all these expenses and reimburse the USG any remaining funds within 90 days of the award end date.
- ***Reconcile advances.*** If advances have been given to any staff or subs, be sure to have them submit final expense reports and reimburse you if there are any remaining funds.
- ***Close bank accounts.*** Close bank accounts that were set up specifically for this program when they are no longer needed.

Human Resources

Key Considerations

Reassign or Terminate Personnel

Review your staffing needs for programs operating after the close of your program and end the employment of staff you cannot retain. Be sure to follow local labor laws when ending an individual's employment.

Inventory/Property Management

Reports

- ***Submit final inventory report.*** Submit with the final report, 90 days after the end of the award, a detailed list showing that items have been disposed of in accordance with your disposition plan as approved by USG.

Key Considerations

- ***Terminate leases*** *(if appropriate)*. Terminate leases on rented office space that you do not plan to use after the award.
- ***Review USG equipment and property use regulations.*** The USG has specific rules about the sale and use of USG-funded equipment and commodities. Be sure to review these restrictions closely to make sure your post-award plans for these items are compliant with the terms of your agreement.
- ***Obtain permission for sale of property.*** You must have prior approval from your AO to sell equipment and large stocks of unused commodities purchased with USG funds

Program Management

Reports

- ***Submit final performance report.*** Due 90 days after the end of the award. Ensure you submit reports to your AOR/COR and the Development Experience Clearinghouse (http://dec.usaid.gov, USAID grantees) as required.

Key Considerations

- ***End-of-project evaluation.*** Consider contracting an end-of-project evaluation to start no later than six months prior to the end of your award.
- ***Close out with the community.*** Meet with key stakeholders and beneficiaries in the communities where you are implementing programs to share information and gain feedback.

ITEMS TO CONSIDER

Final SF-425

Your final Federal financial report includes the final quarter of activity, all final transactions and expenditures and the cumulative totals for your entire award. This report is submitted using the same SF-425 you use to submit your quarterly Federal Financial Report (See *Financial Management 2.8.*)

The regular and final reports are identical with the following exceptions:

- The final report is due 90 days after the end of the award.
- Block 6 indicates that this is a "Final Report."
- Block 9, "Reporting Period Covered," will include the dates for the entire award.

The calculations in the main body of the report, however, are the same. The calculations for the "current period" will include the final quarter of the award and the "cumulative totals" should equal the cumulative totals spent during the entire life of the award.

Please note that the *RECIPIENT SHARE OF OUTLAYS* section is where the USG will determine whether you have met your cost-share obligation, if applicable. Ensure that this section includes both your in-kind and cash contributions toward the program.

Record Keeping

Required Actions

- ***Maintain records.*** Maintain accounting records for your organization and documents submitted to you by your subs for three years after the submission of the final SF-425. Be aware that the USG may request to audit these records at any time during those three years.

Key Considerations

- ***Subrecipient records.*** Be sure your subrecipient(s) also maintain accounting and other award-related records for three years.

Subrecipients

Required Actions

- ***Gather final report information.*** You are required to incorporate your subrecipient's data into your final performance, financial and inventory reports.

Key Considerations

- ***Close-out letters to subs.*** Send a letter to subrecipient(s) to formally end the contractual relationship. This process ends your obligations and releases you from future liability.
- ***Close out ahead of award end date.*** Some organizations choose to close out with their subrecipient(s) 30-90 days before the end of the award so that financial close out, final invoices, property disposal and final reporting are all completed prior to the award end date. Doing this ensures that no costs are incurred by the subrecipient(s) after the award end date. Confirm that subs know that any costs incurred after the award end date will not be reimbursed.

Other Administrative Management Issues

Key Considerations

- ***Insurance policies.*** Cancel insurance policies no longer needed.
- ***Outstanding contracts.*** Close out any outstanding contracts with vendors, consultants and other contractors.
- ***Office/facility close out.*** Be sure to take care of any obligations relating to the closing of your office or other program facilities. For example, if the office was shared with other programs and there were agreements in place for covering office overhead costs, make sure to cancel these agreements and inform the remaining occupants of your intention to vacate the space.
- ***Close-out summary letter to funding agency.*** Once close out is complete, send a letter to your AO confirming that key close-out actions have been completed, including submission of the final invoice, inventory and all other reports to appropriate parties, as well as closing out all subcontracts and subagreements. Keep this letter on file, as your funding agency may send a letter requesting an update on your close out, and you can resend the original letter.

Once close out is complete, send a letter to your AO confirming that key close-out activities have been completed and make sure to keep this letter on file.

REFERENCES

Development Experience Clearinghouse
http://dec.usaid.gov

Compliance

COMPLIANCE

An NGO, in addition to abiding by local laws and its own constitution or articles of association, must also comply with the terms and conditions of donors who want to ensure that award funds are spent wisely.

By entering into an agreement with USAID, an organization agrees to guarantee that all aspects of its project implementation are in line with the Agency's policies, rules and regulations. Not fulfilling these obligations can result in penalties. The terms and conditions of an organization's award are outlined in a Cooperative Agreement or other legally binding document the organization signs.

This section, combined with section 2. Financial Management, offers ways to put into practice USG cost principles and standard provisions that may apply to an award. It also looks at the essential elements of a procurement system, requirements for travel and environmental issues under USAID-funded programs, as well as issues related to gifts to or lobbying USG employees.

Topics:

5.1 Overview of Procurement Policies

5.2 Procurement Processes and Allowablility

5.3 Procurement: Solicitation and Selection

5.4 Procurement: Restricted and Prohibited Items

5.5 Source and Origin Restrictions, Geographic Codes, Vendor Restrictions and Waivers

5.6 Vehicle Procurement

5.7 Excluded Parties and Terrorism Searches

5.8 International Travel Planning and Requirements

5.9 Travel Expenses and Reimbursement

5.10 Gifts to and Lobbying USG Employees

5.11 USAID Environmental Requirements

5.1

Overview of Procurement Policies

Q **What policies governing purchasing goods, supplies and services does our organization need to effectively manage U.S. Government funds?**

A The U.S. Government (USG) has procurement regulations that dictate what items you can buy, where you can buy them, how to buy and ship them, what taxes are applicable and what documentation is required. Although other articles in this section (5.4 and 5.5) will cover certain specific regulations, this issue discusses the overall procurement considerations to guide and administer your organization's purchasing process and practices.

Establishing Good Procurement Policies, Procedures and Practices

As a recipient of USG funds, one of your goals is to make sure this money is used to deliver needed services to beneficiaries as efficiently and cost effectively as possible. To do this, an organization needs an effective and efficient procurement policy, as well as procedures and practices to operationalize it. A sound procurement policy helps your organization:

- establish and maintain control procedures;
- seek open competition to obtain the best value for the money;
- ensure that staff do not mishandle funds;
- avoid purchasing dangerous or low-quality goods that could potentially cause more harm than good;
- avoid purchasing unnecessary items; and
- protect itself and its beneficiaries.

Policy Elements, Procedures and Practices

Standards of Conduct

Develop written standards of conduct for employees and officers in your organization involved in selecting and overseeing procurement. These standards of conduct should address:

- **Conflict of Interest.** Employees should not be involved in selecting or overseeing procurement if there is a real or perceived conflict of interest. This includes situations where the employee, any member of the employee's immediate family or the employee's partner has a financial or other interest in the business being considered or selected for an award. This includes any organization that employs or is about to employ the employee, family member or the employee's partner.
- **Gratuities.** Employees must not request or accept gratuities, gifts, favors or anything of monetary value from vendors, subagreement contractors or parties. However, you may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- **Disciplinary Actions.** The standards of conduct must outline the disciplinary actions to be applied to employees who violate these rules.

DEFINITIONS

Allowable Cost—A cost incurred specifically to support or advance the objectives of your award, which the USG (or USAID) will permit to be reimbursed.

Procurement—The process of acquiring goods, services and/or consultants in support of program activities.

Micro-Purchase Threshold—The amount your organization sets under which your procurement process may be simplified. For example, if your micro-purchase threshold is US$1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount.

Unallowable Costs—Costs the USG will not reimburse, either because of regulations or because the cost is not reasonable or appropriate.

Procurement policies are meant to ensure that your organization does not mishandle funding or use it to purchase dangerous or low-quality goods that could potentially cause more harm than good.

Free and Open Competition

To encourage free and open competition to the maximum extent possible, be sure to take into account the following:

- **Unfair Competitive Advantage**. Vendors that help you develop statements of work should be barred from bidding on that work.
- **Clear Evaluation Criteria.** Solicitations should be clear about what criteria your organization will use to evaluate bids.

General Procurement Procedures

To help assure that you are managing your money well, include the following in your procurement policy:

- Consider both lease and purchase alternatives, and select the most appropriate for your situation.
- Include in all solicitations:
  - eligibility to participate in the procurement process;
  - description of technical requirements;
  - criteria to be used in evaluating bids;
  - minimum acceptable performance standards;
  - specific features of required items;
  - preference for products and services that use the metric system of measurement; and
  - preference for energy-efficient items and products that conserve natural resources.

Procurement Instruments

Specify when to use various procurement instruments, such as fixed-price contracts, cost-reimbursable contracts, and purchase orders. Your policies should prohibit the use of "cost-plus-a-percentage-of-cost" or "percentage-of-construction-cost" contracts, which are agreements where the contractor is paid the actual costs of the project and a set percentage profit.

Contractor Evaluation

Clearly state that you will only enter into contracts with vendors that you believe can successfully complete the work required. Your policy should consider contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. Your policy should also include a process for ensuring suppliers are not listed on the U.S. Excluded Parties List (www.epls.gov).

Documentation Procedure

Include a process that records some form of price or cost analysis with *every* procurement action. The cost analysis should include the allowability test. (See *Compliance 5.2*)

Micro-Purchase Threshold

You may wish to establish different procedures and practices under your policy for procurements of different financial amounts by adopting a micro-purchase threshold. This will allow you to have more rigorous treatment for larger purchases and simplified treatment for smaller purchases.

For example, if your micro-purchase threshold is US$1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount. There is no USG requirement concerning what the micro-purchase threshold amount should be; it should be set as part of your overall procurement policy based on the local context.

Records for Large Purchases

At a minimum, keep records with the following information on all procurements that exceed your micro-purchase threshold:

- basis for contractor selection;
- justification for lack of competition when competitive bids were not obtained (often referred to a sole source procurement);

- documentation on terrorism searches; and
- basis for award cost or price.

This information can be included in a memo for the purchase file.

Contract Administration System

Include a system for ensuring contractors meet the terms, conditions and specifications in the contract. Each procurement above the micro-purchase threshold should have a formal contract in place. You should also have a process for evaluating contractor performance that documents whether the contractor met the terms, conditions and specifications of the contract.

U.S. Small, Minority and Women-Owned Businesses

Prime U.S.-based recipients when working in the United States should try to use U.S. small businesses and minority- and women-owned firms. To achieve this, your policies should:

- Consider whether a firm intends to subcontract with small, minority or women-owned businesses in your evaluation process.
- Encourage contracting with consortiums of small, minority- or women-owned businesses when a contract is too large for any single firm to handle individually.
- Use the services of various USG agencies and organizations, such as the Small Business Administration and the Department of Commerce's Minority Business Development Agency, in your solicitation process.

USG Pre-Award Review

If your organization does not have procurement policies in place that meet the minimum standards listed above (for example, if USAID had pre-award survey findings to this effect), your funding agency may impose increased monitoring of your award procurements, for example, by requiring a review of various documents (for example solicitation, cost estimates) for any procurements of US$10,000 or more.

REFERENCES

OMB Circular No. A-122 – U.S. Office of Management and Budget Circular that establishes cost principles for non-profit organizations.
http://www.whitehouse.gov/omb/circulars_a122_2004/

Small Business Administration
http://www.sba.gov/

Department of Commerce's Minority Business Development Agency
http://www.mbda.gov/

5.2

Procurement Processes and Allowability

DEFINITIONS

Allowable Cost—A cost incurred specifically to support or advance the objectives of your award, which the USG (or USAID) will permit to be reimbursed.

Procurement—The process of acquiring goods, services and/or consultants in support of program activities.

Micro-Purchase Threshold—The amount your organization sets under which your procurement process may be simplified. For example, if your micro-purchase threshold is US$1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount.

Unallowable Costs—Costs the USG will not reimburse, either because of regulations or because the cost is not reasonable or appropriate.

Q **What is the process for purchasing goods and services using U.S. Government funds? How do we know when a cost is allowable?**

A The U.S. Government's (USG) procurement regulations exist to ensure that a recipient of USG funding uses it to advance the purpose of the award, spends it wisely and does not procure anything in conflict with the public's interest. To achieve this, recipients are required to carefully document their organization's procurements and make sure that this process is in line with USG requirements. This article reviews the procurement process and the steps your organization must follow when purchasing items with USG funds.

Procurement Phases

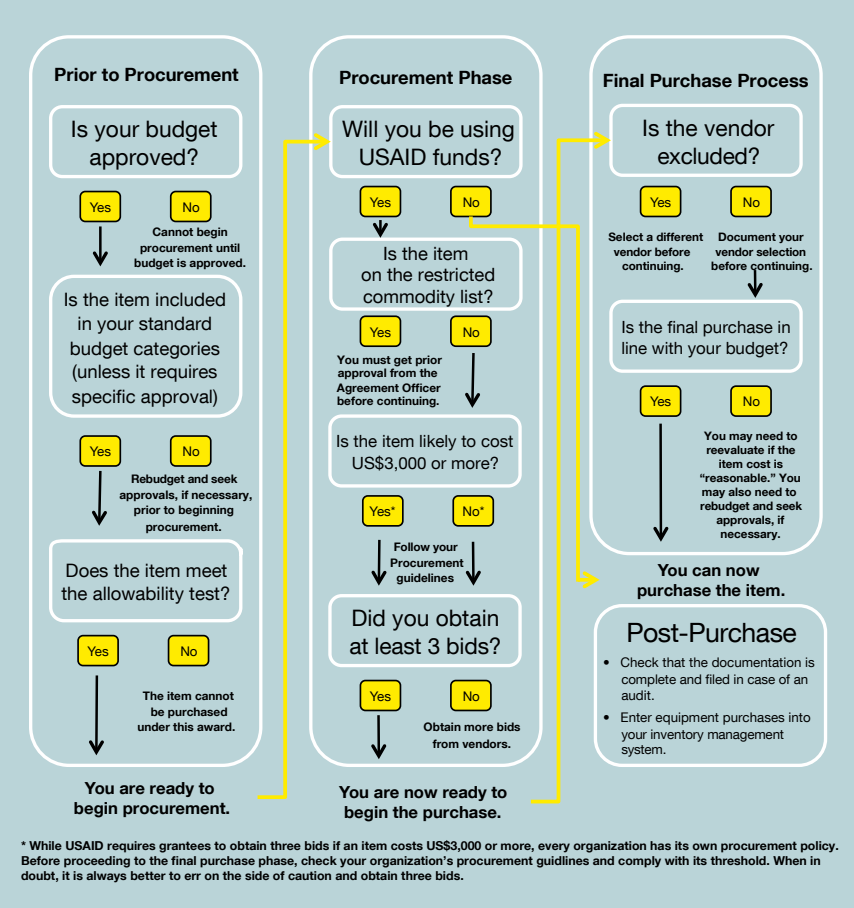
The procurement process can be broken down into four phases:

1. ***Prior to procurement.*** Before you begin to procure an item, you must have an approved budget with a budget category appropriate to cover it. You also need to seek and obtain approval from your AOR. Then, check that the item is an allowable cost and is not a restricted or prohibited commodity before you begin the procurement.
2. ***Procurement phase.*** This is the process just before purchasing when you have the funding and begin planning for the specific purchase. Depending on the dollar amount, this may involve soliciting a minimum of three bids, acquiring pricing information and reviewing different vendors. Your own internal procurement policy guides much of this process. (See *Compliance 5.1*)
3. ***Final purchase process.*** An evaluation committee should review the bids and select a vendor based on best price or best value depending on your organization's needs. Once the committee has made a decision and settled on a price, you must confirm that the vendor is not on the Excluded Parties List. Then, execute a purchase order, blanket purchase agreement or other procurement method, and ensure that the documentation of the selection process is in place.
4. ***Post purchase.*** Upon receiving goods and services, certify completion through documentation, such as a goods received note or certification of completion. Enter the relevant information into your inventory tracking system, if applicable.

If you do not have a procurement policy, it is critical that your organization adopts one to ensure that all goods, services and/or consultants it procures will be allowable under your award.

The diagram that follows is a procurement process map. It summarizes and highlights the major steps in a procurement process. Depending on your organization's procurement policy, there may be additional and/or more detailed steps, which you must follow.

The Procurement Process



Allowability

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

A good way to keep track of these is to develop lists of allowable and unallowable items. An example list, based on the cost principles in 2 CFR 230, may be found on *www.NPIConnect.Net* and customized with specifics from your agency and Agreement. You will notice that some items are **restricted**, meaning they are only allowable with specific written permission (for example, vehicles, pharmaceuticals, agricultural commodities and used items). Other items, however, are **prohibited**, and you cannot purchase them under any circumstance (for example, alcholic beverages). (See *Compliance 5.4*)

Source/Origin Regulations

Certain provisions in the U.S. Federal Acquisition Regulations (FAR Section 25.701) apply to grantees of most USG agencies operating overseas and restrict transactions involving the following countries, as of April 2010:

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

PROCUREMENT BEST PRACTICES

- Establish and follow your written procurement policies and procedures.
- Conduct annual procurement planning that includes office and program equipment, supplies and services.
- Link procurement planning to budget and work-planning processes.
- Provide for open competition to the fullest extent possible.
- Obtain quotations, review quotations against established criteria, use evaluation committees and justify vendor selection in writing.
- Ensure vendors are not on the excluded parties list by checking www.epls.gov.
- Issue goods received notes or certificates of completion indicating receipt of purchased goods or acceptance of services performed.
- Document every step in the procurement process.
- Keep an inventory of all equipment purchased and update it regularly, noting condition and location of items (also known as an asset register).
- Ensure that your subrecipient has an appropriate procurement policy in place prior to award if you are a prime.

Review your procurement policy and funding agency regulations closely and make sure that your staff and subrecipients understand them. Subrecipients are held to the same funding agency procurement requirements as prime recipients.

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

Additionally, USAID partners will be assigned a "geographic code," which designates specific countries from which you are authorized to procure. (See *Compliance 5.5*)

Any procurement exceeding US$5,000 that was not in the original approved proposal budget must receive AO approval prior to purchase.

Allowability Test

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

- **Is the cost reasonable?** Is the cost comparable to what other organizations or prudent business persons are paying for the same item or service? Have you followed your organization's procurement policy, for example, with regard to getting bids and reaching a fair price?
- **Can you allocate the cost to this specific award?** Is the cost required to advance the work under your award?
- **Is the cost consistent?** Have you been consistent in assigning costs across all the work your organization does, regardless of the source of funding? For example, do you pay the same consultants the same rates for similar activities under your USG-funded award as you do under projects funded by other donors?
- **Does the cost conform to the rules and regulations of the award?** Is the cost in compliance with limitations and exclusions contained in the terms and conditions of your award? Have the individuals responsible for the expenditure acted ethically in carrying out the procurement?

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

REFERENCES

22 CFR 226. 40-49, Procurement Standards (USAID)
http://www.access.gpo.gov/nara/cfr/waisidx_07/22cfr226_07.html

Excluded Parties List System (EPLS)
https://www.epls.gov/

5.3

Procurement: Solicitation and Selection

Q **How does our organization ensure that its procurement process is transparent, impartial and equitable?**

A Whenever your organization buys goods or services or hires consultants using U.S. Government (USG) funds, it must take steps to ensure that the procurement process is objective and encourages fair and open competition. In addition to being a core principle underlying USG procurement regulations, competition promotes innovation, motivates vendors to perform better, drives costs down and helps curtail fraud and waste. It is, therefore, in your organization's best interest to make the process of soliciting and selecting vendors as transparent, impartial and equitable as possible.

Although your organization should establish a procurement policy that works for your staff and country context, the following covers the best practices your organization can employ to achieve open competition.

These include:

- preparing a competitive solicitation;
- gathering and logging proposals;
- establishing an evaluation committee;
- reviewing and evaluating proposals;
- documenting your selection; and
- issuing a purchase order or contract.

Preparing a Competitive Solicitation

Once your organization has gone through the necessary pre-procurement steps to determine that an item or service is covered in your approved budget and passes the allowability test, you are ready to solicit proposals or quotations from vendors or consultants. (See *Compliance 5.3*) Depending on the estimated cost and the local context, your solicitation can be sent to a targeted group, advertised in the newspaper or posted on your website or elsewhere online. However you distribute a solicitation, make sure all of the information it contains is the same for all potential respondents.

The best solicitations:

- provide detailed information on exactly what you seek to buy;
- contain clear instructions for vendors on what to include in their proposals or quotations, how to submit them and by when; and
- list how each proposal will be evaluated.

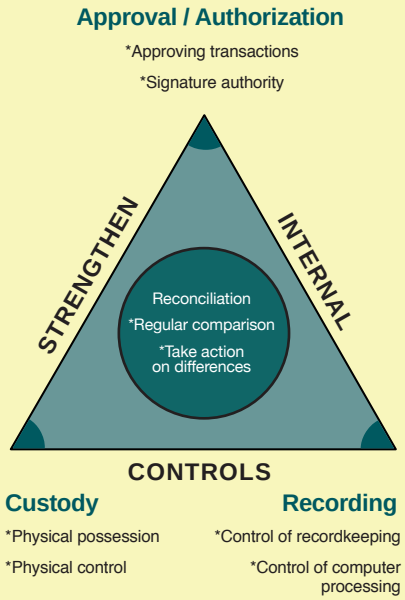
The solicitation should begin with complete, concise terms of reference, also known as a statement of work (SOW). It should also establish the basis of selection and evaluation criteria, which should be determined at the beginning of the procurement process and not during the evaluation itself. This ensures that the selection is transparent and vendors know how they will be evaluated.

DEFINITIONS

Procurement—The process of acquiring goods, services and/or consultants in support of program activities.

ITEMS TO CONSIDER

Segregation of duties
It is important to note that many of the tasks undertaken throughout the procurement process—specifically the approval/authorization of the purchase, the receipt/custody of goods and services, and the recording and reconciliation of expenses—should not be completed by the same person. By segregating the roles and responsibilities of staff and mandating that multiple people are involved in every financial transaction, an organization strengthens its internal controls and can reduce, prevent and detect fraud and error on a timely basis.



Sample Evaluation Criteria and Analysis

Criteria	Points
Technical Specifications	35
Past Performance/Experience	15
Timetable	10
Price	30
Warrantee/Maintenance/Service	10
Total	**100**

If necessary, the evaluation criteria may be broken down into even smaller units to assist with scoring. For example, you can split the past performance/experience section into smaller sections, such as years of experience and reference checks.

Generally, proposals are evaluated on the basis of cost or value. If you are seeking the lowest cost, proposals that meet the minimum specifications listed in the solicitation are reviewed, and the one with the lowest price is selected. If you are seeking the best value, proposals are evaluated on set criteria established in the solicitation—for example, price, past performance, technical elements, timetable, staff qualifications of vendor, creativity or any other criteria your organization deems a priority—and the most advantageous bid is selected.

Questions

If your solicitation indicates that you will answer questions, make sure to distribute the questions and answers the same way you distributed the solicitation, or by sending them to all of the parties that expressed interest in the procurement so that all potential respondents have access to the same information to make sure the procurement process fair.

Gathering and Logging Proposals

Upon receiving proposals or quotations, record the date and time in a log book and provide a receipt to the vendor. Consider all of the proposals confidential, keep them in a secure location and do not share details of a proposal with anyone. There should also be a clear plan to address proposals received after the submission deadline and be sure it is consistently implemented.

Establishing an Evaluation Committee

Every organization should have a policy for when an evaluation committee is appropriate. For example, an organization can institute a policy where an evaluation committee is used every time a solicitation is issued publicly or every time a solicitation is over a specified value (US$5,000 or above).

Although an evaluation committee needs at least two members, an odd number is best, for example three or five staff members, to avoid deadlock. The committee should include staff who have experience with procurement or administration and at least one person who is familiar with the technical specifications of the goods or service being sought. If no technical expert is available on staff, you may want to invite someone from outside the organization. All members of an evaluation committee should confirm in advance that they have no real or perceived conflict of interest related to the particular procurement.

Reviewing and Evaluating Proposals

Committee members can review the proposals as a group or individually, but should meet together at least once to discuss the procurement and analyze the bids. The first thing to look at is whether each proposal provides all the information requested in the solicitation and meets all the minimum criteria. If not, a bid should be deemed non-responsive and excluded from consideration.

The most important aspect of the review process is ensuring that evaluation is based on the *specifications and criteria outlined in the solicitation* and does not change after proposals are received. If you decide to select the vendor with the lowest price, the selection process is relatively simple. If you are basing selection on best value, you must decide the weight of each evaluation criterion. An easy way to do this is to create a vendor analysis form, which lists each criterion and assigns a point value reflecting its importance similar to the sample displayed on page 2.

Documenting Your Selection

When you have made the final selection, the committee should fill out an evaluation form to document its recommendation and the justification for the selection. An evaluation form usually includes:

- the bid analysis/assigned scoring of the proposals by the criteria;
- an explanation for why each respondent was given a certain score;
- a clear statement on the advantages of the chosen respondent, justifying the selection (this may be only a sentence or two);
- documentation that the selected respondent is not an ineligible supplier; and
- the signatures of the evaluation committee members.

Along with supporting documentation to demonstrate that the vendor meets the source/origin requirements and is not an ineligible supplier, the evaluation form should then go to the Project Director, who will review the selection process and authorize the purchase. (See *Compliance 5.4* and *5.5*)

Issuing a Purchase Order or Contract

Upon selecting a vendor or consultant and getting approval for the procurement, your organization should issue a written purchase order or contract. The purchase document should contain:

- contact information for the purchaser and the vendor;
- period of performance;
- description of goods or services provided;
- quantities to be purchased;
- prices (clearly state if tax is included or excluded);
- payment terms, including if it is a fixed-price agreement or time and materials agreement;
- delivery terms and address as applicable;
- donor clauses (including specific donor clauses, such as anti-terrorism clauses); and
- suspension/termination clauses in the event that the vendor does not deliver the goods or services in accordance with the terms of the agreement.

The most important aspect of the review process is ensuring that evaluation is based on the specifications and criteria outlined in the solicitation and does not change after proposals are received.

It is in your organization's best interest to make the process of soliciting and selecting vendors as transparent, impartial and equitable as possible.

REFERENCES

22 CFR 226. 40-49, Procurement Standards (USAID)
http://www.access.gpo.gov/nara/cfr/waisidx_07/22cfr226_07.html

Excluded Parties List System (EPLS)
https://www.epls.gov/

Review the document with the vendor to ensure that both parties are in full agreement and have a mutual understanding of the content, then have authorized individuals from both parties sign it.

Remember that all subawards require approval from your AO.

Payment

When goods are received or services rendered, inspect and/or evaluate them carefully to confirm that they were received on time from the appropriate vendor or consultant, meet the specifications and/or quantities listed in the purchase order/contract and have not been damaged or lost (in the case of goods). This may be documented on a Goods/Services Received Note, which serves as an important source of supporting documentation to the procurement process.

When the payment terms outlined in the purchase order or contract have been satisfactorily met and an invoice submitted by the vendor, payment should be made. It is always preferable to pay in full *after* the delivery of goods and services, but some vendors may negotiate incremental payments of fixed amounts upon completion of certain tasks over the course of the period of performance. If incremental payment is agreed upon, it is good practice to specify that a significant amount will be withheld until the all goods and services have been rendered to protect you and the vendor.

5.4

Procurement: Restricted and Prohibited Items

Q **What are restricted and prohibited items?**

A U.S. Government (USG) funding comes with many stipulations on how it may and may not be spent. These include limitations on:

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

Items that are restricted are generally not allowable unless you receive specific written permission (for example, vehicles). Items that are prohibited cannot be purchased under any circumstance (for example, alcoholic beverages).

Below is a discussion of the most common types of restricted and prohibited items. Consult your agreement to clarify what specific regulations apply to you.

Restricted Commodities

The following seven restricted commodities may be purchased with USG funds, but require prior *written* approval from the Agreement Officer (AO) who will issue a waiver:

- agricultural commodities
- motor vehicles
- pharmaceuticals
- pesticides
- used equipment
- U.S. Government-owned excess property
- fertilizer

A **waiver** may be granted ***if all three of the following conditions are met:***

1. The item is of U.S. source/origin;
2. It has been identified and incorporated in the program description or amendments to the award; and
3. Its costs have been incorporated in the approved budget of the award.

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

DEFINITIONS

Restricted Items—Goods or services that cannot be purchased without specific written permission in advance.

Prohibited Items—Goods or services that cannot be purchased under any circumstances.

Commodity—Any item that can be bought or sold, usually a product or raw material (for example, lumber, wheat, coffee, metals).

IN YOUR NOTICE

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

CONSEQUENCES OF MISUSE OF FUNDS

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

REFERENCES

USAID ADS Chapter 312 Eligibility of Commodities
http://www.usaid.gov/policy/ads/300/312.pdf

USAID Standard Provisions for U.S.-Based Partners / Non-U.S.-Based Partners
http://www.usaid.gov/policy/ads/300/303mab.pdf

OMB Circular A-122 – Cost Principles for Non-Profit Organizations
http://www.whitehouse.gov/omb/circulars_a122_2004/

Prohibited Items

The following *cannot* be purchased with USG funds under any circumstances:

- military equipment—goods or equipment to be used to meet the cooperating country's military requirements;
- surveillance equipment—equipment such as microphones, transmitters and recording devices (does not include general use audio-visual equipment, as long as there is a clear purpose and need for that equipment in your program);
- commodities and services for support of police or other law enforcement activities;
- abortion equipment and services;
- luxury goods and gambling equipment, including alcoholic beverages, jewelry or expensive textiles; and
- weather modification equipment.

Other Types of Restrictions

The above described restrictions and prohibitions are applicable to most USG global health and development funding and are part of U.S. law and agency regulations. Further guidance is provided in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* which details rules for 52 specific goods and services, including when they can and cannot be paid for with USG funds. It is a good idea to scan this list and familiarize yourself with all items relevant to your program.

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

Use of Private Funds

When private funds are used to procure *restricted* goods and services, this can be used as part of a cost-share requirement. However, private funds used to purchase *prohibited items* (such as alcohol) *cannot* be counted toward your cost-share commitment.

However, in some circumstances, it is possible to use cost share creatively to use your funds more efficiently. For example, you may purchase a used vehicle with private funds and shift your USG funds into other program costs. If this results in significant rebudgeting, you will need to get approval first. (See *Financial Management 2.4.*)

Requirements for Subawards

Almost all procurement limitations apply both to prime recipients and subrecipients on an award. USAID requires that subagreements with procurements over US$5,000 include certain procurement-related standard provisions.

Review your procurement-related clauses closely to ensure that your staff understand the limitations and that your subrecipients understand them as well.

5.5

Source Restrictions, Geographic Codes, Vendor Restrictions and Waivers

Q **What procurement provisions and/or restrictions apply to goods and services you can buy with USAID funds?**

A USAID funding comes with many conditions on how the money can and cannot be spent. These limitations cover:

- *What* particular goods and services are allowable;
- *Where* an item is purchased—referred to as its **source**; and
- From *whom* (i.e., vendors) you can purchase goods and services.

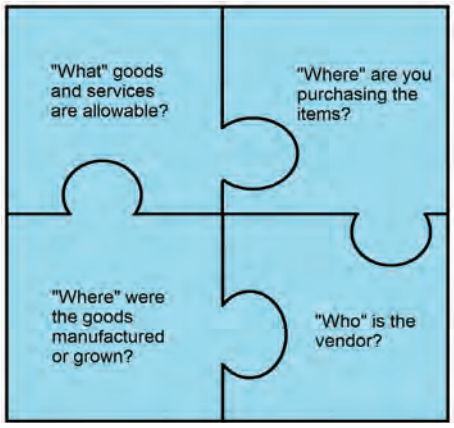
This article covers restrictions on where you purchase goods, in other words their *source*. It also discusses restrictions that apply to vendors or those from whom you purchase items. (See *Compliance 5.3* and *5.4*)

General Source Restrictions

Organizations receiving U.S. government funding and working within and outside the United States are subject to the *Buy American Act*, and the Foreign Assisstance Act which give priority to U.S. manufactured goods and services. These Acts also extend to procurements made by a headquarters office located in the U.S. that is purchasing goods to be used domestically.

The principal Regulation that governs purchases made overseas is the 22 CFR 228, Procurement of Commodities and Services Financed by USAID Federal Program Funds, known as the "Source and Nationality."

USAID grantees are assigned a "geographic code" which designates specific countries from which they are authorized to purchase goods and services. There are two main geographic codes typically used: 937 and 935.



The Procurement Puzzle

DEFINITIONS

Commodities or goods—Any material, article, supply, good or equipment.

Commodity-related services—delivery of services and/or incidential services.

EPLS—The Excluded Parties List is a database of organizations that for one reason or another are not eligible to receive USG funds, even as a supplier.

Nationality—The place of legal organization, ownership, citizenship or lawful residence of suppliers of commodities and services.

Source—The source country is the one in which you procure an item or a service, regardless of where it was originally manufactured (country of origin). This is typically the location of the vendor.

USAID grantees are assigned a "geographic code" which designates specific countries from which they are authorized to purchase goods and services.

Geographic Code 937

Geographic code 937 authorizes grantees to purchase goods and services from the United States, the recipient country or other developing countries. Beginning February 2012, geographic code 937 will be assigned automatically unless otherwise specified in their Cooperative Agreement. As a result, procurements from the recipient country and other developing countries are on equal footing with procurements of goods and services from the U.S.

Geographic Code 935

Geographic code 935 authorizes grantees to purchase goods and services from any country, *except* the prohibited source countries listed below.

Prohibited Source Countries

Geographic code 899 authorizes grantees to purchase goods and services from any country, *except* the cooperating country itself and the following foreign policy restricted countries as of July 2009:

- Cuba
- Iran
- Laos
- North Korea
- Sudan
- Syria

If any component of the item you are purchasing was produced in one of the restricted countries, the item is ineligible for funding.

Rules and Waivers for Specific Restricted Commodities

If your Geographic Code is 937 or 935, you may purchase the goods and services in your approved budget with the following three exceptions. The following items must be produced or manufactured in the U.S.:

- Agriculture Commodities
- Motor Vehicles
- Pharmaceuticals

Within a limited scope,it is possible to request a waiver from your Agreement Officer (AO) to purchase these commodities that have been manufactured or grown outside of the U.S. However, you will need to provide a reason that is consistent with USAID policy for selecting a non-U.S. product.

One such reason that your AO *might consider* granting a waiver is if a U.S.-manufactured product is not available on the local market, while an equivalent non-U.S. product is. In this case, perhaps the additional shipping costs would dramatically increase the cost to purchase U.S.-manufactured products. Prior to purchasing any of the above named commodities from any other than a U.S. source, be prepared to document the reasons before contacting your AO.

In some circumstances, your Agreement Officer's Representative (AOR) or the AO may still require you to purchase U.S.-manufactured items despite any additional costs. This may be the case with certain pharmaceuticals, especially when there is a concern about the quality or safety of specific pharmaceuticals manufactured outside of the U.S.

EXPEDITED PROCUREMENT PROCEDURE FOR PEPFAR GRANTEES

USAID has set up a special expedited procurement procedure (EPP) for purchasing or leasing non-U.S.-manufactured vehicles and ARVs, which is applicable to PEPFAR-funded programs (see *Procurement Executive Bulletin No. 2008-05* (http://www.ngoconnect.net/c/document_library/get_file?p_l_id=17776&folderId=38576&name=DLFE-5938.pdf).

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

Subawards, Other Geographic Codes and Local Procurement

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

For a complete explanation of the USAID source/origin rules, including other geographic codes, local procurement rules and restrictions applicable to subawards, please review the USAID Automated Directive System (ADS) Chapter 310—Source/Nationality and 22 CFR 228 and USAID Acquisition and Assistance Policy Directive (AAPD) 12-03.

Vendor Restrictions

In addition to *what* you buy and *where* you can buy it, another set of procurement regulations restricts from whom you can purchase goods or services.

No procurement is allowed from suppliers listed on the Excluded Parties List System, a database of organizations that, for one reason or another, are not eligible to receive USG funds, even as a supplier. Using this system to check vendors prior to purchasing is part of your responsibility under the Terrorism Financing clause in the Special Provisions section, listed under Attachment A—Schedule of your USAID Cooperative Agreement, as well as the provisions of Executive Order 13224 and USAID Eligibility Rules for Goods and Services. (See *Compliance 5.3*)

To document that you have checked that your supplier is not included in the Excluded Parties List System, visit www.epls.gov.

Consequences of Misuse of USG Funds

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

REFERENCES

Buy American Act
http://www.law.cornell.edu/uscode/usc_sec_41_00000010---a000-.html

ADS 310 – Source and Nationality Requirements for Procurement of Commodities and Services Financed by USAID
http://www.usaid.gov/policy/ads/300/310.pdf

Extended Parties List System (EPLS)
http://www.epls.gov

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

5.6

Vehicle Procurement

DEFINITIONS

Restricted Commodities—Goods or services that cannot be purchased without specific written permission in advance.

Vehicle—"…[S]elf-propelled vehicles with passenger carriage capacity, such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized bicycles and utility vehicles" (22 Code of Federal Regulations 228.13 (b)).

Q **What steps are necessary to procure a vehicle with USG funding?**

A In many programs, procuring a vehicle is the largest single item in the budget. This issue describes the key considerations and rules for the U.S. Government (USG) procurement process and what to keep in mind after procurement.

As explained below, USAID has very specific regulations covering vehicle procurement.

Purchasing a Vehicle with USG Funds

Even if you have the funding, do not move forward on vehicle procurement until you have approval in writing from your Agreement Officer (AO).

Vehicles—along with pharmaceuticals, agriculture commodities, pesticides, used equipment USG-owned excess property, and fertilizer—fall under the category of "restricted commodities." Items under this category require specific approval to purchase. (See *Compliance 5.4*).

A vehicle purchase is considered approved when 1) it is of U.S. source 2) it has been identified and incorporated in the program description, schedule of the award (initial or revisions) or amendments to the award; and 3) the costs related to it are incorporated in the approved award budget.

Source and Nationality Rules for Vehicle Procurements

U.S.-made vehicles are required by USAID unless they are not available, are significantly more expensive—at least 50% more than a non-U.S.-made vehicle, or there is some other sound reason, in which case you may request a waiver to purchase a vehicle made outside the U.S.

To request a waiver, write a letter to your AO and attach the price quotes and documentation gathered following your organization's procurement procedure.

Do not move forward with your purchase until you have written approval. (See *Compliance 5.5*)

New versus Used Vehicle Procurements with USAID Funds

Used vehicles are generally not approved by USAID. The primary concern is the risk of mechanical problems and inflated used vehicle prices.

However, if a used vehicle is purchased with cost-share or matching funds, there is no restriction on purchasing a used vehicle. If the used vehicle is purchased with cost-share funds, you can use the USG funds originally

budgeted for the vehicle purchase for service delivery or other program costs. Check your agreement terms for the re-budgeting process to determine if you need prior approval.

Post-Procurement Checklist

After you purchase the vehicle, do not forget to:

- Mark your vehicle in accordance with your approved marking plan, if applicable;
- Enter the vehicle into your fixed-asset management system;
- Have a policy for maintaining the vehicle on a regular schedule;
- Set a policy requiring the driver and all passengers to use seatbelts;
- Make sure you have proper insurance to cover the vehicle; and
- Set up a vehicle trip log that includes the starting mileage for the day, the name of the person using the vehicle, the reason for the trip, the destination and point of return and the number of miles driven (this should be signed by the driver at the end of each day).

Taxes and Duties

You may or may not be required to pay taxes or duties under local law. (See *Financial Management 2.6* and *Compliance 5.7*)

REFERENCES

ADS Chapter 312, Section 312.3.3.2, Eligibility of Commodities: Motor Vehicles http://www.usaid.gov/policy/ads/300/312.pdf

ADS Chapter 310 Source and Nationality Requirements for Procurement of Commodities and services Financed by USAID www.usaid.gov/policy/ads/300/310.pdf

5.6

Excluded Parties and Terrorism Searches

DEFINITIONS

Excluded Parties List System (EPLS)—A searchable database that provides a comprehensive list of individuals, firms and organizations that are not eligible to receive USG funds. Grant recipients are responsible for using this online database to check vendors prior to contracting for services or making any purchases.

Unallowable Costs—Costs the USG will not reimburse, either because of regulations or because the cost is not reasonable or appropriate.

Q How do we know if a potential consultant, staff, vendor or subcontractor is prohibited from receiving U.S. Government funds?

A All USAID-funded grantees are responsible for making certain that the consultants, staff, vendors and subcontractors they use or contract with are not listed as ineligible suppliers, organizations and individuals that have been formally excluded, blocked or disbarred from receiving U.S. Government (USG) funds. This ensures that you do not provide material support or resources to any persons or organizations that are involved in terrorism. (For more information, see Executive Order 13224, http://www.state.gov/j/ct/rls/other/des/122570.htm, on terrorism financing).

Below, we review the process of how to conduct and document excluded party and terrorism searches and how to proceed with procurement once you have the results of your search.

Where to Search for Ineligible Suppliers

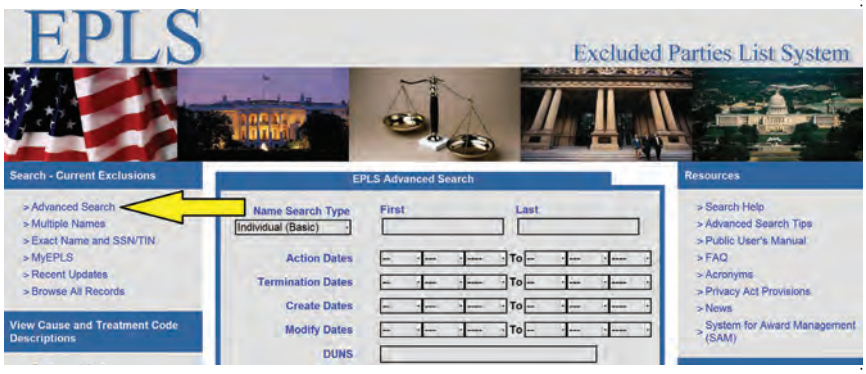
Before purchasing goods and services or hiring staff and consultants with USG funds, you are required to check the following three sources and document that your proposed vendor does not appear on the following lists:

1. **Excluded Parties List System (EPLS)**—A searchable database of individuals, firms and organizations that, for one reason or another, are prohibited from receiving USG funds, even as a supplier. Using this system to check vendors is part of your responsibility under the Terrorism Financing clause in the Special Provisions section (listed under Attachment A—Schedule) of your Cooperative Agreement—http://www.epls.gov;
2. **U.S. Department of Treasury** List of Specially Designated Nationals and Blocked Persons—http://www.ustreas.gov/offices/enforcement/ofac/sdn/; and
3. **United Nations** Al-Qaida and Taliban Consolidated List—http://www.un.org/sc/committees/1267/consolist.shtml.

Conducting Your Search

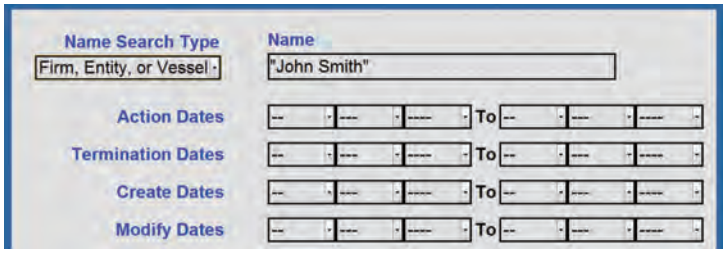
Although the search function on each of the three websites mentioned above is slightly different, it is easy to check if your prospective consultant, staff, vendor or subcontractor is ineligible. For example, to begin a search of the EPLS (www.epls.gov), click on *Advanced Search* in the upper left section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

EPLS Advanced Search



Choose the appropriate search type, enter the full or partial name of the supplier or individual as instructed, and click "Search" at the bottom of the screen.

Name Search Type



If you receive an exact match for the individual or firm you are investigating, you must find a new consultant, staff member, vendor or subcontractor. If you choose to continue procuring goods and services from this vendor or hiring this individual, the costs will be *unallowable* and you will not be reimbursed by the USG.

If you receive a partial match, and it is clearly *not* the supplier you are considering, you may want to perform a more precise search. This time, place quotation marks around the name ("name") of the vendor in which you are interested. For example, if you search for *So and So*, the database will return a match of John Tse-So Ning in Louisiana. But when you place quotation marks around the name, such as "So and So," the database returns no results.

If you receive results that you are unsure of, call 1-866-472-3757 or email support@epls.gov to request additional help. If you receive no matches, then print the page and keep it in your files to document your search. This page shows the date and time of your search and the term you searched under.

EPLS Results Page

A similar process should be followed for the U.S. Department of Treasury List and the UN Consolidated List.

REFERENCES

Excluded Parties List System (EPLS)
http://www.epls.gov

Executive Order 13224 on Terrorism Financing
http://www.state.gov/j/ct/rls/other/des/122570.htm

United Nations Al-Qaida and Taliban Consolidated List
http://www.un.org/sc/committees/1267/consolist.shtml

U.S. Department of Treasury List of Specially Designated Nationals and Blocked Persons
http://www.ustreas.gov/offices/enforcement/ofac/sdn/

5.8

International Travel Planning and Requirements

DEFINITIONS

Fly America Act—A U.S. Government provision that applies to all USG-funded travel and requires the use of U.S. flag air carriers, with a few exceptions.

International Travel—Any travel between two countries.

Per Diem—The maximum amount of money that the USG reimburses per day to cover *lodging* and *meals* and *incidental expenses* when traveling in connection with your program.

M&IE—Meals and incidental expenses.

Incidental Expenses—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries, etc.

Authorized Class of Service—Unless travel falls under certain exceptions, air travel purchased with USG funds requires the customary standard commercial airfare (economy class or equivalent).

For official business travel, both domestic and international, you must use economy class (also referred to as coach class).

Q **What are the general rules we need to follow when planning for and traveling internationally for our program?**

A Although implementing a U.S. Government (USG)-funded award, you may need to travel beyond your borders for a conference, field visit, workshop or other purpose. To prevent excessive and overly expensive travel, your USG agreement contains a number of rules and regulations you are required to follow when travelling internationally for your project. Below you will find an explanation of the approvals, documentation and requirements you must meet when arranging international travel under your award

Prior Approval Is Essential

Your organization must have USAID prior approval *in writing* from the Agreement Officer (AO) for every trip. If specifically included in your approved Cooperative Agreement budget, then a trip is considered approved. If not, you must request approval from the AO (unless travel approval authority has been delegated to the Agreement Officer's Representative (AOR)).

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

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

Written approval, which can be via email from your AO/AOR, should be saved for future reference and included in your documentation. Alternatively, your AO/AOR may allow you to submit a list of trips to be taken in the annual workplan and approve them all at once. *Please note that business class travel always must be approved individually by USAID.* (See exceptions allowing business class travel in limited circumstances on page 109.)

Travel Notification

Neither the USAID Mission nor the U.S. Embassy requires Country Clearance for employees or subawardees of USAID Cooperative Agreement recipients. However, if the primary purpose of the trip is to work with in-country USG personnel, you must notify your AOR and in-country USAID mission prior to your travel—at least two weeks in advance.

This notice should include your award number, the AOR's name, the traveler's name, date of arrival and purpose of the trip. You may send the notice by email, but be sure to save a copy of the notification in your records. The in-country USAID mission will respond within five days, only if travel is denied.

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

The Fly America Act

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

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

Economy Seating Requirement

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

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

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

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

Where security is a concern in a specific region, it is a good idea to notify the U.S. embassy of the traveler's presence when she or he has entered the country.

NOTE

The use of a non-U.S. air carrier may *not* be justified solely based on cost savings.

If you do not have written policies regarding travel costs, the standard for determining the reasonableness of reimbursement for overseas allowance will be the standardized regulations published by the U.S. Department of State.

Procurement Documentation

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

In addition, if your travel qualifies as an exception to the Fly America Act and you do not fly a U.S. flag air carrier, you must provide a certification and any other documents required by your funding agency. Without these, your funding agency will not reimburse your organization for any transportation costs for that service. The certification must include:

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

File a Trip Report

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

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

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

REFERENCES

U.S. State Department
Foreign Per Diem Rates
http://aoprals.state.gov/web920/per_diem.asp

Federal Travel Regulations
www.gsa.gov/ftr

5.9

Travel Expenses and Reimbursement

Q **What are the U.S. Government rules covering reimbursement of expenses when traveling for our project? Does our NGO need a travel policy?**

A Travel in country or across borders—whether for a conference, field visit, workshop or other purpose—is often necessary to implement your U.S. Government (USG)-funded award. Accordingly, your Cooperative Agreement contains several travel-related requirements, which should be checked before planning your trip. If your NGO has its own written travel policy, you should also review its directives when making any travel arrangements. This article focuses on the value of having a travel policy, what it should address and the USG rules and regulations for travel per diem.

Why put a travel policy in place?

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

A travel policy should address:

- **Approval**
  - The process for an employee to request your organization's approval to travel, including the appropriate form to be completed by the traveler, the amount of time in advance that the form should be submitted, and to whom the form should be submitted. (Remember: In addition to your internal approval process, USAID approval also must be received prior to international travel.)
- **Advances**
  - How advances of funds to be used for travel will be calculated. For example, some policies state that advances cannot be issued for more than a specific percentage of the total estimated travel costs.
  - When outstanding advances will be reconciled. It is good practice to allow for only one outstanding advance at a time and to establish a deadline (for example, within two weeks to one month) by which employees must reconcile their advance upon returning from their trip.
- **Reimbursement**
  - The types of costs that will be reimbursed (for example, transportation costs, visas, lodging, currency conversion, telephone calls, Internet).
  - Whether expenses will be reimbursed on the basis of actual receipts or per diem or a combination of the two. If a per diem basis is selected, then a per diem policy needs to be clearly defined for both domestic and international travel.
  - How employees will account for their travel expenses upon returning from their trip. Many NGOs create an expense report template using Microsoft Excel, which employees fill out after every trip.

DEFINITIONS

International Travel—Any travel between two countries.

Per Diem—The maximum amount of money that the USG reimburses per day to cover *lodging* and *meals* and *incidental expenses* when traveling in connection with your program.

M&IE—Meals and incidental expenses.

Incidental Expenses—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries, etc.

Although your organization's policy regarding the maximum amount for which you may be reimbursed may differ from U.S. Government (USG) policy, it is important to note that you will not be reimbursed by the USG for an amount above the maximum set by the USG.

You must apply your organization's policy uniformly to both USG-funded and other activities, unless the specific contractual agreement under which the travel is being conducted calls for different procedures/ requirements.

- **Exchange Rates**
  - What rate to use for changing foreign currency to local currency. For example, some NGOs use the in-country exchange rate using official exchange documents as supporting documentation, while others use the exchange rate of a trusted online source, such as www.oanda.com.

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

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

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

Does a traveler need approval/authorization?

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

May a traveler request a travel advance?

A traveler may wish to request funds in advance of a trip to cover the per diem (or actual expenses depending on organization policy) and any other business-related expenses. The amount of the advance and format for the request (for example, travel advance form) should be addressed in the organization's policy.

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

GOOD PRACTICE

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

What is per diem?

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

The per diem allowance is usually composed of two parts:

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

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

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

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

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

NOTE: To get reimbursed for lodging and other travel-related costs of US$25 or more, the traveler must save and submit all original receipts, boarding pass stubs and invoices to document the expenses. For meals and personal expenses that fall under M&IE, receipts are not required by the USG, but your organization's per diem policy may require them.

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

The M&IE allowance is calculated on a daily basis. On the day of departure and on the last day of travel, travelers are entitled only to a percentage (based on your organization's policy or the USG default amount of 75%, whichever is less) of the applicable M&IE rate of the authorized travel location. Employees on local day trips are only eligible to receive an M&IE allowance if the time away exceeds 12 hours.

What if a meal is provided free of charge (for example, by another organization) during the trip?

The M&IE allowance should be adjusted if meal(s) are provided free of charge during one's travel for business purposes. The website for calculating reductions to the M&IE for the U.S. State Department per diem rates can be found at http://www.state.gov/www/perdiems/breakdown.html. If you develop your own organizational per diem policy, it is recommended that it include a discussion about how the M&IE will be reduced should breakfast, lunch and/or dinner be provided free of charge. The amount generally should not be adjusted if complimentary meals are provided by common carriers (such as airlines or trains) or hotels (such as when the hotel rate includes breakfast).

The USG covers reimbursement of amounts up to but no more than the USG per diem rates established for the location. Any excess charge(s) would have to be paid by the traveler.

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

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

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

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

Although your organization's policy regarding the maximum amount for which you may be reimbursed may differ from USG policy, it is important to note that if lodging or M&IE exceeds the USG per diem rates established for the location, the excess charge(s) will have to be paid by the traveler. The one exception to this is if you specifically request and receive approval in advance for "actual subsistence" at a higher rate, but this is granted only for special or unusual circumstances.

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

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

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

How does a traveler calculate expenses incurred with foreign currency?

In the case of international travel, most if not all of the expenses will be in foreign currency. To calculate these expenses, the traveler must provide appropriate receipts, with the currency rate(s) of exchange applicable for the period of time in country. To obtain the appropriate conversion rate, either use the rate provided at the time of exchange as documented in the exchange receipts or go to a reliable currency exchange website, such as http://www.oanda.com/converter/classic. Be sure to document the exchange rate you use by printing out the web page and submitting it with your expense report.

REFERENCES

U.S. State Department Foreign Per Diem Rates
http://aoprals.state.gov/web920/per_diem.asp

Federal Travel Regulations
www.gsa.gov/ftr

5.10

Gifts to and Lobbying USG Employees

Q **May we send our AOR/COR flowers?**

A Although your Agreement Officer's Representative/ Contracting Officer's Representative (AOR/COR)—formerly referred to as the Cognizant Technical Officer or CTO—oversees your project and is your advisor, advocate and colleague, no matter how much she or he may deserve a big bouquet of flowers, this U.S. Government (USG) employee probably will not be able to accept it.

As a grantee of the USG, there are important ethical considerations that govern the relationship between the employees of your organization and employees of the U.S. Government, including your AOR/COR and any other USG employees with whom you interact. You are also prohibited from using your USG funds to attempt to win or renew USG funding (see following page, Never Use USG Funds for Lobbying).

U.S. Government employees are expected to execute their work in an independent and impartial manner that maintains the public's confidence and the Government's integrity. To ensure that there is not even the appearance of inappropriate conduct, USG employees must abide by a very strict set of ethics rules, including specific regulations against accepting gifts, favors, entertainment or any other thing of monetary value from any prohibited source, including any person who has or is seeking to obtain contractual or other business or financial relations with the employee's agency, or has any other interests with the employee's agency. As a USG-funded organization, you fall under the category of "prohibited source."

There are a few exceptions to these rules and even some variations among USG agencies. However, a simple guideline to follow is to make sure that your interactions with USG employees do not give the appearance of trying to inappropriately influence their actions with gifts or favors.

Exceptions to the Gift Rule

- Promotional or advertising items of nominal value, such as pens or note pads;
- Certain travel expenses, when provided as a service to the USG, while the employee is executing his/her official duties. For example, if your AOR/COR is visiting your project site, it would be permissible to use your organization's vehicle to drive her/him to the site;
- Plaques or awards of nominal intrinsic value, meant primarily for display purposes;
- Items of nominal value (less than US$20), such as a greeting card;
- Snack foods or beverages when given as part of a widely attended event. For example, if you have a project site opening ceremony

DEFINITIONS

Gifts—Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance or other item having monetary value. It includes services as well, such as gifts of training, transportation, local travel, lodging and meals, whether provided in-kind, by purchase of a ticket, payment in advance or reimbursement after the expense has been incurred.

Prohibited Source—Any person who is seeking official action by the USG employee's agency, or does business or seeks to do business with the employee's agency.

Lobbying—Any person influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress, in connection with any USG action, including the award, extension, renewal, amendment or modification of any USG contract, grant, loan or Cooperative Agreement.

where you invite the press, local officials, employees of other NGOs, your staff and USG in-country staff and you serve refreshments to all attendees, including the USG staff; and
- A gift given because of a close family or personal relationship when the circumstances are clear that it is the relationship, rather than business, that is the motivating factor.

Examples of Prohibited Gifts

- Any items that otherwise may be allowed, but are more than US$20 in value. For example, an expensive promotional clock would not be allowed;
- Multiple, recurring items that might individually be allowed. For example, if a USG employee is working with you on site for a period of time, and you provide her/him with meals and refreshments throughout her stay. Though each meal may be less than US$20, the recurring nature of the gift is considered inappropriate; and
- Gifts, favors or services provided to a USG employee's family, when it is given because of his/her relationship to the employee. For example, it would be inappropriate to hire a USG employee's family member who is not qualified for the position, if the only reason for hiring her/him is the relationship to the USG employee.

Never Use USG Funds for Lobbying

Your organization is prohibited by law from using any of your USG funds to pay for any efforts to influence USG employees or members of the U.S. Congress to award, extend, renew, amend or modify any USG contract, grant, loan or Cooperative Agreement. Any activities that may be considered lobbying may not be paid for with USG funds under any circumstances.

For example, you cannot use your USG funds to pay for members of your Board of Directors to travel to Washington, DC, to meet with USG officials and members of Congress to discuss your programs in an effort to try to improve your chances of securing follow-on funding after your award expires. You may, however, use private funds for these activities.

Conclusion

In the end, it is the USG employee's responsibility to make sure she or he complies with agency and USG ethical standards. But it helps if your organization's staff do not put their USG colleagues in the uncomfortable position of having to refuse a gift or meal—especially when your intention is simply to let them know you appreciate the help they have given your organization. A personal note or simple token, such as a photo of your staff, will mean more to them and will not be mistaken for an inappropriate gesture.

REFERENCES

OMB Circular A-122
http://www.whitehouse.gov/omb/circulars_a122_2004/

5.11

USAID Environmental Requirements: Environmental Impact Assessment

Q What environmental compliance assessment and/or documentation is our organization required to complete to comply with USAID regulations?

A Every USAID-funded program is required to comply with the U.S. Government's (USG's) environmental regulations (often referred to as, "Reg. 216"). Reg. 216 outlines the Environmental Impact Assessment (EIA) process that USAID has designed to identify potential effects—positive or negative—that a project or activity may have on the environment. The process is intended to prevent activities from taking place that are likely to cause significant environmental harm and to ensure that projects monitor and mitigate any negative effects on the environment. (For more information, see Title 22 of the Code of Federal Regulations and the administrative guidelines in Chapter 204 of USAID's Automated Directives System.)

Although USAID will sometimes conduct significant portions of the EIA process, an organization is typically responsible for assessing its project's compliance with Reg. 216 and submitting verification for USAID approval. This article will help you understand the EIA process and what you need to do to comply with USAID's regulations.

Scope of an Environmental Impact Assessment

To begin the EIA, your organization must screen all proposed activities for a project. During this initial screening, program activities are divided into four categories:

- *Exempt*
- *Categorical Exclusion*
- *Initial Environmental Examination (IEE) Required*
- *IEE Required & High Risk.*

The requirements and scope of your EIA depend largely on the category/categories under which your proposed activities fall.

Exempt

A small portion of USAID's activities are exempt from environmental documentation. These are generally limited to international disaster or emergency relief activities; however, exemptions may be provided under other special circumstances. If all your program activities are exempt, you will not need to provide environmental documentation to USAID.

Categorical Exclusion

USAID considers some types of activities to have such a low risk of adversely affecting the environment that they are categorically excluded from environmental review. Examples include: community awareness training, studies and information transfers. For a complete list of categorically excluded activities, see Reg. 216.2(C)(iii). If all of your program activities fall under this list, contact your Mission to request the appropriate exemption forms.

DEFINITIONS

Environmental Impact Assessment (EIA)—A systematic process to identify potential effects—positive or negative—that a project or activity may have on the environment. It includes establishing plans to monitor and mitigate any negative effects as well as ways to prevent activities that are likely to cause significant environmental harm.

Initial Environmental Examination (IEE)—A survey of reasonably foreseeable effects of a proposed project or activity on the environment. It is a simplified version of a more comprehensive examination of environmental impacts called the Environmental Assessment.

Environmental Assessment (EA)—A detailed environment analysis that is necessary when an initial review of the program indicates that at least some program activities are likely to have a significant adverse effect on the environment.

Environmental Mitigation Plan (EMP)—Often included in the IEE, the EMP (sometimes called an Environmental Mitigation & Monitoring Plan (EMMP)) is a document that identifies potential environmental impacts of program activities and lays out a specific plan to monitor any negative impacts as well as the methods chosen to diminish them.

Environmental Status Report (ESR)—An annual report submitted to USAID examining a project's impact on the environment and describing what the organization has done to comply with its EMP.

NOTE

- Mission-specific requirements and preferences for demonstrating Reg. 216 compliance may vary. Ensure that you prepare the documents using the preferred approach and format, and contact the Mission before beginning the documentation process.
- USAID is ultimately responsible for ensuring that an IEE is completed. In some cases, USAID will complete the IEE. In other cases, the partner organization will be responsible for completing the IEE.

PREPARING THE DOCUMENTATION

Find plain language instruction on how to prepare the necessary documentation to comply with environmental regulations from initial screening to impact monitoring in the *USAID Environmental Procedures Training Manual,* produced by Environmentally Sound Design and Management for Partners and Programs in Africa (ENCAP).

Sector by sector guidance for preparing documentation can be found here.

IEE Required

If any of your program's activities are not exempt or categorically excluded, an IEE should be conducted. An IEE is a review of the reasonably foreseeable effects of a proposed project or activity on the environment. USAID uses the IEE as the factual basis to decide whether to:

- require a more comprehensive analysis of the potential environmental impacts (called an Environmental Assessment (EA) by USAID); or
- proceed with the program using the plans to address and monitor any detrimental effects on the environment outlined in the Environmental Mitigation Plan (EMP), which is submitted with the IEE.

Please see below for how to conduct an IEE.

IEE Required & High Risk

USAID considers some types of activities to have such a high risk of adversely impacting the environment that those activities automatically trigger an Environmental Assessment. An EA is a detailed study of the reasonably foreseeable significant effects, both beneficial and adverse, of a proposed action on the environment of a foreign country or countries. Examples of such activities include: large scale agricultural mechanization, use of pesticides and new land development. For a complete list of activities that always require an EA, see Reg. 216.2(d)(iii).

Capacity to Conduct an Environmental Impact Assessment

Using publicly available resources and sector-specific guidance, such as the material available at: http://www.encapafrica.org, implementing partners normally are able to conduct the initial screening of their programs and an IEE on their own. Should your program require an EA, you will most likely need to hire an expert to conduct that detailed scientific study. You should plan for the expense of an EA when preparing your proposal budget if you believe you will need to conduct one.

Environmental Impact Assessment Submission and Review Process

A typical USAID EIA process proceeds in the following manner:

- The implementing partner conducts an initial screening of all of its activities.
- Unless all of the activities are exempt, the implementing partner submits a draft IEE or categorical exclusion request to the Mission. (Typically, the Mission Environmental Officer (MEO) is responsible for reviewing the documentation. If your Mission does not have an MEO, you should ask the Mission to whom you should send the documents.)
- The MEO may suggest revisions before he or she sends the documents to the Regional Environmental Officer (REO) and/or Bureau Environmental Officer (BEO) for approval.
- If the IEE indicates that your activities will have significant adverse impacts on the environment and you are not able to mitigate those impacts, the REO/BEO is likely to require an EA. He or she may also recommend changes to the EMP or other portions of the IEE.
- In most cases, the IEE will be sufficient, and an EA will not be required. If an EA is not required, and you have made any necessary changes to the IEE and EMP, the REO/BEO will approve your plan and your project can begin.

Compliance under an Umbrella IEE

If a USAID-funded project has many small-scale activities that will be carried out by subgrantees not yet selected when USAID awarded the funding to the prime recipient, an umbrella IEE may be used to expedite the compliance process. Under an umbrella IEE, subgrantees complete a condensed environmental review process. For more information on how to conduct this type of environmental review, see ENCAP's website.

Both prime recipients and subrecipients should keep in mind that USAID environmental regulations, just like other parts of the U.S. Code of Federal Regulations, flow down to all parties receiving USAID funds to carry out projects.

Obligations during Program Implementation

Your responsibility to comply with USAID's environmental regulations does not end when your program begins. On an annual basis, you must complete an Environmental Status Report (ESR), detailing your project's impact on the environment, including how you monitored and complied with your mitigation plan. Based on the findings in your ESR, you may need to amend your approved environmental documentation.

In addition, since USAID requires that all proposed activities comply with its environmental regulations before the activities can be funded, your project will need to seek approval to modify any current activities or add new ones.

It is in your interest to complete the EIA process as soon as possible… USAID requires an IEE or a Categorical Exclusion Request to be submitted along with proposals.

REFERENCES

Title 22 of the Code of Federal Regulations Part 216 (Reg. 216)
http://www.usaid.gov/our_work/environment/compliance/22cfr216.htm

USAID ADS Chapter 204
http://www.usaid.gov/policy/ads/200/204.pdf

Environmentally Sound Design and Management for Partners and Programs in Africa: USAID Environmental Procedures Training
http://www.encapafrica.org/eptm.htm

Monitoring & Evaluation

MONITORING AND EVALUATION

Monitoring and evaluation (M&E) is at the heart of an organization's capacity to manage its performance and understand its impact.

Good M&E requires resources, skill and time. It is common in an NGO's early stages of development to lack clear program performance expectations and the systems and tools necessary to track progress. As the organization grows, it will likely establish systems to measure progress against its objectives, but may not yet systematically use the information to improve its interventions or to inform future decision making. This section provides insights into the steps needed to develop a good M&E system that uses evidence in every stage of the project life cycle to promote informed decision making and support achieving significant, sustainable change as a result of an intervention.

Topics:

6.1 Using Evidence-based Project Planning
6.2 Considerations for Your M&E System
6.3 Managing Targets under PEPFAR

6.1

Using Evidence-based Project Planning

Q **What is evidence-based planning and how can it improve our project?**

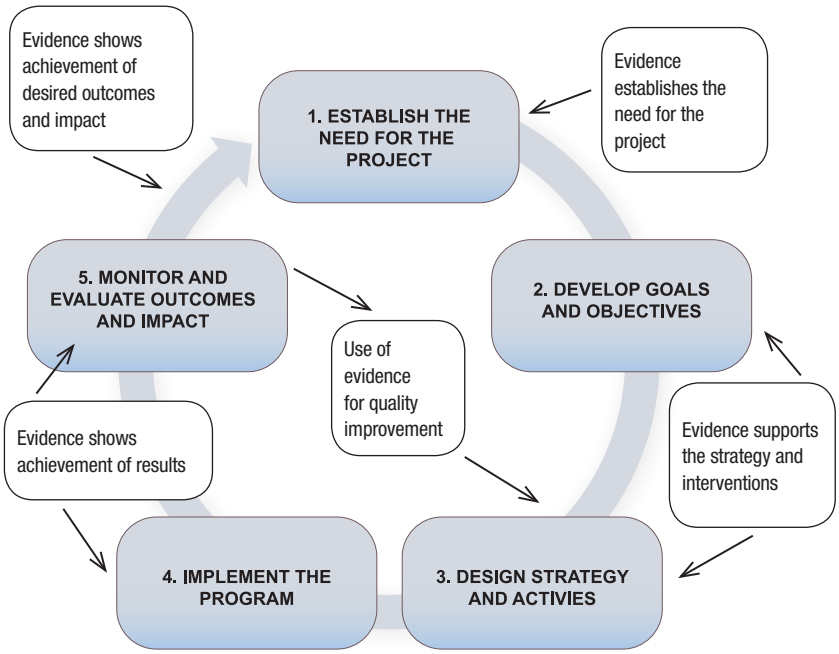
A Evidence-based project planning is the process of basing decisions about ways to address a problem on objective information to achieve the best possible outcome(s). It involves integrating the best possible research evidence with design experience, sector expertise and knowledge of the needs of the target population.

Evidence is drawn from a systematic exploration of relevant data, which are then applied to possible interventions or solutions. Using evidence in every stage of the project cycle promotes informed decision making and supports achieving significant, sustainable change as a result of an intervention. What follows describes how evidence may be used to inform a program at all stages of the project cycle.

Evidence and the Project Life Cycle

The project life cycle follows a basic, logical sequence of steps that help an organization move from identifying a problem to developing solutions to implementing activities to evaluating results to restructuring solutions in response to evidence. Different organizations will use different planning methods to suit their needs, but evidence can be used to inform decision-making at every stage of the life cycle as illustrated in the diagram below.

Project Life Cycle



DEFINITIONS

Evidence—A range of tangible/factual information that can be used to support or contradict decisions made when planning interventions.

Indicators—The precise data and information an organization uses to track and measure a project's impact.

Problem Tree—A tool or technique used to analyze the causes and effects of problems. The output is a graphical arrangement of problems differentiated according to "causes" and "effects," joined by a core, or focal, problem. This technique helps demonstrate the context and interrelationship of problems and potential impacts when targeting projects, programs or interventions toward specific issues.

Stakeholders—An individual, community or institutional entity that will be affected by, or who can affect, your project.

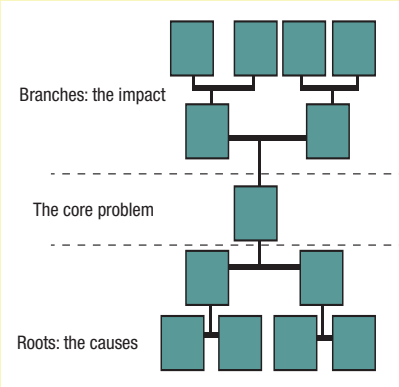
Goal—The long-term result that your project is seeking to achieve.

Objective—A shorter-term achievement that contributes toward achieving the goal. Objectives should be **SMART:**

- **Specific**—Is there a description of a precise or specific behavior/outcome that is linked to a rate, number, percentage or frequency?
- **Measurable**—Is there a reliable way to measure progress toward achieving the objective?
- **Achievable**—Are we attempting too much? With a reasonable amount of effort, can we do what we set out to do?
- **Realistic**—Do we have the resources—staff, money, materials—to make a real impact?
- **Time-based**—Is there a finish and/or a start date clearly stated or defined?

PROBLEM TREE STEPS

1. List all the problems that come to mind. Problems need to be carefully identified: they should be existing problems, not possible, imagined or future ones. The problem is an existing negative situation; it is not the absence of a solution.
2. Identify a core problem (trunk). This may involve considerable trial and error before settling on one.
3. Determine which problems are "causes" (roots) and which are "effects." (branches)
4. Arrange in hierarchy both Causes and Effects (in other words, how do the causes relate to each other — which leads to the other)



Source: http://web.mit.edu/urbanupgrading/upgrading/issues-tools/tools/problem-tree.html

Tip: To make the most of this process, it is critical to involve all stakeholders in this process. (See *External Relations 7.6.*) Your organization may even wish to invest in hiring a facilitator to guide the process to ensure you arrive at the best analysis.

Establishing the Need for the Project

To start, you establish the need for an intervention. No matter how big or small your project is, you will need to collect and analyze information about the social, economic or health situation of your target group to make decisions about the real needs, priority problems, vulnerabilities and opportunities that affect the problem you seek to address.

For example, if you are planning to improve the care and support of orphans and other vulnerable children (OVC), you will want to gather information about the number of OVC in the community, their demographic profile and current responses to the conditions that affect them. Once you have collected evidence, you can use tools such as a problem tree to define your core problem and map the causes and effects of the problem. See the sidebar for guidance on the Problem Tree analysis.

You may obtain useful evidence to describe the dimensions of the problem and support the need for your intervention from Ministry of Health studies, research available online, or from academic publications, community residents and other stakeholders. Ask questions of various segments within your community, such as grandmothers and teachers, to gather insights about the problem, collect comprehensive information about all components of the program and to establish the need for the project.

Developing Goals and Objectives

Use evidence to develop goals and objectives that are achievable. Many organizations spend a lot of time developing measureable objectives and indicators. For some interventions, these can be adapted from previous successful programs. Check with your donor to learn of specific requirements.

For example, PEPFAR has very specific guidance on objectives and indicators for OVC programs. A country's government may also require programs to report against country-specific indicators. Remember, however, that objectives and indicators must be adapted to fit your particular situation.

Designing Your Intervention Strategy

Once you establish your goals and objectives, begin to design the strategies most likely to be effective in your intervention. Keep an open mind. Analyze all of the evidence you've collected before you design the best ways to respond to the problem. Review available reports or evaluations of previous related interventions to design a realistic approach rather than one you think might work. Take into account contextual factors such as cost or other actors in the environment, in addition to resources required to address intended and unintended consequences of program activities. Be sure to engage a range of stakeholders to ensure your strategies are realistic and address the specific problems identified in the cause effect analysis in the Problem Tree. In the health sector, for example, strategies should be developed based on patients, providers and other stakeholders' perspectives on the situation and need. In addition, agree with stakeholders on what indicators will be used to measure your success in the program, and how often you will review these indicators. (See *Program Management 4.5.*)

Using Evidence in Program Implementation

It is simply not possible to manage the technical side of your program effectively without regularly monitoring your project's progress. This involves systematically gathering and analyzing information about what you are doing, who you are reaching and whether activities are being implemented according to plan. The data gathered comprise indicators, an important management tool to be interpreted and used not only to measure progress, but also to make evidence-based decisions that can improve the program's impact. In some cases, monitoring data may show that interventions are not achieving their objectives. Perhaps it is because either the context or the needs of the target group changed. Use this information, along with discussions with stakeholders (service providers, the target population, program managers) to make program adjustments as necessary.

For example, if HIV-prevention activities in an OVC-support project fail to attract adolescent male OVC, the organization needs to find out why and adjust its strategies accordingly. In one case, the data revealed that adolescent male OVC chose competing activities, such as job training or school. Consequently, the NGO decided to offer its HIV-prevention activities at a time and place more appealing to this target group.

Evaluating Outcomes and Impact

Finally, evidence is critical to demonstrating program impact—that is, significant, sustainable changes in a target population or community after an intervention is completed. Impact differs from measuring outputs, for example, counting the number of people trained and/or the number reached with certain interventions.

Impact also differs from looking at outcomes, which are the short- to medium-term observable behavioral, institutional and/or societal effects of an intervention's outputs. Impact indicators are about change over time. They attempt to measure whether your work is having an effect on the quality of life of your program's beneficiaries.

Participation is Essential

"Experience suggests that participatory approaches are an essential aspect of developing and maintaining effective performance management systems. Collaboration with development partners (including host country institutions, civil society organizations (CSOs), and implementing partners) as well as customers has important benefits. It allows you to draw on the experience of others, obtains buy-in to achieving results and meeting targets and provides an opportunity to ensure that systems are as streamlined and practical as possible."

Source: USAID Performance Monitoring and Evaluation Tips, No. 6, 2ND EDITION, 2010

An evidence-based approach helps program planners place particular emphasis on why a program is necessary as well as on the goals, objectives, target audience and strategic outcomes.

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Civicus Strategic Planning Toolkit http://www.civicus.org/new/media/Overview%20of%20Planning.pdf

USAID's TIPS series. Practical advice and suggestions on issues related to performance management and evaluation. These publications are supplemental references to the Automated Directive System (ADS) Chapter 203. http://www.usaid.gov/policy/evalweb/evaluation_resources.html

USAID ADS Chapter 203 Assessing and Learning. http://www.usaid.gov/policy/ads/200/203.pdf

6.2

Monitoring and Evaluation (M&E) System Overview

DEFINITIONS

Indicator—A particular characteristic or dimension that will be used to measure change. Height is an example of an indicator.

Data—The actual measurement or factual information collected about an indicator. A measurement of someone's height at 5' 7" tall is an example of a piece of data.

Baseline—Data collected about specific indicators before an intervention begins that will serve as the starting point against which to measure change.

Target—A specific, planned level of result for an indicator you expect to achieve within a defined period of time.

Monitoring— Periodic tracking (for example, daily, weekly, monthly, quarterly, annually) of your project's progress by systematically gathering and analyzing data and information about what you are doing, whom you are reaching and whether your activities are being implemented as planned.

Evaluation—The comparison of actual project impact against agreed-on plans. Evaluation looks at what you set out to do, what you have accomplished and how you accomplished it.

Workplan—A detailed narrative that lays out your planned activities, the resources required to implement them and the targets you intend to reach.

Performance Management Plan (PMP)—A reference document that contains your targets, a detailed definition of each indicator, the methods and frequency of data collection for each of those indicators and who will be responsible for collecting the data.

Q **What is an M&E system and what are its features?**

A A monitoring and evaluation (M&E) system is critical to carrying out a project effectively and efficiently and boosting accountability to beneficiaries, donors and other stakeholders. In particular, an M&E system helps you:

- determine if your project is on track, on time and on target;
- ensure that
  - funds were used as intended, and
  - the project/program was implemented as planned; and
- learn whether the program/intervention made a difference.

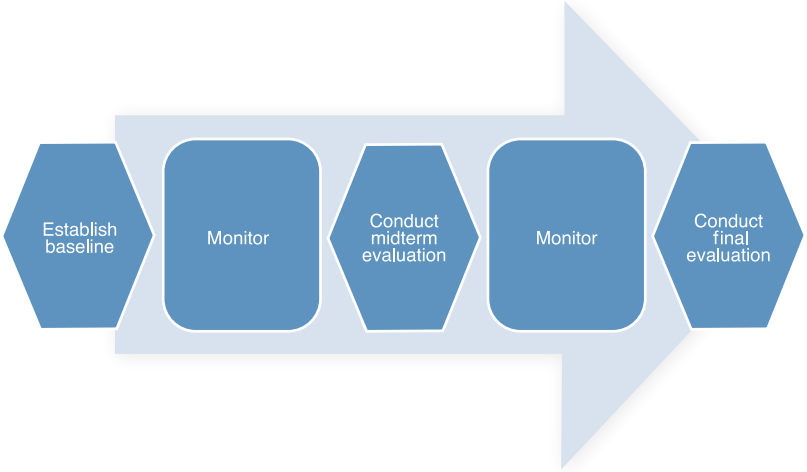
Setting up an M&E system is more than just building a spreadsheet or database. The following introduces characteristics of such a system. For in-depth guidance, refer to USAID TIPS papers at http://dec.usaid.gov/index.cfm

M&E: Two sides of the same coin

Although often mentioned together, monitoring and evaluation are, in fact, two distinct activities, related but not identical. What they have in common is that they seek to capture information about what you are doing and how you are doing it.

Monitoring involves tracking your project's progress, by systematically gathering and analyzing information about what you are doing and whom you are reaching. It can serve as a kind of early warning system that lets you know if activities are being carried out as originally planned. And, if not, you can take measures to correct problems, and adjust activities or the workplan as needed to be more effective. Monitoring provides the basic information and building blocks for evaluation.

Evaluation is a more in-depth assessment of performance and activities than monitoring. Evaluation enables you to assess the progress, quality and impact of your work against your program strategy, your targets and your workplan.



Evaluation reveals whether you did what you planned to do and, if not why not. It also answers questions about accountability—did you complete what was promised in your proposal—and helps inform management decisions. It answers the questions: what was accomplished, what was the cost, is it worth doing again, how might it be done better in the future? In addition, evaluation results increase knowledge for both your organization and stakeholders interested in your programming.

Planning for M&E

Incorporate M&E into your program design early on—that is, when you are devising your project strategy and activities. (See *Monitoring & Evaluation 6.1.*) Although data are needed for evaluation at the mid-term and end of a project, you should collect baseline data before the intervention starts. In addition, think about how information from your M&E system will be used internally, to make decisions for your program, and externally, for example, to meet donor and government requirements. Ensure that appropriate information will be available for:

- annual program work planning and budgeting;
- mid-term and final evaluations;
- program reports;
- feedback to beneficiaries and key stakeholders; and
- other purposes such as marketing and proposal development.

Characteristics of a Good M&E System

A well-designed M&E system should describe in detail the methodology or processes for collecting and using data, including purpose/uses of the data collected; type of data to be collected (both qualitative and quantitative) and frequency of data collection. The description should also specify:

- indicators to be tracked;
- meaning of key words;
- targets (mid-term and final);
- what tools will be used to collect data;
- the personnel who will gather, record and analyze the data (for example, beneficiaries and other stakeholders); and
- the types of reports that will be prepared, including for whom, why and how often.

Data Collection and Analysis

Data collection is the key to good M&E. Collection methods should match the indicators developed for the program, be appropriate for the context, and be easy to use. Consider methods that allow for community-level participation and ensure that all analysis is shared with staff and beneficiaries both to improve decision making and to engender support for M&E tasks. (See *Program Management 4.5.*)

There are many different ways to collect data for M&E purposes, including questionnaires, client interviews, observation by experts and focus group discussions. Before introducing new data-collection methods or tools, assess what data can be gathered from sources already in place. For example, can you adapt existing registers or attendance lists to get the data you need? If you develop new tools, for example, questionnaires or field worker reports, focus on making them user-friendly and ensure staff and stakeholders are trained to use them. Always keep in mind who your users are as you develop your tools. How literate are the data collectors? Do the tools need to be in local languages? How much time will a collector have to gather information?

SIX TIPS FOR MANAGING YOUR M&E SYSTEM

1. Make realistic M&E plans.
2. Provide sufficient management support.
3. Ensure your staff understand and value M&E tasks.
4. Set aside enough time for M&E activities, including organizing and processing data.
5. Build M&E into planning cycles.
6. Present M&E data in time for them to be used in reports and for decision making.

Ensure that your data are accurate and truly reflect your outputs and outcomes by regularly undertaking data quality assessments to the data you collect. *(For more on data quality, see D and E noted in the reference box.)*

On a regularly scheduled basis, analyze the data you have collected by structuring and organizing it to get a sense of the trends and patterns emerging from the implementation of your project. This information will help managers determine if the project is on track to achieve its objectives and inform changes if it is not.

Using the Information from Your M&E System

Build in clear mechanisms for using the information from your M&E endeavors. For example, you may want to set up formal meetings to review monitoring data monthly, quarterly or annually to check progress towards meeting your targets and objectives. This will allow you to modify your activities if necessary or have discussions with your donor if you have to change your targets.

Example of Community Participation in M&E:

Building a Well

Participatory activity: Beneficiaries volunteer their time to dig a hole for the well as their "community contribution."

Participatory monitoring: Beneficiaries form a "Well Management Committee" tasked with gathering and analyzing data on usage and maintenance and then reporting the findings.

Participatory evaluation: As part of the mid-term learning evaluation, beneficiaries facilitate focus groups to evaluate the impact of the new well on community members' livelihoods and health.

USAID M&E Requirements

USAID grant recipients are usually required to document their M&E system in a Performance Management Plan (PMP). The PMP is a tool designed to help you set up and manage the process of monitoring, analyzing, evaluating and reporting progress toward achieving your objectives. It serves as reference document that contains your targets, a detailed definition of each project indicator, the methods and frequency of data collection for each of those indicators and who will be responsible for collecting the data. Your PMP will also provide details about how data will be analyzed and any evaluations that may be required to complement monitoring data. *(For more on creating a PMP, see B noted in the reference box.)*

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A. Monitoring and Evaluation Toolkits http://www.civicus.org/new/media/Monitoring%20and%20Evaluation.pdf

B. Preparing a Perforamnce Management Plan (PMP) http://pdf.usaid.gov/pdf_docs/PNADW107.pdf

C. Baselines and Targets http://www.usaid.gov/policy/evalweb/documents/TIPS-BaselinesandTargets.pdf

D. Data Quality Standards http://www.usaid.gov/policy/evalweb/documents/TIPS-DataQualityStandards.pdf

E. Data Quality Assessments http://www.undp.org/evaluation/handbook/

F. Handbook on Planning, Monitoring and Evaluation http://stone.undp.org/undpweb/eo/evalnet/Handbook2/documents/english/pme-handbook.pdf

6.3

Managing Targets Under PEPFAR

Q **How do we review targets and make adjustments?**

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

Successful program managers will not shy away from these discrepancies. Taking the time to better understand the underlying reasons for target shortfalls and developing a plan to adjust your program and/or reset its targets is an important part of bringing a program to maturity.

Significance of Discrepancies between Targets and Actuals

Discrepancies between targets and actuals are expected. However, as the project manager, you need to decide whether a particular discrepancy is "significant" enough to warrant further investigation. Possible action depends on:

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

Reviewing Targets

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

1. Problems with faulty or mistaken intervention design assumptions;
2. Poor program implementation; or
3. Data quality errors.

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

DEFINITIONS

Indicator*—A particular characteristic or dimension that will be used to measure change. There are standard PEPFAR indicators, in-country standard indicators and your own program-specific indicators. At a minimum, you must track and report on all PEPFAR and in-country standard indicators relevant to your program. An example of an indicator is the "Number of pregnant women who received HIV counseling and testing for PMTCT and received their test results."

*Sometimes, the definition of an indicator is not as simple as you think. For example, in a prevention program, what exactly does it mean to "reach" one person? To hand him a condom-promotion flyer? To engage her in a public event? Or does your definition of "reached" include one-to-one follow-up?

Target—A specific, planned result you expect to reach for a particular indicator within a defined period of time.

Successful program managers take the time to understand the underlying reasons for target shortfalls and develop a plan to adjust their program and/or reset the targets.

If you are starting a new program or expanding a program into new areas, discrepancies between targets and actual results are expected to arise.

Problems with Intervention Design Assumptions

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

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

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

Problems with Implementation

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

- slower than expected program start-up;
- budget problems, such as higher than expected costs or delays in securing matching funds;
- human resource problems, such as the inability to find qualified personnel or challenges recruiting and retaining volunteers; or
- training problems, such as an ineffective trainer or ineffective training materials.

Data Quality Problems

What if your intervention design was sound and its implementation is going smoothly, but there are gaps between your targets and the actual performance data? The problem could be with the data itself. Examples of data quality problems include:

- *Under-counting results.* For example, volunteers do not record everyone reached.
- *Double-counting results.* Higher-than-expected results can occur from counting program beneficiaries multiple times or.
- *Data entry problems.* Perhaps the data are being gathered properly but are somehow not getting accurately entered into your system.

Developing Solutions

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

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

If you must adjust your intervention, be sure to put processes in place to test and validate the adjustments, also closely monitor progress and document the changes made. If you are using an intervention also used

by other subrecipients or recipient elsewhere, share your experience so everyone benefits from the lessons learned. Below are some suggestions about how to move forward addressing specific types of issues.

Looking at Program Design

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

Making Implementation Adjustments

Sometimes, adjusting your implementation strategies can get your program back on track. It is best avoid these pitfalls:

- If adjusting your budget, get donor permission, especially to re-budget between budget categories.
- Pilot test your changes whenever possible. Give proposed fixes a few months to work before trying to speed things up to make up for target discrepancies. You can always request additional time later.
- Document adjustments so mistakes will not be repeated.

Addressing Data Quality Issues

Address any data quality issues you discover immediately. For example, if the problem is under-counting, start by ensuring everyone involved has a clear and shared definition of exactly what/who to count for each indicator.

Ensure that your team understands the indicator. Sometimes, indicators are clearly defined by PEPFAR. Sometimes, minimum standards are set by the in-country teams. Sometimes, your organization is expected to set its own minimum standard for when to count an individual as having been "reached." If everyone on your team does not agree on who meets the threshold to be counted, miscounting of the number of beneficiaries may result.

Review the PEPFAR Indicators Reference Guide to ensure your definitions are accurate. Check on the existence of any additional in-country standards by consulting your in-country Activity Manager.

If you have reported results to PEPFAR that may have contained errors, contact your Agreement Officer's Representative/Contracting Officer's Representative (AOR/COR) to discuss the issue to see how the past reports might be corrected.

Adjusting Targets Upward

Although "discrepancies" generally refer to shortfalls between targets and actuals, your program may require adjustments if your actuals are significantly higher than your targets as well. For example, higher-than-expected results could affect budgets or other related activities. In addition, higher actuals also may be an indication that double counting is occurring Therefore, keep an eye out for unusually high actuals and be prepared to investigate and adjust if necessary.

If you find multiple reasons for discrepancies between targets and actuals, focus on the one or two whose resolution will have the greatest impact.

Your targets are likely tied to your budget. Therefore, when you propose adjusting your targets, you should also address the impact this will have on your budget.

Adjusting Targets Downward

In some cases, your findings will leave little choice but to adjust your targets. Because you are contractually obligated to reach those targets, you will have to work with your AOR/COR to make these changes.

In doing so, consider some of the following:

- Will you be reducing your targets for the current year or reducing your overall targets? Whenever possible, propose solutions to make up current shortfalls in future years.
- Do you have a good reason for reducing your overall targets? A shortage of time is not sufficient. Could a no-cost extension help you meet your original goals? If the answer is still "no," you will want to develop a well-documented, evidence-based reason to support your reduction request.

When adjusting your targets, try to pinpoint the corresponding assumption(s). For example, let's say your orphans and vulnerable children (OVC) program is under-performing, and you believe, in part, the reason is that there are fewer eligible OVC in the catchment area than you assumed. Develop a formula that shows this and use it as the basis for the modification request.

In your workplan, you probably tied the proposed targets to your budget. Therefore, when you propose lowering your targets, you should also address the impact on the budget. If you cannot reach the proposed targets in one area, try to see if you can rebudget to increase your targets in another program area.

Conclusion

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

External Relations

EXTERNAL RELATIONS

How do you make your organization stand out? Many organizations do great work, but struggle with disseminating their results to stakeholders. Developing the capacity to communicate with and maintain effective relationships with beneficiaries, donors, potential partners, other stakeholders and the public is key to an organization's ability to attract the support it needs to survive and thrive.

This section begins with communication planning, then describes how to connect more effectively with a range of key audiences including beneficiaries, partners, donors and media, through branding, pitching, writing success stories and other strategies and tactics.

Topics:

7.1 Developing a Communication Plan

7.2 Branding Your Program

7.3 Meeting Donor Marking Requirements

7.4 Pitching Your Program to Prospective Partners and Funders

7.5 Telling Your Success Stories

7.6 Engaging Your Community

7.1

NGO Marketing: Developing a Communication Plan

Q **What is marketing? Why is it important for our NGO? How does it relate to communication?**

A Often when we think of "marketing," we think of promotion and advertising products for sale. But marketing is much more than that. Whenever you are trying to connect with a group of people outside your organization, it can be considered marketing.

Marketing ranges from making client service more responsive, to street theater, to posting banners and applying logos. It is everything that contributes to your organization's public image, which, when developed effectively—and reinforced by the good work of your staff—helps earn the trust and confidence of beneficiaries, local leaders and donors. Effective marketing can improve your organization's ability to attract funding, serve more beneficiaries and advance your mission. It can help enhance your NGO's sustainability.

Developing Your Communication Plan

A communication plan is a road map that provides direction on how to shape your image, create demand for your services and build relationships with key target audiences. Putting communication in the context of marketing helps enlarge your thinking and opens up new possibilities. Like a project workplan, a communication plan lays out:

- strategic objectives;
- activities or tactics to achieve those objectives;
- how these objectives and activities are supported, and;
- expected outcomes ("targets") against which you can measure the success of each activity.

Developing a communication plan for your organization should involve a cross-section of staff who participate in various activities, including program and financial managers. From the start, look beyond the beneficiaries of a single program to also include communication with other groups, such as donors, other NGOs and potential volunteers.

The plan defines what you want from your communication and what you need to do to get it. As with any planning process, it starts with answering some basic questions:

- Why do we want to communicate with our community? (goals)
- What do we hope to achieve? (outcomes)
- Whom do we want to communicate it to? (audience)
- What do we want to communicate? (message)
- Who will communicate the message? (messengers)
- How do we want to communicate it? (channels)

DEFINITIONS

Marketing—The processes and activities that contribute to your organization's public image, which, when developed effectively—and reinforced by the good work of your staff—helps earn the trust and confidence of beneficiaries, local leaders and donors.

Communication—The process of transmitting ideas and information about the nature of your organization and the issues it deals with. An ongoing, core activity that is key to sustaining an organization.

Promotion—Any type of tactic other than advertising (for example, special events, posters, T-shirts, flyers) used by a marketer (for example, an NGO) to increase the awareness of a product, service or idea among specific target audiences.

REVIEWING YOUR PLAN

Once you establish a communication plan, review it every six months to evaluate how well you are meeting objectives. Talk with staff responsible for each activity, and revise your strategy and tactics as needed.

During your review, consider the following questions:

- Have we been communicating effectively with all targeted groups? Are there additional groups with which we should be communicating?
- Are we meeting donor needs and/or requirements with our communication efforts?
- Is our overall communication effort enhancing our work as an organization?

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

Defining Your Communication Objectives

When you create a public health program, the first thing you do is learn about the people and the health risk your program is targeting. Similarly, in marketing, you also start by thinking about with whom you wish to communicate outside your organization, such as:

- beneficiaries (existing and potential);
- donors (existing and potential); or
- volunteers (existing and potential).

Take a hard look at your existing communication efforts, if any, and how you engage with your target audiences by talking with them. Learn what has worked and what has not. Next, write out in the simplest of terms exactly what you want to communicate to each group. For example:

We want to let potential beneficiaries know:

- what services we offer;
- why they need these services, especially how they will benefit from them; and
- who is making this work possible (that is, giving credit to the donor).

These help define your communication goals. Much like the "strategic objectives" in your workplan, you will next want to develop one or more "activities" aimed at achieving each objective.

Creating Communication Activities

When thinking about each objective, consider how you can best get your message to the targeted group.

- What language(s) do they speak?
- Where and how can you communicate with them—in other words, what is the best way to "get in front of them" with your message?
- What cultural considerations should you be aware of?

Then, just as you do when creating a workplan, design "SMART" communication activities—Specific, Measurable, Achievable, Realistic and Time-Bound. Do not forget to include budget considerations, sufficient staff to be effective, best practices and regulations in your plan.

Expected Outcomes

Much like creating "targets" in your workplan, be sure your plan includes expected outcomes with specific timelines. In addition, for each activity, assign responsibility for monitoring its execution and outcomes to a specific staff member.

Examples of expected outcomes:

- New beneficiary enrollment in our program will increase by 25% over the year as a result of our Services Promotion activity.
  Responsible person: Technical Lead.
- All donor-funded commodities will be marked according to the marking plan within one business day of receipt.
  Responsible person: Procurement Manager.

- Over the next year, staff members will participate in a minimum of three forums to share best practices and lessons learned from our project with the NGO community in country.
  Responsible Person: Executive Director.

Next Steps

Once complete, share the communication plan with your entire staff, walking them through the specific aspects related to their jobs. Giving each the means to communicate effectively about your organization will help reinforce your value to beneficiaries and other target audiences.

REFERENCES

The Community Toolbox
http://ctb.ku.edu/en/

Strategic Communications Audit
http://www.mediaevaluationproject.org/WorkingPaper1.pdf

7.2

Branding Your Program

DEFINITIONS

Marketing—The processes and activities that contribute to your organization's public image, which, when developed effectively—and reinforced by the good work of your staff—helps earn the trust and confidence of beneficiaries, local leaders and donors.

Communication—The process of transmitting ideas and information about the nature of your organization and the issues it deals with. An ongoing, core activity that is key to sustaining an organization.

Promotion—Any type of tactic other than advertising (for example, special events, posters, T-shirts, flyers) used by a marketer (for example, an NGO) to increase the awareness of a product, service or idea among specific target audiences.

Q **What is a brand? How do we develop one? What do donors expect?**

A Branding is the process of developing and using images and words, such as logos and slogans, to create an identity for a product or service. A brand is the visual representation of that identity that helps people distinguish one thing from another; for example, Coca-Cola from Fanta; USAID from DFID. Below, we explore two aspects of branding: as an element that communicates the identity of your organization/program and as a donor requirement.

Developing Your Brand

Some people find "branding" to be intimidating—they worry it requires special artistic or creative skills they are not sure they have. However, as you will see, basic branding is something that all of us can do. It builds on what you learned while developing your communication plan.

To get started: Involve a cross-section of staff and volunteers in the process described below. Also, do not forget to take into consideration the branding and marking requirements of donors and partner organizations. Review the answers to the basic questions you asked when developing your communication plan. Then, think of the people and community you serve.

To lay the groundwork: Answer three key questions:

1. **Who are our beneficiaries?** Note any language, cultural and other concerns they might have in relation to seeking your services, such as maintaining confidentiality or avoiding stigma and discrimination.

2. **What is the essence of what we do?** Summarize your program's mission in one sentence, by trying to capture its high-level objective. For example: "The _____ project aims to improve the lives of women in the XYZ region by providing them with comprehensive, quality HIV/AIDS services."

3. **How do we want your beneficiaries to feel about your program?** Look at your program from the point-of-view of your beneficiaries. To get at their feelings and perceptions, ask yourself; "If the program had a personality, what would it be?" Examples may be "safe, trustworthy, confidential, helpful, makes me feel better." These adjectives will help you think more creatively about your name and even a graphic symbol or logo.

Naming Your Program

With the above information in hand, name your organization or program. There is no correct formula for coming up with a name. However, you may not want to be literal. For example, a potential beneficiary might not want to openly identify himself by walking into an office with a sign that says, "HIV/AIDS Services for High-Risk Individuals."

The name can be a simple one or an acronym. It may be in English or the native language where you are implementing your program. Some other naming tips:

- Avoid excessively long names; your program name should be something people can easily remember.
- Do an Internet search on your proposed name to see if another group has already taken the name you wish to use.
- Avoid acronyms that do not flow; for example, YHPD (Youth Health Drop-In Program).

Adding a Graphic Identity or Logo

To some, creating a graphic symbol or logo for your program is often the most intimidating aspect of branding. However, you may be surprised at how much fun it can be.

Consider what visual images might represent your program name or draw on the adjectives and objectives that describe the character or personality of the organization or program that you want to project.

Consider popular local images: a flower, tree or animal might symbolize what you do, or a geographic or cultural image. If you cannot agree on anything, consider using a distinct, but readable, typeface for your brand name.

It is a good idea to test your brand, especially if you are implementing in a language and culture different from yours. Ask native speakers for their feedback. You never know what cultural symbols may be taboo or when language nuances may lead to misinterpretation.

Once you develop the brand name and logo, it is time to integrate them, along with the identity elements of your donors, into your public communications and your program deliverables.

Working with a Donor's Brand

Whether working with USAID or another donor, now or in the future, you must develop and implement a branding strategy that meets the donor's requirements. Even if your funder does not require one, it is a good practice to develop one so that your staff and subpartners are aware of your policies.

USAID requires that grantees submit a branding strategy. There are two parts to the branding strategy: a Branding Implementation Plan (BIP) that outlines how the USAID-funded program will be promoted to the public and a Marking Plan (MP) that identifies the specific programs, projects, activities, public communications or commodities that are to be visibly marked with the USAID identity.

ACKNOWLEDGING DONORS AND PARTNERS

When you implement your brand, your donor(s) may also want the beneficiaries to know who funded the services.

The USAID Cooperative Agreement includes standard provisions for branding and marking.

REFERENCES

USAID ADS Chapter 320
Branding and Marking
http://www.usaid.gov/policy/ads/300/320.pdf

The Branding Implementation Plan must describe:

- How the USAID identity is to be promoted and communicated to beneficiaries and host country citizens;
- How the organization plans to publicize the program, for example, through press releases, radio interviews, website;
- What key milestones are to be highlighted and publicized, for example, launching the program, announcing research findings, publishing reports, announcing project completion;
- How donors will be identified; and
- How donors will be acknowledged.

7.3

Meeting Donor Marking Requirements

Q **What is marking, and how do we meet donor requirements?**

A Once your communication plan is in place, it is time to go public with your brand—your program name and, if developed, your logo. Implementation may range from putting it on signs outside your offices and project sites to printing it on all the materials you hand out to beneficiaries. Applying your program name/brand and logo as well as the identity elements of donor(s) is called "marking." Below, we address how to meet donor requirements for using a brand to mark program sites, deliverables and commodities.

Beyond simply identifying a program, marking also acknowledges who funds, supports and implements your program. Proper marking strengthens relationships between implementing partners and credits the donors for making the program possible.

All USAID agreements include specific marking requirements.

Creating a Marking Plan

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

USAID requires that you submit a branding strategy that is made up of a Branding Implementation Plan (BIP) and a Marking Plan (MP). The Agreement Officer must approve your branding strategy before you begin to implement it.

Your marking plan should specify the approach for different deliverables and, at a minimum, should cover all donor requirements. The plan should cover the following:

- ***What you will mark***—all sites, documents, events and commodities you procure or produce as a part of the Cooperative Agreement;
- ***How you will mark***—the type of marking and what you will mark (e.g., banners at events, stickers on equipment);
- ***When you will mark***—in the event that an item might not be permanently marked right away, describe any temporary marking and plans for final marking; and
- ***Where you will mark***—describe the size and placement of the donor's logo and any accompanying logos.

DEFINITIONS

Brand—A visual representation of the product or service, such as a logo or graphic that is easily recognizable. It is your program or project's "signature."

Branding—The process of developing an identity for a product or service using images and words to evoke an emotional response in beneficiaries (hopefully, good emotions), which are influenced by their interactions with the implementation of the brand (promotion, customer service, other customers.

Marking—The physical process of applying a program name, brand and/or logo or identity element to project and program materials.

IN YOUR AGREEMENT

USAID Cooperative Agreements include a standard provision entitled "Marking under USAID-Funded Assistance." Further help is provided on USAID's branding website http://www.usaid.gov/policy/ads/300/320.pdf

Marking Program Deliverables

Program deliverables should be marked to identify and give credit to both donors and implementers. Note that not all deliverables will be marked the same way. High profile deliverables, such as a clinic, may be marked with the identity elements of all implementing partners and donors.

However, equipment procured for the program, such as computers or other office equipment, may only need to be marked with the logo of the donor who funded it. The following are examples of program deliverables that may be marked with your donor's logo or identity elements:

- ***project sites***;
- ***electronic and printed documents***—such as informational and promotional materials, audio-visual presentations, public service announcements, websites;
- ***events***—such as training courses, workshops, press conferences; and
- ***commodities***—such as equipment, supplies and other materials.

Program Deliverable(s)	Marking Materials Used, Placement and Timing
Activity Sites	• USAID identity displayed on a board outside the premises of each site where activities take place.
Printed documents, publications and promotional materials	• USAID identity printed on the bottom of the cover page. • USAID public communications disclaimer included. • Timing: as materials are produced.

Subrecipient Requirements

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

Marking Exceptions

There are situations where applying an identity element or logo does not make sense. You may not want to apply a logo when its use would:

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

Include any anticipated exceptions in your marking plan. If an unforeseen circumstance arises, you must request a waiver from your Agreement Officer (via your Agreement Officer's Representative/Contracting Officer's Representative or AOR/COR).

Effective marketing can strengthen your organization's identity, raise its visibility and reinforce its credibility with beneficiaries and donors alike.

Special Requirements for USAID Partners

The Agreement Officer may require a pre-production review of USAID-funded public communications and program materials for compliance with the approved marking plan. Contact your AOR/COR before printing to ask if USAID would like such a review. You also must provide your AOR/COR or Activity Manager with copies of all program and communications materials produced under the award.

Any public communications funded by USAID, where the content has not been approved by USAID, must contain a disclaimer. Go to USAID's branding website http://www.usaid.gov/policy/ads/300/320.pdf for details.

REFERENCES

USAID ADS Chapter 320
Marking and Branding
http://www.usaid.gov/policy/ads/300/320.pdf

7.4

Pitching your Program to Prospective Partners and Funders

DEFINITIONS

Pitching—Presenting the aims and features of your program in a manner that is concise, persuasive and compelling to your audience; a very brief way of stating your case, advancing your cause.

Keep your pitch short and engaging—tell your listener what is unique about your organization without getting bogged down in the details.

Q **Why is it important to develop a "pitch" for our program?**

A At any time as you go about your daily work, you might run into a potential partner, future funder or someone who represents a group of people who could benefit from your services. For example, you may walk into a meeting and see a potential funder, or run into a vendor at the community market place who heads a local trade association. You may sit next to a potential partner at a church function or be in the same shop with someone who could be very influential to your program. In the brief exchange with these people, whoever they may be, you realize that they could be very helpful to your organization… if only they knew about your good work.

The best way to prepare for such chance meetings is to have a well-scripted pitch that sums up unique aspects of your service or product in a way that excites others. Your "pitch" is a brief, persuasive introduction to your program—a kind of first taste that leaves the listener wanting more. (Sometimes this is called an elevator pitch or speech; that is a quick, compelling summary of what your organization makes or does that takes no more time to present than an elevator ride, from 30 to 90 seconds.)

Pitching is an essential skill that can be learned. What follows presents the basic components of a pitch and provides some tips on delivering it effectively.

What are the basic elements of a pitch?

A pitch is not meant to be a detailed discussion of your entire organization—its strengths, weaknesses, staffing, future vision—but rather, a concise, purposeful statement that highlights the value of your program. Successful pitches are short, to the point.

A pitch should answer four key questions:

1. **Who are we?**
2. **What do we do?**
3. **Why should the listener fund/work/partner with us?**
4. **What you are we seeking?**

1. Who are we?

Think critically about your organization and how to describe it in terms that set it apart from others. For example, your organization may be the only one in the community that employs retired nurses or relies mostly on youth volunteers or reaches a critically underserved population. Make sure those points are relevant to the intended audience. For example, a potential partner likely has different interests than a potential funder.

2. What do we do?

In one, short sentence, describe your organization's core service. Ensure that you include what separates your organization from others working in the same field.

3. Why should someone fund/work/partner with us?

Know your target and his or her needs. Another way of phrasing this question is: What is it that this person needs or wants that my organization alone can provide? There may be many other organizations that do similar work with similar populations—explain why your organization is a better choice than the others. In business terms, what is your organization's competitive advantage? Remember, not everyone listening will respond the same way. Choose those things you know are of most interest to your listener—what your organization can do for him or her. For example, explain why would it be better for a funder to support your programs for organization to partner with you rather than another or for a client to use your service over other services.

4. What are we seeking?

In crafting your *pitch*, keep in mind the purpose of your conversation. What is the goal of your speech? Would you simply like to get a business card so you can stay in touch? Would you like to discuss a partnership on an upcoming bid? Or perhaps you're pitching your organization to a potential Executive Director candidate and would like to invite him or her to apply for the job or come in for an interview.

Whatever the purpose, focus on a goal. For example, when speaking with a potential donor, your goal might be to request a meeting where you can share more about your programming and why your organization should receive funding. With this goal in mind, you might end your pitch with: "This is just some of what our organization accomplishes or hopes to accomplish. I would appreciate meeting with you to discuss this further… what is the best way to contact you?"

Additional tips for improving your pitch

- ***Tell a story***. A pitch should be like telling a story; it should intrigue your audience and keep them captivated for 30 to 90 seconds. Don't simply share facts, make sure you engage your audience and hold their attention.
- ***Consider your "hook."*** A "hook" is an interesting aspect that engages the listener and prompts him or her to ask questions. For example, you might start with a statement like "Last year my organization saved 4,000 lives." Or "My NGO is changing the way children view school," or "Our approach to HIV prevention has touched 15,000 children's lives across South Africa." Your hook should catch the listener's attention and make him or her want to hear more about your organization.
- ***Know your audience***. Your pitch should explain why your audience should care about what you do. Think about what an individual donor might want to hear versus a private agency. Think about what information might change depending on the audience.
- ***Always be prepared***. Practice your pitch until it sounds conversational, not stiff. Consider rehearsing it in front of a mirror, or in front of colleagues or friends until it sounds natural, not memorized. Remember, you have only one chance to make a good first impression.
- ***Always follow up.*** After you have delivered your pitch and reached your goal, make sure you follow through. If you requested a business card, then email the contact immediately to set up the meeting and bring up details you discussed so they can recall the discussion.

THE 9 "Cs" OF AN "ELEVATOR PITCH"

Concise
An effective elevator pitch contains as few words as possible, but no fewer.

Clear
Rather than being filled with acronyms and long words, an effective elevator pitch can be understood by your grandparents, your spouse and your children.

Compelling
An effective elevator pitch explains the problem your solution solves.

Credible
An effective elevator pitch explains why you are qualified to see the problem and to build your solution.

Conceptual
An effective elevator pitch stays at a fairly high level and does not go into too much unnecessary detail.

Concrete
As much as is possible, an effective elevator pitch is also specific and tangible.

Customized
An effective elevator pitch addresses the specific interests and concerns of the audience.

Consistent
Every version of an effective elevator pitch conveys the same basic message.

Conversational
Rather than being to close the deal, the goal of an elevator pitch is to just set the hook; to start a dialogue with the audience.

Source: Chris O'Leary. 2008. http://www.elevatorpitchessentials.com/essays/ElevatorPitch.html

"The most valuable of all talents is that of never using two words when one will do."

—Thomas Jefferson

Sample Pitch for a Chance Meeting with a Business Owner

Set up: Mary Smith, Executive Director of YOUR NGO, while shopping at the local farmers market, runs into head of small business.

Target: Well-known business owner. Immediate goal: Start a conversation that will lead to a meeting. End goal: Partner and place trainees in business.

Sample talking points	Rationale
Hello, my name is Mary Smith with YOUR NGO. For the last three years we've changed the lives of hundreds of HIV-positive teenagers who live in OUR TOWN. *We provide counseling, schooling and job training for young people who once were unemployable and often turned to begging.* *Our funding comes from USAID and the local department of health.*	Tell your story and use a "hook." Introduce unique aspect of mission—works with teenagers. Know your audience when describing what organization does—trains capable workers. Keep it simple. Do not use jargon (for example, OVC or sustainable solutions.) Breathe. Listen. Look for nonverbal cues, adapt as necessary.
I have some interesting ideas for your business that I'd like to discuss at a more convenient time. What is the best way to schedule a meeting?	Aim for an immediate goal, but keep the end goal in mind. Since this is not the time or place for a long conversation, aim to start a dialogue that will lead to a meeting, not ask to place a trainee.
How may I contact you? By phone or email? May I have a business/visit card?	Ask for contact information—a phone number or email address.
Thank you.	
We all meet so many people every day, to help you remember our organization, I wanted you to know that three of our trained seamstresses designed and made all the uniforms for the local ABC elementary school.	Before parting, mention something hard to forget that reinforces the organization's mission and accomplishments.
Here is my card. I will follow up in a few days. It was a pleasure meeting you.	Before handing over your card, write a short note on the reverse—for example, "trainees made ABC school uniforms"—as a reminder to the recipient.

Sample Pitch for a Chance Meeting with a Local Reporter

Set up: Mary Smith, Executive Director of YOUR NGO, while attending a local council meeting runs into a reporter with a local newspaper or radio station.

Target: Local reporter. Immediate goal: Start a conversation that may lead to a feature story. End goal: Positive media coverage.

Sample talking points	Rationale
Hello, my name is Mary Smith with YOUR NGO. For the last three years we've changed the lives of hundreds of HIV-positive teenagers who live in OUR TOWN. *We provide counseling, schooling and job training for young people who once were unemployable and often turned to begging.* *Perhaps you have heard of "Our Town United"…That is our afterschool football club—one of the ways we work with hard-to-reach young men.*	Tell your story and use a "hook." Introduce unique aspect of mission—works with teenagers. Know your audience when describing what organization does—looks for interesting local news. Keep it simple. Do not use jargon (for example, OVC or sustainable solutions.) *Tell your story and use a "hook." Introduce unique aspect of mission—works with teenagers.* Breathe. Listen. Look for nonverbal cues, adapt as necessary.
The team has won three of four games this season. But that's not all, they have also learned about how to make good decisions on and off the field, especially about how to prevent HIV. For a change, here is a good news story about our youth.	Aim for an immediate goal, but keep the end goal in mind. Since this is not the time or place for a long conversation, aim to start a dialogue that will lead to a meeting.
How may I contact you? By phone or email? May I have a business/visit card?	Ask for contact information—a phone number or email address.
Thank you.	
Before you go…we are so excited that [Name of local soccer hero] has agreed to coach the team. *I hope you will consider coming to practice to see how we combine soccer and HIV prevention so you can share this story with your readers (or listeners).*	Before parting, mention something hard to forget that reinforces something about the organization's mission and accomplishments. If the reporter says he doesn't cover health, sports or human interest stories, ask for the name of a colleague who does, then, follow up by contacting her. (Adapt your short pitch for your initial phone conversation.)
Here is my card. I will follow up in a few days. It was a pleasure meeting you.	Before handing over your card, write a short note on the reverse—for example, "soccer and HIV prevention"—as a reminder to the recipient.

REFERENCES

Elevator Pitch 101
www.elevatorpitchessentials.com

The (Perfect) Elevator Pitch
http://www.businessweek.com/careers/content/jun2007/ca20070618_134959.htm

7.5

Telling Program Success Stories

Stories and photographs are powerful ways to educate donors, prospective partners and the public about your programs and demonstrate their value to the community.

Q **What is a success story? How do we write one about our program?**

A A success story shows how your organization is making a difference in people's lives. More than a list of events or activities, it describes a positive change and shows how that change helps your beneficiaries and the people of your community.

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

There are many different types of success stories. The most common type enables the reader to empathize with the problem or challenge that your organization's beneficiaries face. However, success stories may also highlight a specific event or discuss an innovative tool or approach your program has employed. A good success story complements and/or expands on information provided in your technical reports, repackaged for a wider audience.

The key to many good success stories is your ability to turn the data that provide evidence of your program's results into an engaging personal story. For example, the Wema Centre (http://www.wemacentre.org/) success story posted on the NGOConnect website (http://www.ngoconnect.net/wema) highlights Wema's success in rescuing and rehabilitating street children in Kenya by telling the story of an individual child who participated in the program and then got a job and changed his life. This story puts a human face on the numerical evidence of the Wema program's impact.

Finding a Good Story

Successes and ideas for stories may come forward at any time during implementation, so it is a good practice to jot them down as they arise and keep a file that you can refer to later when you draft the story. Some ways to find good stories include:

- asking your staff and subrecipients to suggest beneficiaries of your program whom you might include in a success story;
- documenting an innovative approach your program used that allowed you to reach new people or address a need that was previously unmet;
- discussing an event that allowed you to exceed your targets;
- building on pieces of good news about your program that are passed around your office and energize staff; and
- elaborating on a story you often tell colleagues or donors that grabs their attention.

Writing the Story

A good success story is short, rich in detail and memorable. Although there is no formula you must follow, there are elements that make a story engaging. You do not have to include them all, but here are some that can make your story more interesting.

- **Use quotes and photos.** Using the words and pictures of the people in your story can make it much more personal and engaging to the reader. (See sidebar "Asking Permission.")
- **Talk about the Before, After and the Future.** A great way to demonstrate impact is to explain the problem your program hoped to address by sharing a view of what life was like before your program started. Your story then shows how you addressed that challenge, by describing what happened after your program was in place. You may also want to talk about the future, too, for plans to expand or sustain your program.
- **Do not forget the data.** Though these stories often focus on an individual or group of people for the "story" aspect, do not completely leave out the bigger picture that your data show. Remember, the story gives a human face to the evidence of your program's impact, so you may want to include data as well. Consider using a graph or a chart to make your quantitative data more meaningful for the reader.
- **Give credit.** Your program would not be possible without the support of the host government, donors, partners and staff of the organization. Make sure to give credit to those who have supported your program. This can be done in the narrative, or by putting the logos of donors and other organizations involved on the printed or electronic presentation of the story.
- **Provide contact information.** Success stories are often short—one or two pages (200 to 500 words). Therefore, there is likely a lot of information you do not have room for in your story. Providing contact information allows others who are interested in your story to follow up with you for more details.

Promoting the Story

Once the story is written, share it with a number of different audiences to communicate your successes as widely as possible. Start by sharing the story with your donors (see sidebar, "Coordinating with the Donor"). Then, share the story with your partners, your beneficiaries, the host government and the general public.

Consider the following strategies for sharing your story:

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

ITEMS TO CONSIDER

Asking for Permission
Using the names, words and photos of the people in your story creates a more personal and engaging feel. Although people are usually happy to share their stories, it is important to respect the privacy of the individual(s) in your story. Make sure to tell people exactly how you intend to use the story (post it on the Internet or share it with local press, donors or others) and request their written permission by having them sign a release form authorizing you to use their names and photos.

Coordinating with the Donor
As you begin to draft your success story, contact your AOR or Activity Manager. Some donors may want to review the story before it is distributed, and they may have other requirements for publicly documenting the programs they fund. This process gives donors a chance to be involved in the story. After all, just as you are proud of your program's success, they too are pleased to be supporting good work.

Success Story Examples
There are a number of success stories posted on the Web that can get you started thinking about what you might want to say about your program, and how other organizations have told their stories. Sample stories on these websites:

- NGOConnect website http://www.ngoconnect.net/success
- NPI-Connect website http://www.npi-connect.net/success
- USAID http://www.usaid.gov/our_work/global_health/aids/
- PEPFAR Stories of Hope http://www.pepfar.gov/press/docs/c19597.htm

REFERENCES

Communicating Your Mission Through Photography – Photo Tips
http://www.photoshare.org/photo-tips

Development & Photography Ethics
http://www.photoshare.org/resources/development-photography-ethics

Telling Your Story. USAID Guidelines
http://www.usaid.gov/stories/guidelines.html

Glossary

Glossary

A

A-122—This U.S.Office of Management and Budget Circular—"Cost Principles for Non-profit Organizations"—establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations. The principles are designed to provide that the U.S. Government bear its fair share of costs except where restricted or prohibited by law.

A-133—This U.S.Office of Management and Budget Circular—"Audits of States, Local Governments and Non-Profit Organizations"—sets forth standards for obtaining consistency and uniformity among U.S. Government (USG) agencies for the audit of States, local government and non-profit organizations expending USG awards. Currently, for U.S.-based organizations the threshold for an A-133 audit is $500,000 per annum and for non-U.S.-based organizations the threshold is $300,000 per annum.

Accrual Accounting System—An accounting method that records financial events based on economic activity rather than on financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received. See also Cash-Basis Accounting System.

Acquisition—A USG purchase or contract to obtain something for its own use. This includes products, commodities or services. See also Assistance.

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

ADS—The Automated Directives System (ADS) encompasses the totality of USAID's regulatory body. Additionally, it includes suggested but not mandatory procedures and links to examples of best practices.

Agreement Officer (AO)—The USAID official with the authority to enter into, administer, terminate and/or close out agreements and make related determinations and findings on behalf of the agency.

Agreement Officer's Representative (AOR)—Under a contract, this position is referred to as the COR, or Contracting Officer's Representative). The USAID official responsible for monitoring a grantee's progress toward achieving the agreement's purpose and for serving as technical liaison between the grantee and the Agreement Officer (AO). The AO will name and delegate authority for the specific responsibilities to the AOR named in the Cooperative Agreement.

Allocable Cost—A cost incurred specifically to support or advance the objectives of your award, which the USG (or USAID) will permit to be reimbursed.

Allowable Cost—An incurred cost determined to be an acceptable charge to the USAID.

APR—Annual Performance Report. Report due upon completion of the implementation of your annual workplan. See also *SAPR*.

Assistance—USG funding to an individual or an organization to achieve a public purpose. See also Acquisition.

Assistance Objective Team—The USAID group that makes a preliminary determination on the duration and type of funding instrument.

Audit—An independent review and examination of system records and activities.

Audit Package—A package of forms and information that includes the findings of an audit and a corrective action plan to address each finding in the auditor's report.

Award Amount (or Award)—The total amount that is anticipated to be spent over the life of the project. See also *Obligated Amount*.

Award Ceiling—The total amount that is anticipated to be spent by the USG over the life of an award.

B

Baseline—Data collected about specific indicators before an intervention begins that will serve as the starting point against which to measure change.

Beneficiary—An individual or institutional entity that is directly supported, improved or assisted by your project.

Board of Directors—The group that oversees the organization, making sure it fulfills it's mission, lives up to its values and remains viable for the future.

Brand—A visual representation of the product or service, such as a logo or graphic that is easily recognizable. It is your program or project's "signature."

Branding—The process of developing an identity for a product or service using images and words, such as logos and slogans, to evoke a positive emotional response in targeted audiences.

Budget Period—The increment of time that the funding is approved for, often a subset of the entire project period.

Burn Rate—The rate at which an organization spends its award funds on a periodic basis, typically monthly.

C

CAP—Capable Partners Program. CAP works to strengthen the organizational and technical capacities of non-governmental organizations (NGOs), community-based organizations (CBOs), faith-based organizations (FBOs), intermediary support organizations (ISOs) and NGO networks across technical sectors. CAP provides technical assistance, training and grants management to USAID Missions and operating units to enhance their NGO programs. Competitively awarded by USAID Washington to FHI360, no additional competition is needed to execute an Associate Award under CAP.

Capacity Building—Strengthening the ability of an organization to manage itself and achieve its mission effectively.

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

CBO—Community-based organization.

CDC—The Centers for Disease Control and Prevention (an agency under HHS).

CFR—Code of Federal Regulations, the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the USG.

Close Out—Final phase of a project in which activities are finalized and administrative tasks completed.

Commodity—Any item that can be bought or sold, usually a product or raw material (lumber, wheat, coffee, metals).

Communication—The process of transmitting ideas and information about the nature of your organization and the issues with which it deals. An ongoing, core activity that is key to sustaining an organization. See also Marketing.

Contract—The mechanism the USG uses in awarding acquisitions.

Cooperative Agreement—One of two methods the USG uses to provide assistance. The USG uses this method when it wishes to retain substantial involvement in a project. See also Grants.

Cost Objective— Cost limit of an activity within budget limits. A project cannot exceed the cost objective that has been set for it.

Cost Share—The portion of project or program costs not covered by the USG. This may be in the form of cash or in-kind contributions. See also Matching Funds.

COR—Contracting Officer's Representative, the official at HHS responsible for the programmatic and technical aspects of an agreement.

D

Debarment—An action taken by a debarring official to exclude a contractor from Government contracting and Government-approved subcontracting for a reasonable, specified period; a contractor so excluded is "debarred."

DEC—USAID's Development Experience Clearinghouse, the largest online resource of USAID-funded technical and program documentation.

Direct Costs—Goods and services specifically purchased for the exclusive benefit of one project that are charged to that project.

Disallowed Cost—An incurred cost questioned by the audit organization that USAID has agreed is not chargeable to the government.

Due Diligence—The necessary assessment

of the past performance, reputation, and future plans of a prospective partner or other entity, with regard to various business practices and principles. This would normally involve, at a minimum, examining their social, environmental, and financial track records.

DUNS Number—A unique nine-character number assigned free for all businesses required to do business with the U.S. Government for contracts or grants (see *http://fedgov.dnb.com/webform*).

E

EIN—Employer Identification Number, used by U.S. grantees to facilitate payment for an award.

Excluded Parties List System—A searchable database that provides a comprehensive list of individuals, firms and organizations that are not eligible to receive USG funds. Grant recipients are responsible for using this online database to check vendors prior to contracting for services or making any purchases.

External Relations—Refers to the efforts of an organization to enhance communications, foster relationships and build public understanding and support for the organization and its work.

F

FAR—Federal Acquisition Regulations, the body of U.S. laws that govern the USG's procurement process.

FBO—Faith-based organization.

Federal—Pertaining to U.S. Government.

Federal Audit Clearinghouse—An office within the USG in charge of receiving, processing, and distributing to USG agencies the Single Audit reporting packages of thousands of recipients of USG funding.

Federal Financial Report (FFR)—Also known as SF-425, a new USG financial reporting form that replaces, and consolidates into a single form, the two most common USG financial reports—the Financial Status Report and the Federal Cash Transaction Report.

Finding—Any error, exception, deviation or deficiency noted by an auditor as a result of an examination of audit evidence. Findings generally relate to (a) compliance with policies, procedures and legal requirements, (b) adequacy and effectiveness of controls, and/or (c) efficiency and effectiveness of administration.

Fiscal Year—Sometimes called a financial year or budget year. A period used for calculating annual ("yearly") financial statements in businesses and other organizations. It may or may not correspond to the calendar year, which is January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.

FM (or FMO)—Your Agency's Financial Management Office.

Foreign Tax Report—The report that all USG recipients must fill out annually to report the Value Added Tax (VAT) that was paid to the host government. The reports are used to ensure that U.S. foreign assistance is not being taxed.

Fundraising—The process of soliciting and gathering contributions (money or other resources), by requesting donations from individuals, businesses, charitable foundations, or governmental agencies.

G

Generally Accepted Accounting Procedures (GAAP)—A standard framework of guidelines for accounting and financial reporting. It includes the standards, conventions and rules accountants follow in recording and summarizing transactions, and in preparing financial statements.

Geographic Code—The code that USAID assigns to grantees to designate the specific countries from which they are authorized to purchase goods and services.

Gift—Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance or other item having monetary value. It includes services as well, such as gifts of training, transportation, local travel, lodging and meals, whether provided in-kind, by purchase of a ticket, payment in advance or reimbursement after the expense has been incurred.

Governance— The process of providing overall vision, direction, purpose and oversight to an organization through a structure—a Board of Directors—separate from the day-to-day management of the organization.

H

HIV/AIDS—HIV—Human Immunodeficiency Virus, a virus that can infect people and destroy their immune system, the body's mechanism for fighting infection. AIDS—Acquired Immune Deficiency Syndrome, the illness that results in the body's inability to fight infection.

Horizon—The amount of time an organization will look into the future when preparing a strategic plan.

HRSA—The Health Resources and Services Administration (an agency under HHS).

Human Resources—Refers to how employees are managed by organizations, or to the personnel department charged with that role.

I

Impact—Identifiable, measurable results of project activities.

Incidental Expenses—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries.

Indicator—A specific data point you track to monitor program progress. There are standard PEPFAR indicators, in-country standard indicators and your own program-specific indicators. At a minimum, you must track and report on all PEPFAR and in-country standard indicators relevant to your program. An example of an indicator is the "Number of pregnant women who received HIV counseling and testing for PMTCT and received their test results." See also *Target*.

Indirect Costs— Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as electricity or administrative support staff. If a NICRA (Negotiated Indirect Cost Rate Agreement) is established, include the rate and how it is calculated. Also state whether the NICRA is the provisional or final rate.

In-Kind Contribution—Non-cash resources contributed to a project; may include volunteer services, equipment or property.

International Travel—Any travel between two countries.

J

JSI—John Snow, Inc.

K

Key Personnel—Personnel directly responsible for management of the contract; or those personnel whose professional/technical skills are certified by the AOR/COR as being essential for successful implementation of the program.

M

M&E—Monitoring and evaluation.

M&IE—Meals and Incidental Expenses incurred during travel, such as breakfast, lunch, dinner, gratuities and tips for services, laundry, toiletries.

Management— The day-today operation of the organization. See also Governance.

Management Decision—The evaluation of a recommendation by management and a decision on an appropriate course of action.

Mandatory Standard Provisions—Set of rules and regulations that must be followed by recipients of USAID funds. (For more information, go to *http://www.usaid.gov/policy/ads/300/303mab.pdf*)

Marketing—The processes and activities that contribute to your organization's public image that, when developed effectively—and reinforced by the good work of your staff—help earn the trust and confidence of beneficiaries, local leaders and donors. See also Communication.

Marking—Applying graphic identities or logos to program materials or project signage to visibly acknowledge contributors; identifies organizations supporting the work.

Matching Funds—A percentage or fixed amount of non-USG resources that some donors require recipients to provide for a project to be eligible to receive USG funds. See also Cost Share.

Micro-Purchase Threshold—The amount your organization sets under which your procurement process may be simplified. For example, if your small purchase threshold is $1,000, you may be required to secure a minimum of three bids on items above that amount, but not on items equal to or below that amount. There is no USG requirement concerning what that amount should be.

Monitoring and Evaluation (M&E)—The process of collecting and analyzing data and information for the purpose of identifying and measuring a project's impact.

MOU—Memorandum of Understanding.

N

NGO—Non-governmental organization.

NICRA—Negotiated Indirect Cost Rate Agreement (it is a rate negotiated individually between an organization and the USG to cover indirect cost.)

No-Cost Extension (also called a Non-Funded Extension)—When the recipient requests and is given additional time beyond the award end date to use unspent funds from the original award to complete activities.

O

Obligated Amount (or Obligation)—The amount the USG has committed to the program. There is no guarantee that the USG will reimburse the recipient for any spending *above the obligated amount. See also Award* Amount.

Origin—Where an item was originally grown or manufactured. See also *Source*.

OVC—Orphans and Vulnerable Children.

P

Partner—An organization that is part of an alliance intended to maximize contributions of all participating organizations for the purpose of improved performance in implementing project goals.

Per Diem—The maximum amount of money that the USG allows an individual to be reimburse for per day to cover lodging and meals and incidental expenses (M&IE) when traveling on behalf of a project.

Pipeline—The amount of funds obligated but not yet spent. It is calculated by adding up all of the funds spent to date and subtracting that amount from the total obligation to date.

PMTCT—Prevention of Mother to Child Transmission.

Pre-Award Survey—A review of an organization's financial system to determine whether the system meet the minimum requirements of your funding agency before funding is awarded.

Prime Recipient (or "Prime")—An organization receiving direct financial assistance (a grant or Cooperative Agreement) to carry out an activity or program; often known as a prime recipient.

Prior Approval—Written authorization from the funder before an action is taken.

Procurement—Acquiring goods and services in a fair, transparent way in accordance with applicable rules and regulations.

Program Income—Funds earned by the program for the benefit of the program itself. For example, program income comes from charging fees for services or from the sale of commodities. It is also earned by selling equipment purchased with program funds that is no longer needed. PEPFAR programs rarely include program income. Note: Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.

Prohibited Items—Goods or services that cannot be purchased under any circumstances. See also Restricted Items.

Prohibited Source—Any person seeking official action by the USG employee's agency, or who does business or seeks to do business with the employee's agency.

Promotion—Any type of tactic other than advertising (for example, special events, posters, T-shirts, fliers) used by a marketer (for example, an NGO) to increase the awareness of a product, service or idea among specific target audiences.

R

Reasonable Cost—A cost that is generally recognized as ordinary and necessary and that a prudent person would incur in the conduct of normal business.

Restricted Items (or Restricted Commodities)—Goods or services that cannot be purchased without specific written permission in advance. See also Prohibited Items.

S

SAPR—Semi-Annual Performance Report (sometimes pronounced "Sapper"). Report due six months into the implementation of your annual workplan that updates the USG on your project's progression. See also *APR*.

SF-270—Standard Form 270 Request for Advance, used to request funds for a grant or Cooperative Agreement.

SF-425—Standard Form 425 Federal Financial Report, used to prepare financial reports for a grant or Cooperative Agreement.

Shared Project Costs—Goods and services benefiting multiple projects and for which a vendor cannot invoice each project separately; therefore, the costs are charged to each benefiting project based on a pre-approved formula.

Significant Rebudgeting—Moving funds between budget categories above a certain threshold set by your funding agency.

Source—Where you procure an item or a service, regardless of where it was originally manufactured. This is generally the location of the vendor. See also *Origin*.

SOW—Scope (or Statement) of Work. See *Terms of Reference.*

Standard Budget Categories—Nine standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, Construction (sometimes replaced with "program costs" for non-construction projects), Other and Indirect Costs (NICRA).

Strategic Planning—An organization's process of determining its direction or strategy and making decisions related to pursuing it. According to an adaptation from *The Field Guide to Nonprofit Strategic Planning and Facilitation*, "Simply put, strategic planning determines where an organization is going over the next year or more, how it's going to get there and how it will know if it got there or not."

Subaward—Funding issued to an organization through an intermediary that manages the funds for the original funder.

Subrecipient (or "Sub")—An organization receiving financial assistance to carry out an activity or program through a primary recipient (or other subrecipient). See also *Prime Recipient*.

Substantial Involvement—The right USAID retains to maintain some control over an assistance project funded through a Cooperative Agreement. This right usually includes the ability to approve workplans, budgets, Key Personnel, monitoring and evaluation plans and subrecipients. The areas of substantial involvement are specified in the Agreement.

T

TA—Technical Assistance.

Target—An estimated number of beneficiaries you expect to reach for a particular indicator within a defined period.

Terms of Reference—(TOR) Terms that describe the purpose and structure of a project, usually created during the early stages of project management. Also called a Scope or Statement of Work (SOW).

Total Estimated Cost—The total projected cost of your project included in your Cooperative Agreement.

U

Unallowable Costs—Costs that cannot be reimbursed either because of regulations or because the cost is not reasonable or appropriate.

Unit Cost—The actual cost of your program divided by the actual number of targets reached. For example, a $100,000 prevention program that reaches 1,000 people has a unit cost of $100 per person reached.

USAID—United States Agency for International Development.

USG—United States Government.

V

VAT—Value-Added Tax, levied on the purchase of goods and services, similar to the U.S. sales tax.

VCT—Voluntary Counseling and Testing.

Vehicle—"[S]elf-propelled vehicles with passenger carriage capacity, such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized bicycles and utility vehicles" (22 Code of Federal Regulations 228.13 [b]).

W

Waiver—The written permission required to eliminate the requirements of a specific policy. Authorized individuals, such as AOs and AORs, may grant waivers to meet specific project needs.

Workplan—Document that lays out your planned activities, resources required and targets.

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