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Acquisition & Assistance Policy Directive (AAPD)

From the Director, Office of Acquisition & Assistance Issued: July 14, 2020

AAPD 20-06

Use of Additive Approach for Program Income by For-Profit Entities

Subject Category: Assistance
Type: Policy

AAPDs provide information of significance to all agency personnel and partners involved in the Acquisition and Assistance process. Information includes (but is not limited to): advance notification of changes in acquisition or assistance regulations; reminders; procedures; and general information. Also, AAPDs may be used to implement new requirements on short-notice, pending formal amendment of acquisition or assistance regulations.

AAPDs are EFFECTIVE AS OF THE ISSUED DATE unless otherwise noted in the guidance below; the directives remain in effect until this office issues a notice of cancellation.

This AAPD: Is New Replaces/ Amends CIB/AAPD No:

<p>Applicable to:</p> <p><input type="checkbox"/> Existing awards; <input type="checkbox"/> Modification required</p> <ul style="list-style-type: none"><input type="checkbox"/> No later than<input type="checkbox"/> As noted in guidance below <p><input type="checkbox"/> RFPs issued on or after the effective date of this AAPD; all other Pending Awards, i.e., 8(a), sole source, IQC</p> <p><input checked="" type="checkbox"/> NFOs / RFAs / APS' issued on or after the effective date of this AAPD</p> <p><input type="checkbox"/> Other or N/A</p>	<p>Precedes change to:</p> <p><input type="checkbox"/> FAR Part(s)</p> <p><input type="checkbox"/> AIDAR Part(s) Appendix</p> <p><input type="checkbox"/> USAID Automated Directives System (ADS) Chapter</p> <p><input checked="" type="checkbox"/> Other Code of Federal Regulations 2 CFR 700</p> <p><input type="checkbox"/> Other</p> <p><input type="checkbox"/> No change to regulations</p>
<p><input checked="" type="checkbox"/> New Provision/Clause Provided Herein: If checked, date scheduled for update to [GLAAS or other system]: _____</p>	

/s/
Mark Anthony Walther

PURPOSE: This AAPD notifies Agreement Officers (AOs) that a class exception to 2 CFR 700.13(a)(2) was approved by the AA/M to allow AOs to authorize the additive approach of program income for assistance awards to for-profit entities to be used for the purposes and under the conditions of the USAID award. This change will be made in 2 CFR 700 through the rule-making process, as shown in Tab 1. In the meantime, AOs must follow the requirements in this AAPD.

Required Action: If program income is anticipated, the AO determines the most appropriate use of such program income and must specify in the award how such program income will be treated. This may include applying one of the three approaches (deduction, addition, or cost-sharing) described at 2 CFR 200.307(e). The AO must insert the applicable Standard Provision, “Program Income” in assistance awards to both U.S. and non-U.S. NGOs.

BACKGROUND:

Program Income

2 CFR Part 700 is the USAID supplemental regulation adopting the Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards to Non-Federal Entities (subparts A through F of 2 CFR Part 200). 2 CFR 700.13(a)(2) states: “Program income. As described in §200.307(e)(2), program income earned by a for-profit entity may not be added to the Federal award.”

However, a class exception to 2 CFR 700.13(a)(2) was approved by the AA/M. This means AOs are now authorized to approve the additive approach for program income generated under an assistance award to any recipient, even if it is a for-profit entity.

Effective Partnering and Procurement Reform (EPPR)

Recommendation 31 of the EPPR initiative states:

Revise Agency policy (2 CFR 700.13) to allow use of “program income.” Federal regulations allow the USG to reinvest any financial returns generated from an activity, known as “program income” with a private sector partner. USAID does not use this authority, unless an exception is granted. As a result, USAID is potentially forgoing opportunities to expand the results of ongoing activities. Policy will be updated to allow for this “additive approach” and guidance will be developed to support its use. Responsible Bureau(s): LAB, E3, M, GC.

Based on this recommendation, the Agency has approved a class exception to 2 CFR 700.13(a)(2) to allow AOs to use the additive approach for program income in assistance awards made to for-profit entities. This AAPD provides the initial guidance required by the EPPR recommendation for the use of program income added to a for-profit entity’s funding under a USAID award.

GUIDANCE:

To implement this recommendation

- ADS 303 has been revised to include additional guidance, including criteria for the appropriate use of program income, as applicable, and what additional restrictions and requirements AOs should consider when allowing the use of program income in assistance awards, and
- A new required standard provision (as applicable), Program Income, for US nongovernmental organizations has been incorporated into ADS 303 mandatory reference ADS 303maa, and a revised required standard provision (as applicable) for non-US nongovernmental organizations has been incorporated into ADS 303 mandatory reference ADS 303mab.

When appropriate, program income can be useful in defraying program costs and enhancing program objectives. AOs are encouraged to consider the use of program income in assistance awards. AOs may find it useful to discuss with planners in advance of the NOFO whether activities or programs may be expected or have the potential to generate program income.

Point of Contact: Please direct any questions on this AAPD to [“Ask M/OAA Policy”](#)

Attachment: Tab 1 – Revised text of 2 CFR 700

Tab 1 – Revised text of 2 CFR 700

§700.13 Additional provisions for awards to for-profit entities.

(a) This paragraph contains additional provisions that apply to awards to forprofit entities. These provisions supplement and make exceptions for awards to forprofit entities from other provisions of this part.

(1) Prohibition against profit. No funds will be paid as profit to any for-profit entity receiving or administering Federal financial assistance as a recipient or subrecipient. Federal financial assistance does not include contracts as defined at 2 CFR 200.22, other contracts a Federal agency uses to buy goods or services from a contractor, or contracts to operate Federal government owned, contractor operated facilities (GOCOs). Profit is any amount in excess of allowable direct and indirect costs. [See 2 CFR 200.307, Program Income.]

(b) [Reserved]