

## *An Implementing Partner's Guide to*

# TYPES OF ASSISTANCE INSTRUMENTS

USAID uses several major types of instruments when funding assistance programs. Implementing Partners (IPs) need to understand the characteristics of each since the type of instrument selected can affect both award planning and management responsibilities.

The Federal Grants and Cooperative Agreement Act (FGCAA) of 1977 provides for two broad categories of assistance – grants and cooperative agreements – that differ in the amount of involvement of the USAID AOR in the activity and the degree of award administration permitted. Although there are some variations within each category, the essential characteristics of each broad type of assistance instrument are similar.

This guide focuses on the types of assistance instruments described in the Federal Grants and Cooperative Agreement Act (FGCAA) as well as those found in the Federal Uniform Guidance for Assistance (2 CFR 200) and USAID Automated Directives System (ADS) 303 policy.

### Who decides what type of assistance instrument to use?

The USAID Agreement Officer (AO) chooses the type of assistance instrument prior to issuing a Notice of Funding Opportunity (NOFO). The USAID AOR typically provides input on instrument type and therefore must fully understand the award objectives and the capacity and limitations on staff to monitor and manage the finalized award.

Note that the instrument selection can also be negotiated between the AO and recipient. In the interest of streamlining competitive award processes, these issues should be settled at the question and answer stage of a NOFO, before the application submission deadline.

IPs should be aware of regulatory prohibitions, for assistance:

- Grants or cooperative agreements should never be used, in accordance with the FGCAA, when the purpose of the instrument is the acquisition, by purchase, lease or barter, of property or services for the direct use of the Federal Government (the government should use contracts in this circumstance); and
- A recipient (including subawardees) is not permitted profit on assistance instruments unless expressly authorized in the terms and conditions of the award or an administrative support effort. The prohibition against profit does not apply to contracts (procurements) made under the assistance instrument when the recipient procures goods and services for its own use in carrying out its program and the award creates a procurement relationship with the contractor.

### What factors are considered in deciding award type?

As stated previously, AORs recommend and the AO must select the appropriate implementation instrument based on the FGCAA. The decision should be primarily based on the principal purpose of the relationship being created by the specific transaction, as described in USAID policy (ADS 304). In order for the AO to determine the appropriate instrument, he or she must determine the nature of the relationship between USAID and the awardee, as well as the intended purpose of the award.

For assistance instruments, the Agency's purpose is to financially support the recipient in its accomplishment of a public purpose. This essentially means that the relationship is a "transfer of anything of value" from the Agency to the recipient to further a program goal. This is in contrast to the award of a contract in which USAID buys services or supplies to fulfill an Agency need. With assistance, the U.S. government "sponsors" a recipient's program; with acquisition, it "owns" the program or activity.

If the AO determines that the appropriate instrument is one of assistance, the FGCAA requires that the AO decide whether it is anticipated that there would be substantial involvement between USAID and the recipient during the performance of the proposed activity. This determines the appropriate assistance instrument as follows:

- If substantial involvement is not anticipated between USAID and the recipient during the performance of the proposed program, then a grant is the appropriate assistance instrument; OR
- If the AO determines that USAID substantial involvement during the administration of an award is necessary for the achievement of the program's objectives, then a cooperative agreement is the appropriate assistance instrument.

It is important to understand that substantial involvement does not allow for USAID to direct or control performance under the cooperative agreement. The AO and AOR should closely examine the level of involvement needed under an assistance award, as USAID can be programmatically involved to a certain degree; but, it cannot apply procurement rules or unique administrative practices to assistance.

If the AO determines that there will be no substantial involvement in USAID's management of an assistance program, he or she then determines which type of grant would be best suited for the activity and the recipient's capabilities.

## Is one type of assistance instrument favored over another?

Generally, USAID favors no type of assistance instrument over another. The nature of the program, nature of the relationship between USAID and recipient, and capabilities of the recipient are the most significant determinants for type of instrument. For example, if a local partner has little or no experience managing USAID or other government-based foreign aid agency programs and funds, but has significant experience in a particular program area and can easily predict the program costs associated with discrete benchmarks, a Fixed Amount Award (FAA) would be the preferred instrument.

## What are the characteristics of grants?

A grant is a legal instrument used when the principal purpose is to transfer anything of value (i.e. money, property, or services) to a recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute. Grants are appropriate when substantial involvement by USAID is not anticipated.

USAID uses a variety of grant types, including:

- Standard grant
- Simplified grant
- Fixed Amount Awards (previously known as Fixed Obligation Grants)
- Leader with Associate (LWA)

## What are the characteristics of cooperative agreements?

A cooperative agreement is a legal instrument used when the principal purpose is the transfer of anything of value, to a recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and when substantial involvement by USAID is anticipated. In other words, a cooperative agreement is a grant with substantial involvement.

Agency policy defines substantial involvement as USAID being substantially involved in the administration of a cooperative agreement to help the recipient achieve the agreement objectives. USAID policy stipulates four general areas of substantial involvement that are permitted:

- Approval of the recipient's implementation plan (work plan);
- Approval of specified key personnel;
- Collaboration or joint participation in award-specific program areas; and
- Halt of a construction activity.

The AO may approve other types of agency oversight that is limited in scope and appropriate to assistance instruments through the inclusion of specific conditions, based on the findings of a risk assessment.

There are no deliverable, milestone-based (i.e. simplified or FAA type) cooperative agreements. Leader with Associate (LWA) awards can be cooperative agreements if appropriate.

## What are the characteristics of fixed amount awards (FAAs)?

A FAA is a grant agreement where USAID provides a specific level of support and where payment is based on the achievement of milestones as opposed to the actual costs incurred by the recipient. This type of award reduces some of the administrative burden and record keeping requirements for both the recipient and USAID. Accountability is based primarily on performance and results. It is essential that the program scope is specific and that adequate cost, historical or pricing data is available to establish a FAA with the assurance that the recipient will realize no increment above the actual cost. USAID should award a FAA when programmatic accomplishments and results are easily quantified into benchmarks or deliverables.

In order to award a FAA, the following conditions must be met:

- The assistance instrument must be a grant, and
- Period of performance is no more than 3 years.

Note that prime FAAs have no dollar limitations for both U.S. and Non-U.S. recipients.

FAAs have proven to be sound instruments for improving managerial capacity of non-U.S. organizations. USAID may create milestones such as “development of internal control system,” “development of procurement policy,” “creation of a business plan,” or even “draft work plan” as preliminary milestones to help non-U.S./foreign organizations increase their knowledge base of systems and procedures necessary in order to manage USAID funds appropriately.

## What are the characteristics of simplified grants?

Simplified grants are appropriate when:

- USAID will award a grant, not a cooperative agreement,
- The total amount does not exceed the simplified acquisition level of \$150,000,
- The recipient will not purchase any goods or services, or equipment, and
- No indirect costs will be charged.

USAID should use Simplified Grants when:

- The activity is of short duration, and
- There is not adequate cost data available to “fix” the price of the grant (i.e., cost reimbursement method of payment is appropriate versus a fixed price that is used with a FAA).

## What are the characteristics of leader with associate awards?

A Leader with Associate (LWA) award involves the issuance of a leader award that covers a specified worldwide activity. The leader award includes language that allows a Mission or other office to make one or more separate awards, called associate awards, to the leader award recipient without using restricted eligibility. The associate award must be within the terms and scope of the program description of the leader award and support a distinct local or regional activity.

A leader award must be made with a program description and a budget with sufficient funds to carry out the program description in the leader award. Associate awards are then made without using fair opportunity procedures.

When an AO issues a solicitation for a LWA, the NOFO will state that the competition covers both the initial Leader Award and all subsequent Associate Awards. The NOFO will also specify a ceiling on the total amount of funding for the leader award as well as the ceiling for all associate awards. These amounts must not be exceeded without a justification to restrict eligibility, in accordance with USAID’s ADS 303.

It is important to note that Leader and Associate Awards are separately obligated instruments. An obligation under the Leader Award is not transferable to Associate Awards (nor transferable from the Associate Awards to the Leader Award or other Associate Awards) without a de-obligation and re-obligation of funds in accordance with USAID policy. LWAs may be either grants or cooperative agreements.

## Key Takeaways

- The AO makes the final decision regarding the award type for a particular assistance program.
- There are two broad categories of assistance instruments:
  - Grants: where USAID is not substantially involved in the management of the program objectives; and
  - Cooperative agreements: where USAID is substantially involved per the award terms.
- The key factors in determining the type of assistance instrument are: nature of USAID’s relationship with the recipient, the nature of the program, and the management capabilities of the recipient.

# TYPES OF ASSISTANCE INSTRUMENTS

TYPE	DESCRIPTION	USE	CONDITIONS
<b>Standard Grant</b>	<p>USAID provides a “transfer of anything of value ” to support the recipient’s program.</p> <p>Recipient normally paid by Letter of Credit for U.S. NGOs and advances for Non-U.S. NGOs.</p>	<p>Period of performance of up to 5 years.</p> <p>Recipient performs according to its program description that USAID includes in the award.</p>	<p>USAID will not be substantially involved.</p>
<b>Simplified Grant</b>	<p>USAID reimburses the recipient for its performance under the award.</p>	<p>Period of performance typically of short duration.</p>	<p>USAID will not be substantially involved.</p> <p>Will not exceed \$150,000.</p> <p>All costs must be direct costs (no indirect costs permitted).</p>
<b>Fixed Amount Award (FAA)</b>	<p>USAID makes payment at the achievement of pre-determined milestones.</p>	<p>Period of performance 3 years or less.</p> <p>Milestones are easily discernable.</p>	<p>USAID will not be substantially involved.</p> <p>No dollar limit for USAID prime FAA awards.</p>
<b>Cooperative Agreement</b>	<p>USAID provides a “transfer of anything of value” to support the recipient’s program.</p> <p>Recipient normally paid by Letter of Credit for U.S. NGOs and advances for Non-U.S. NGOs.</p>	<p>Period of performance of up to 5 years.</p> <p>Recipient performs according to its program description that USAID includes in the award.</p>	<p>USAID is substantially involved in award-specific program areas.</p>