



# Fixed **Amount Awards** to Non-Governmental Organizations

An Additional Help Document for  
ADS Chapter 303

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## I. PURPOSE

The purpose of this Additional Help document is to provide Agreement Officers (AOs) and Agreement Officer's Representatives (AORs) with guidance on how to draft, award and administer Fixed **Amount Awards** to Non-Governmental Organizations (NGOs), particularly non-U.S. NGOs with limited or no previous USAID experience. The guidance should help AOs and AORs ensure that

- Risks are assessed and mitigated
- The recipient can fulfill the objectives of the grant
- USAID can close out the grant and evaluate the results

## II. USE OF FIXED **AMOUNT AWARD** GRANTS

When used appropriately, a **fixed amount award** provides several advantages for both USAID and the recipient. It focuses on outputs and results, limits risk for both parties, and requires only limited financial and management capacity.

**Fixed amount (fixed price) awards are appropriate when the work that will be performed can be priced with a reasonable degree of certainty. Samples of appropriate mechanisms to establish an appropriate price include the non-Federal entity's past experience with similar types of work for which outcomes and their costs can be reliably predicted, or the non-Federal entity can easily obtain price estimates (e.g., bids, quotes, catalog pricing) for significant cost elements. Appropriate activities for fixed amount awards include, but are not limited to:**

- Conferences
- Studies
- Surveys
- Workshops
- Policy papers
- Disaster or humanitarian relief and assistance
- Technical development assistance when costs can be segregated by milestone

Development sectors that lend themselves to the use of **fixed amount awards** include, but are not limited to, education, health, agricultural development, and disaster assistance. As stated in **ADS 303.3.25**, **fixed amount awards** are not appropriate for the purchase of real property.

**Fixed amount awards and institutional capacity building.** A **fixed amount award** can be used for many activities and can be awarded to grantees with any level of experience. However, when awarding to a non-U.S. NGO with little or no experience in receiving and implementing USG grants, a **fixed amount award** can provide a manageable vehicle for both USAID and the recipient and assist in building institutional capacity as the recipient completes the grant activities. During the period of a **fixed amount award**, these NGOs, including local and community organizations, have the

opportunity to strengthen and improve their internal procedures, systems, and policies. By doing so, they can then improve their ability to access and manage resources from USAID or other donors.

An organization with limited or no experience in receiving USG grants, as a recipient of a **fixed amount award**, will often need the assistance of USAID at all stages, including pre-award and post-award, for compliance with USAID requirements and successful completion of the grant. Relevant Mission or Bureau staff should provide assistance and guidance to these NGOs to help them improve their own organization, accounting and other systems, and overall institutional capacity. This assistance will help NGOs to qualify for future funding from USAID and other donors and for larger amounts on a reimbursable basis. These considerations should be part of the overall program implementation strategy. Due diligence in the planning and pre-award stages is essential to a successful activity under a **fixed amount award**.

### III. SETTING MILESTONES AND STRUCTURING PAYMENTS

Milestones are for a verifiable product, task, deliverable, or goal of the recipient. **Milestones must be objectively verifiable regarding completion and quantity and within the recipient's span of management control to successfully complete as designed.**

The milestones will generally have three parts: (1) a description of the product, task, deliverable, or goal to be accomplished; (2) a description of how the recipient will document the completion of the product, task, deliverable, or goal; and (3) the amount that USAID will pay the recipient for the deliverable. Some milestones may also have dates indicating when the milestone is expected or required to be completed. However, depending on the nature of the activities in the award, a milestone date may not be necessary or appropriate and/or milestone completion may or may not be sequential when dates are estimated/required. The specifics of the milestone timing (and whether or not there is flexibility) should be detailed in the Award Schedule. Additionally, milestone completion dates may be specified such that there are financial incentives for completing by specified date(s).

Examples:

Milestone	Documentation	Milestone Amount
1. Survey in X province	Survey Report	\$1000
2. Training in X province	Training materials and attendance	\$1000

The award document should contain additional detail on what is expected for each milestone, as well as the contents of the documentation.

The individual milestone payments do not necessarily **have to** reflect costs incurred for that milestone, but the combined total of the milestone payments must reflect the total costs expected to be incurred for performance of the award. In other words, the total cost of the award must be reasonable **with no increment above actual cost. However, when the amount of the milestone payment exceeds the estimated cost of the**

milestone, the AO must determine that amount to provide liquidity for the project throughout the life of implementation. Allocation of payments based on milestones should enable the recipient to move forward with the activity and help obtain assets needed for the next milestone. The milestones should provide an incentive for the recipient to complete activities through the end of the grant. For example, the last milestone payment may be smaller in terms of amounts or percentages than other milestones, but still sufficient to ensure that the final milestone is completed.

The recipient must provide a budget, budget narrative, adequate cost, and historical or unit pricing data to establish a reasonable cost and the assurance that the recipient will realize no increment above actual cost. Once the award amount is set and is allocated among the milestones, the milestone payments become the fixed amount for each milestone. Therefore, what the recipient actually spends to complete the milestone is irrelevant. As such, it is critical that the award total is thoroughly reviewed and determined reasonable before allocating the specific amounts to the milestones.

The recipient may need to procure equipment or supplies (excluding real property) for its own use or for beneficiaries of its program in order to accomplish a milestone. However, it is only when the purchase of equipment or supplies is itself the milestone and such purchase is specifically named in that milestone that the recipient must comply with USAID source and nationality rules ([22 CFR 228](#)) (see USAID policy in [ADS 310](#) and [ADS 312](#)). Otherwise, purchases of the recipient that are incidental to the recipient's completion of a milestone are not deemed "financed" by the fixed amount award notwithstanding that their costs were included in the estimate upon which the total amount of the fixed amount award was negotiated.

The initial milestone may be critical for providing the recipient with financial liquidity and the ability to continue activities. Generally, it should reflect some realistic accomplishment that can be verified by the AO or AOR.

Examples of initial milestones are:

Milestone	Documentation	Milestone Amount
1. Implementation Plan	Implementation Plan approved by	\$ or local currency
2. Setting up office	Confirmation of office set up signed by AOR following office visit.	\$ or local currency
3. Recruiting and training of key staff	Resumes, training sign-in sheets, and copies of training materials.	\$ or local currency

When making an award to an NGO with limited or no previous USAID experience, the recipient may have limited resources to initiate the activity or maintain a sufficient reserve of funds during implementation and through the completion of the grant. The AO and activity manager are encouraged to work with the recipient to structure milestone payments that facilitate an initial mobilization of the grant and provide

sufficient liquidity for the recipient to achieve the next milestone. The initial milestone should be established reasonably early in the grant period, for example, 14 days after the award of the grant, and generally no later than 30 days after award. Subsequent milestones should be established as frequently as is reasonable for the recipient's program and the period of the grant. Generally, milestones should be set quarterly or more frequently. Frequent milestones, such as every 30 days, reduce risk for both the recipient and USAID and allows for effective oversight of the grant.

Advances may be authorized when providing liquidity through an initial financing milestone is not sufficient to meet implementation requirements, provided the recipient has the capacity to effectively manage U.S. Treasury advances, and meets the checklist capabilities presented in paragraph 6 of the FOG Entity Eligibility Checklist. Recipients not eligible for a Letter of Credit **advance payment mechanism** may use the working capital advance methodology. See [ADS 636](#) for additional information **related to advance payment mechanisms and procedures**. A working capital advance may be provided up to one time annually to meet liquidity needs. Advances will be liquidated based on completed milestones.

#### **IV. ELIGIBILITY AND COMPETITION**

As is the case for all **types of assistance awards, fixed amount awards** must be awarded through competitive procedures **and unrestricted eligibility** except when **an exception restricting eligibility** in [ADS 303.3.6.5](#) applies to the **fixed amount award**.

When **soliciting** prospective **fixed amount awards**, AOs are not restricted to using Requests for Applications and are encouraged to consider Annual Program Statements (APS) that cover a broad development sector. The use of an APS may be an efficient **solicitation** method for **fixed amount awards**.

To be efficient, an APS should provide a streamlined process for applicants and USAID **reviewers**. One approach would be for the APS to request a preliminary budget of no more than two pages and a concept paper of no more than five pages. An SF-424 may be used but is not required. **Review** of the concept paper should be on a pass/fail basis to avoid complex or numerous **review** criteria. The **application review** process should be clear and transparent and include sufficient criteria to establish priority for funding.

When the Mission or Bureau has sufficient capability, applications may be submitted in the applicant's native language without requiring a translated copy. However, in accordance with [ADS 303.3.20](#), the APS or RFA **must** state that the official language of all awards will be English.

The Mission may consider holding a pre-**application** meeting with potential applicants in order to explain the **fixed amount award** application process.

#### **V. FIXED AMOUNT AWARD APPLICATION PROCESSING**

After the technical office **reviews** the concept papers, the AO requests that the

selected organizations submit an application. This application must have the minimum information necessary to **assess the applicant's risk**, consistent with the procedures in **303.3.25** and the Fixed Amount Award Entity Eligibility Checklist. The AO will work with the Activity Manager and the partner to set milestones and milestone payments, including determining that the **recipient will realize no increment above actual** cost. The AO will then make an award. For awards to NGOs with limited or no previous USAID experience, the AO and Activity Manager should, when necessary and as appropriate, assist the organization with refining budgets and implementation plan details for the application.

In preparing the budget, the partner must provide sufficient cost, **historical or unit price data** for the AO to negotiate milestones and ensure that **awardee will realize no increment above** actual cost. A thorough cost **review** of the activity is critical to the successful use of the **fixed amount award type of grant agreement**. The Controller and AO should work closely with the applicant to include all reasonable and realistic costs the applicant can expect to incur to complete the milestones.

## **VI. RISK ASSESSMENT**

The AO uses the **Fixed Amount Award Entity Eligibility Checklist** to assess the NGO's capacity and capabilities for accomplishing the milestones. If the assessment identifies weaknesses or deficiencies in the organization that call into question the ability of the organization to complete the proposed activity, the technical office and the AO, as part of the risk assessment required in **ADS 303.3.25**, should document the weaknesses and deficiencies and describe the mitigation measures to reduce or eliminate the risk of failure to the organization and the Agency. Mitigation measures may include, but are not limited to the following: capacity building technical assistance, including but not limited to financial management and procurement functions; or, increased monitoring visits to confirm adequate progress on milestones.

## **VII. AWARD AND ADMINISTRATION OF FIXED AMOUNT AWARDS**

**a. Post-award orientation meeting.** After the award of the **fixed amount award**, the AO and AOR are encouraged to conduct a post-award orientation meeting with the recipient. The post-award orientation meeting is an essential tool to help USAID and the recipient achieve a clear and mutual understanding of the **fixed amount award's** requirements. The meeting helps a recipient with limited or no USAID experience understand the roles and responsibilities of USAID officials administering the grant and reduces performance risks and future problems. It is an opportunity to review, discuss and clarify key aspects of the grant and its administration, help the recipient meet the intended goals and outputs of the grant and contribute to building the recipient's institutional capacity. In addition, it should identify those areas where the recipient may need additional help in meeting the grant's conditions.

Items to be discussed at the meeting should include, but not be limited to, the authority of USAID personnel who administer the grant, the specific terms and conditions of the grant, USAID's monitoring and evaluation plans, milestones, requests for payment, voucher approval, and payment procedures.

**b. Monitoring and Site Visits.** Because monitoring of the recipient and the grant activities is based on fixed-cost milestones, and is not tied to incurred costs, it is important that the AO and AOR conduct appropriate monitoring and oversight of the recipient. To mitigate risks, the AO, AOR, or other representative is encouraged to conduct site visits frequently to ensure that satisfactory progress is being made and the milestones are being met.

**c. Amending Milestones.** As authorized in ADS 303.3.25c, the AO may amend milestones or increase milestone payments during the period of the grant if conditions affecting the ability of the recipient to meet the milestone or cost assumptions change for reasons beyond the recipient's control. Such conditions may include, but are not limited, to natural causes ("force majeure") or political upheaval, but they should not be the result of reasonably foreseeable events. The amended milestones should be consistent with the program the original milestones intended to implement. If the AO determines that multiple or substantial amendments indicate that the recipient is unlikely to accomplish the program and that continuing the grant is no longer in the best interests of the government, then the AO may terminate the grant and consider settlement costs for partially finished milestones.

**d. Payment.** All requests for payment must correspond to a milestone specified in the **fixed amount award**. Vouchers must list milestones, not costs, as the product, task, deliverable or objective for which reimbursement is being made. The AOR or AO independently verifies and documents that the milestone has been completed; however, the AOR or AO may choose to rely on verification by a third party verifier. Documentation may include trip reports of site visits to verify that the recipient completed the milestone(s) (see b. above). Only the AOR or the AO may give administrative approval of recipient vouchers.

Since **fixed amount award** payments are for fixed-amount milestones, USAID does not need to, and in fact should not, attempt to verify that the recipient incurred the costs as estimated in making the award. Any actual differences between the estimated costs used to set the milestone payments and recipient's actual incurred costs cannot be used to adjust the agreed upon amount for the milestone. The documentation required for payment relates to proof that the milestone was completed in the manner of verification required in the **fixed amount award**. The specifics of required documentation or verification should be provided in the milestones themselves (see milestone examples above) and detailed in the program description.

Because payment follows verification of milestone completion, the timing of verification should be planned in the award and conducted in administration of the award in a timely manner so as to assist the recipient in receiving payment as soon after completing milestones as possible. Before administrative approval is provided on a voucher for a completed milestone, the AOR must verify that the milestone, in fact has been completed. At the time of award, the AOR must develop an internal verification/monitoring plan that details what is acceptable for verification purposes. Verification may, but does not always have to, include physical confirmation, or an on-site visit either by USAID or a 3rd party, for every activity under a milestone. To a

limited extent verification may be done by appropriate analysis of written documents (vouchers, training sign-up sheets), photos, videos, or other means designed to ensure activities are satisfactorily completed (and therefore mitigate USAID risk) while at the same time allowing for timely payment to the recipient which then allows them to start work on the next milestone. On-site monitoring should, when feasible, be timed to occur at milestone completion and thus not delay the payment process. Verification for payment purposes must be documented sufficiently for programmatic audit purposes.

**e. Local capacity development of NGOs with limited or no previous direct experience with USAID or the USG.** If the recipient of a **fixed amount award** has limited or no previous direct experience with USAID or the USG, and one of purposes of the **fixed amount award** is to build that organization's capacity, then access to the organization's financial records or the accounting, recordkeeping and overall financial management systems may be necessary in order to provide technical support or other assistance to the NGO. But note that such access is not to verify actual expenses in order to adjust milestone payments. Such milestone payments are fixed-amount. However, such access may be for purposes of assisting the organization in implementing procedures or setting up accounts to build its capacity to accept a cost reimbursement award at a later date.

Because **fixed amount awards** to non-U.S. nongovernmental organizations are not subject to annual audit requirements (ADS 591.3.2.1g), the AO should secure the recipient's agreement to allow USAID access to these records and systems. The AO should emphasize to both the recipient and other USAID personnel that the purpose of this access is solely for providing technical assistance to the recipient in capacity building, and cannot be used to audit costs related to the **fixed amount award**. However, if in the course of providing technical assistance, the AO or AOR identify questionable accounting practices or possible improper conduct on the part of the recipient, then the AO or AOR should take appropriate action, including assisting the organization in correcting its procedures and/or systems to rectify the error or notifying the Agency suspension and debarment official, as appropriate.

## VIII. OTHER RESOURCES RELATED TO CAPACITY DEVELOPMENT

[Where Do You Turn When Looking for Capacity Development Resources?](#)

[Human and Institutional Capacity Development](#)

[Human and Institutional Capacity Development Handbook](#)