PREPARING BUDGETS FOR USAID ACQUISITION SOLICITATIONS
“How to Work with USAID” Training Series

Visit WorkwithUSAID.org to learn more.
LEARNING OBJECTIVES

• Review how to effectively interpret USAID acquisition solicitations.
• Learn how to evaluate criteria to identify a good funding fit.
• Determine the key elements needed to prepare accurate budgets in response to solicitations.
• Discover resources to help you successfully prepare proper cost proposals.
USAID Mission:

To lead the U.S. Government’s international development and disaster assistance efforts.

USAID offers this assistance on behalf of the American people through partnerships and investments that:

- Save lives;
- Reduce poverty;
- Strengthen democratic governance; and
- Help people emerge from humanitarian crises and progress beyond assistance.
USAID has two types of solicitations that may result in two types of awards: acquisition and assistance.

1. **ASSISTANCE AWARDS: grants and cooperative agreements**
   The Agency provides funds to accomplish a public purpose and will have limited involvement.

2. **ACQUISITION AWARDS: contracts**
   USAID purchases goods and services from a contractor for USAID’s own use or to implement an Agency activity. USAID is an involved buyer and provides primary direction under strict terms and conditions. To be considered, submit a proposal.

For details, see the “Understanding USAID Awards” module.
Several sets of general regulations govern USAID awards.

**U.S. GOVERNMENT REGULATIONS**

- The **Code of Federal Regulations (CFR)** governs how USAID issues acquisition and assistance awards.
- **Federal Acquisition Regulations (FAR)** include primary rules that guide how U.S. Government agencies acquire supplies and services.

**USAID INTERNAL POLICIES**

- The **Automated Directives System (ADS)** outlines operational policies covering all Agency and partner activities. Acquisition awards are governed by ADS Chapter 302: “Direct Contracting.”
- **USAID Acquisition Regulations (AIDAR)** govern how USAID administers public funds.
**Request for Proposal (RFP)**
Document the Agency uses to announce USAID funding opportunities

**Budget line items**
Define deliverables or organize information about deliverables in your budget

**Negotiated Indirect Cost Rate Agreement (NICRA)**
Document that reflects an estimate of indirect cost rates negotiated between the U.S. Government and a U.S. organization (Partners without a NICRA may instead use a 10-percent de minimis rate.)

**Financial review**
Analysis of a USAID-funded organization’s financial policies, procedures, systems, and controls

**Contractor Performance Assessment Reporting System (CPARS)**
System used by USAID to evaluate and record various aspects of a contractor’s performance

**Contracting Officer’s Representative (COR)**
Your main point of contact with USAID for technical matters
CONTRACT TYPES
Fixed-price contracts are used to make payments when a partner achieves agreed-upon milestones. They are usually used for services, equipment, goods, or supplies for which the contractor provides the rationale for prices.

**Firm fixed-price contract:** Value is set at the time of the award and the price cannot change, even if the contractor’s cost experience changes.

**Fixed-price contract with economic price adjustment:** Allows for some revision of the contract price—for example, the amount paid could potentially be increased.

For more details, see the FAR, Part 16.2.
This type of contract usually is used for longer activities that involve extensive technical assistance.

Cost-reimbursement contracts provide for payment of allowable costs to the extent prescribed in the contract.

- USAID is heavily involved in implementation.
- Milestones are not set at the beginning of the activity.
- An estimate of total cost is set at the time of the award.
- The contract includes details about costs the Agency will allow to be reimbursed to the partner.

For more details, see the FAR, Part 16.3.
Some cost-reimbursement contracts have fees and some do not.

- **Without fees:**
  - Cost contract

- **With fees:**
  - Cost-plus-incentive-fee contract
  - Cost-plus-award-fee contract
  - Cost-plus-fixed-fee contract
Incentive contracts
● May be either fixed-price or cost-reimbursement contracts. Incentives can be tied to actual costs, performance, or delivery

Indefinite Delivery Indefinite Quantity (IDIQ) contracts
● Used to acquire supplies or services when the exact times or quantities delivered are not known at the time of the award

Time-and-materials contracts and labor-hour contracts
● Determined by actual costs of materials and hours of labor
CONTRACT TYPES

SUMMARY

Acquisition contract
● USAID defines the primary direction of an activity.

Rules and regulations
● Automated Directives System (ADS)
● Federal Acquisition Regulations (FAR)
● USAID Acquisition Regulations (AIDAR)

USAID contract type
● This is determined primarily by the Agency’s needs.
SOLICITATIONS
IDENTIFY OPPORTUNITIES

Search for acquisition funding opportunities at [SAM.gov](https://www.sam.gov) or USAID’s [Business Forecast](https://www.usaid.gov).
EXPLORE OPPORTUNITIES

Explore acquisition funding opportunities on [SAM.gov](https://www.sam.gov).
To help you evaluate an acquisition solicitation:

1. Determine the main parameters of the contract’s requirements.
2. Review the specifications and requirements of the RFP.
3. Read the instructions several times. They tell you how to prepare your technical and cost proposal (Section L).
4. Closely examine the evaluation criteria (Section M).
This RFP includes:

- Timeline
- Dollar range of contract
- Type of contract
- Proposal deadline
- General overview of activity goals
Notice:

- Open competition
- Eligible organizations
- Cost proposal criteria

USAID/Sri Lanka anticipates one (1) Cost Plus Fixed Fee completion-type contract, covering a performance period of five (5) years from the date of award. The procurement will be conducted through full and open competition procedures pursuant to Part 15 of the Federal Acquisition Regulation (FAR) (48 CRF Chapter 1). Any type of organizations (large or small commercial [for profit] firms and nonprofit organizations) are eligible to compete.

The overall estimated cost of this procurement is approximately $19 million dollars, ($11 million for Maldives and $8 million for Sri Lanka) subject to the availability of funds. The government is in no way obligated to make any award within the maximum estimated cost identified. Officers should not agree to award for maximum amount, rather Officers should propose costs that are appropriate, realistic, and reasonable, and in accordance with the proposal approach for achieving results. Technical proposals together with cost proposals will be evaluated as part of a best value determination.
REVIEW THE DESCRIPTION, SPECIFICATIONS, OR WORK STATEMENT

You will usually find this in Section C of the RFP.

USAID provides the following:

- Goals, objectives, anticipated results; and
- Suggested interventions.

As you read, assess how it fits your organization and consider what materials and staff you will need.
Instructions are in Section L of the RFP, where you will find:

- Submission details;
- Required forms and formats;
- Cost and budget category details;
- Budget narrative requirements; and
- References to applicable regulations.

Find contractual requirements to follow when preparing:

- Representations, certifications, and other statements;
- Organizational policies and procedures;
- Evidence of responsibility;
- Letters of commitment; and
- Information to support consent to major subcontractors.
USAID will evaluate your cost proposal and level of effort on three points.

1. **Reasonable:** Costs are generally recognized as ordinary and necessary.

2. **Allocable:** Costs are incurred specifically for the award.

3. **Allowable:** Costs are not disallowed by the terms of the award.
SOLICITATIONS

SUMMARY

• Determine whether an opportunity is a good fit by reviewing all the details.

• This type of USAID funding is awarded on a competitive basis.

• Is your organization ready?
Review the cost principles (rules) that govern your type of organization.

Use these sections of the Code of Federal Regulations to determine the cost principles that you must follow:

- For-profit entities: Title 48, Part 7 (as well as FAR Part 31 and AIDAR Part 731)
- Nonprofits: Title 2, Part 230
- Educational institutions: Title 2, Part 220
- Overall guidance on administrative, cost, and audit rules: Title 2, Part 700

RFPs typically provide guidance about the budget format and the templates to use.

Find links to these regulations in the “Resources” section.
BUDGET CATEGORIES

**BUDGET NARRATIVE**

Explain all budget categories with sufficient details about how funds will be spent.

**CONTRACTORS AND SUBCONTRACTORS (ACQUISITION)**
- Awarders and Subawardees (Assistance)
- Grants and Subgrants (Assistance)

**SALARIES AND WAGES**
List the key personnel on your project. Note the requirements, salary limits, and cost thresholds.

**INDIRECT COSTS**
Apply your organization’s preapproved Negotiated Indirect Cost Rate Agreement (NICRA).

**FRINGE BENEFITS AND ALLOWANCES**
Present fringe benefits as direct costs. Break down allowances by specific type.

**OTHER DIRECT COSTS**
Provide proper estimates for both operational and programmatic costs.

**TRAVEL AND TRANSPORTATION**
Separate domestic and international travel. Provide the number of trips and cost per trip.

**CONSULTANTS**
Clearly define labor costs and follow daily rates for consultants.

**EQUIPMENT AND SUPPLIES**
Break down and explain pricing for equipment and supplies.
Every solicitation asks for a list of key personnel and staff required for your project.

Your budget proposal should include the following for each key individual:

- Position;
- Name;
- Nationality;
- Daily rate;
- Number of proposed workdays; and
- Total costs.

You must follow the requirements, salary limits, and cost thresholds provided.
In addition to salaries and wages, an organization may provide:

- **Fringe benefits** such as vacation days, health insurance, and retirement benefits. These may be presented as direct costs or as a percentage per authorized NICRA.
  - Fringe benefits vary by country, so make sure you are compliant with local labor laws.

- **Benefit allowances** for costs such as housing, storage, and education. Allowances must be broken down by specific type—such as danger pay or housing—and by person.

Find more guidance on allowances at the [U.S. Department of State Office of Allowances](https://travel.state.gov).
Clearly separate domestic and international travel costs.

Provide the number of trips you anticipate and the estimated cost per trip, including airfare and per diem. Describe the basis of your calculations.

International travel must:

• Be approved in advance.
• Comply with the Fly America Act whenever possible.

Find more guidance on per diem rates at the U.S. Department of State Office of Allowances.
Federal and USAID rules require you to break down and explain pricing and to justify all equipment and supplies.

- **Equipment**—non-expendable personal property—is defined as tangible property with a useful life of more than two years and a unit cost of more than $500.

- **Supplies** include all other items that cost less than $500 and consumable supplies such as pens, pencils, and paper.
A subcontractor is a partner contracted by a lead, or “prime,” partner to meet activity objectives.

- A subcontractor helps make programming decisions, and its performance is measured against activity goals.

- Submit detailed budgets for each subcontractor in separate worksheets or tabs of your Excel file.

- The format of a subcontractor’s budget should be the same as that of the prime’s budget.
Partners may also work with consultants to help with activity implementation.

A **consultant** is a technical expert or specialist who is not your regular employee. A consultant is also a subcontractor.

- Include consultant labor costs in this section of the budget.
- These costs can also be presented as a separate section of your cost proposal.
OTHER DIRECT COSTS

This section generally includes two types of costs:

• **Field office operations costs**
• **Programmatic costs**

Sometimes, the line between these two categories is difficult to determine. Do your best to assign direct costs to either the operations or programmatic function.
Indirect costs include expenses that cannot be attributed to one activity, such as costs in the head office for implementing multiple activities.

Rates for indirect costs may be submitted in two ways:

- **Established partners** typically apply preapproved rates from a Negotiated Indirect Cost Rate Agreement (NICRA) with the Agency.

- **New partners without a NICRA** may opt to budget costs as “direct costs” or they may propose a rate, such as the 10-percent de minimis rate.

Learn more about using the 10-percent de minimis rate.
FIXED FEES

You may provide information in this section to help USAID understand your proposed fixed fees.

Fixed fees usually cover things that cannot be predicted in advance, such as performance efficiencies or risks of operating in a certain country.

Follow U.S. regulations on establishing a profit or fee.
A budget narrative includes:

• Explanations of budget categories;
• Descriptions and justifications of each line item; and
• Sufficient detail to allow USAID to assess proposed costs and see precisely how its money will be spent.

To make it easier for reviewers to understand, ensure that your budget narrative follows the exact format of your detailed budget.

Do not describe mathematical transactions; rather, explain the rationale for the proposed costs.
Build this out to the length of time listed in the solicitation; for example, five years.
### Detailed Budget Example

**3. Travel**

#### 3.1 International Travel

##### 3.1.1 Long-term Technical Assistance (LTTA) Flights

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Unit</th>
<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
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<tr>
<td></td>
<td>Mobilization/Demobilization - One Way</td>
<td>to/from</td>
<td>$350.00</td>
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<td>$1,400</td>
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##### 3.1.2 Short-term Technical Assistance (STTA) - HQ

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<th>Item</th>
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<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International Airfare - Washington DC to Almaty</td>
<td>Almaty</td>
<td>$1,500.00</td>
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<td>$7,500</td>
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</table>

##### 3.1.3 Short-term Technical Assistance (STTA) - Consultants

<table>
<thead>
<tr>
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<th>Description</th>
<th>Unit</th>
<th>Rate</th>
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<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International Airfare - Washington DC to Almaty</td>
<td>Almaty</td>
<td>$1,500.00</td>
<td>3</td>
<td>$4,500</td>
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</table>

##### 3.1.4 Per Diem (Lodging and M&E) & Ground Transport

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Unit</th>
<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lodging and M&amp;E - Per Diem [Almaty]</td>
<td>ldays</td>
<td>$316.00</td>
<td>112</td>
<td>$35,392</td>
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<td></td>
<td>Ground Transport</td>
<td>trip</td>
<td>$150.00</td>
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<td>$1,200</td>
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#### 3.2 Regional Travel

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<tr>
<th>Item</th>
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<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International Airfare - (Regional)</td>
<td>iRT</td>
<td>$350.00</td>
<td>24</td>
<td>$8,400</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Unit</th>
<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lodging and M&amp;E - Per Diem Dushanbe</td>
<td>ldays</td>
<td>$320.00</td>
<td>40</td>
<td>$12,800</td>
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<tr>
<td></td>
<td>Lodging and M&amp;E - Per Diem Ashgabat</td>
<td>ldays</td>
<td>$282.00</td>
<td>40</td>
<td>$11,280</td>
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<tr>
<td></td>
<td>Lodging and M&amp;E - Per Diem Tashkent</td>
<td>ldays</td>
<td>$279.00</td>
<td>40</td>
<td>$11,160</td>
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<tr>
<td></td>
<td>Ground Transport</td>
<td>trip</td>
<td>$150.00</td>
<td>24</td>
<td>$3,600</td>
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</table>

#### 3.3 Local Travel

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Unit</th>
<th>Rate</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local Transportation</td>
<td>lmonth</td>
<td>$500.00</td>
<td>12</td>
<td>$6,000</td>
</tr>
</tbody>
</table>

**Sub-total Travel**  
$103,232
3.1.3 Short-term Technical Assistance (STTA) Expatriate/Consultants Flights

The budget includes 15 round-trip airfares at $1,500 on average per airfare from U.S. city to Almaty for consultants’ travel to post. Airfare costs are based on current Fly America-compliant, refundable economy-class airfare quotes from our in-house travel agent from U.S. city to Almaty Kazakhstan. Three trips per year are budgeted for each program year.

3.1.4 Per Diem (Lodging and M&IE) and Ground Transport

Per diem is budgeted based on the rates provided in the Department of State Standardized Regulations (DSSR), Chapter 925. The following assumptions have been budgeted per diem:

a) *International Travel Per Diem*: Lodging and M&IE is budgeted at $316/day per the DSSR for international HQ, STTA, and consultants traveling to Kazakhstan. Each trip is budgeted for 14 days inclusive of travel days. We calculated per diem days based on the LOE budgeted under personnel for HQ, STTA, and international consultants.

b) *Ground Transport*: $150 per trip is budgeted for ground transport for HQ, STTA, and consultant travel to Kazakhstan.
## Sample Budget Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel, Transportation &amp; Per Diem</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment &amp; Supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subcontractors &amp; Consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Direct Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Fee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs plus Fixed Fee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# SAMPLE BUDGET SUMMARY

## Budget Summary by Purpose

<table>
<thead>
<tr>
<th>Purpose*</th>
<th>Food Assistance</th>
<th>Agriculture</th>
<th>WASH</th>
<th>Shelter and Settlements</th>
<th>Total Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose 1</td>
<td>$2,938,554</td>
<td>$301,154</td>
<td></td>
<td>$695,518</td>
<td>$3,239,708</td>
</tr>
<tr>
<td>Purpose 2</td>
<td>$2,938,554</td>
<td>$301,154</td>
<td></td>
<td>$695,518</td>
<td>$3,239,708</td>
</tr>
<tr>
<td><strong>Total Estimated Amount</strong></td>
<td><strong>$2,938,554</strong></td>
<td><strong>$301,154</strong></td>
<td></td>
<td><strong>$695,518</strong></td>
<td><strong>$4,220,423</strong></td>
</tr>
</tbody>
</table>

## Budget Summary by Cost Category

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Food Assistance</th>
<th>Agriculture</th>
<th>WASH</th>
<th>Shelter and Settlements</th>
<th>Total Estimated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$74,750</td>
<td>$50,675</td>
<td>$16,650</td>
<td>$15,975</td>
<td>$158,050</td>
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<tr>
<td>Fringe Benefits</td>
<td>$84,580</td>
<td>$56,760</td>
<td>$21,320</td>
<td>$18,879</td>
<td>$181,538</td>
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<td>Travel and Transport</td>
<td>$12,924</td>
<td>$8,384</td>
<td>$4,393</td>
<td>$4,393</td>
<td>$30,093</td>
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<td>Equipment at/above $5,000</td>
<td>$92,750</td>
<td>$32,750</td>
<td>$2,750</td>
<td>$2,750</td>
<td>$131,000</td>
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<tr>
<td>Supplies</td>
<td>$2,170,000</td>
<td>$102,500</td>
<td>$0</td>
<td>$0</td>
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<td>Sub-awards and Contracts</td>
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<td>$0</td>
<td>$200,250</td>
<td>$200,250</td>
<td>$403,125</td>
</tr>
<tr>
<td>Construction</td>
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<td>$0</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>$162,862</td>
<td>$15,440</td>
<td>$10,140</td>
<td>$10,140</td>
<td>$198,582</td>
</tr>
<tr>
<td><strong>Total Direct Costs</strong></td>
<td><strong>$2,600,490</strong></td>
<td><strong>$266,508</strong></td>
<td><strong>$615,503</strong></td>
<td><strong>$252,387</strong></td>
<td><strong>$3,734,888</strong></td>
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<tr>
<td>Indirect Costs</td>
<td>$336,064</td>
<td>$34,646</td>
<td>$80,015</td>
<td>$32,810</td>
<td>$485,535</td>
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<td>Total BHA ResourcesRequested</td>
<td>$2,938,554</td>
<td>$301,154</td>
<td>$695,518</td>
<td>$285,197</td>
<td>$4,220,423</td>
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<td>Cost Share</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Total Activity Value</strong></td>
<td><strong>$2,938,554</strong></td>
<td><strong>$301,154</strong></td>
<td><strong>$695,518</strong></td>
<td><strong>$285,197</strong></td>
<td><strong>$4,220,423</strong></td>
</tr>
</tbody>
</table>
As you prepare the budget proposal, coordinate with different teams across your organization.

- With your **technical team**, ensure that proposed costs match the program design.
- With your **human resources team**, confirm that labor costs are in line with negotiated costs and your policies.
- With your **in-country field office**, ensure that travel and other costs are reasonable and appropriate.

Be sure to include time for a final review of the proposal by colleagues who would administer any award agreement.
To successfully prepare a budget for a USAID acquisition solicitation, you should:

- Evaluate a solicitation’s **main parameters** and the **description**, **specifications**, or **statement of work**.
- Review all aspects of the solicitation’s **instructions**.
- Include **details and sources** for your cost proposal.
- Coordinate with relevant **team members**.
- Develop a **budget narrative** that clearly explains costs for different line items.
RESOURCES

- ADS Chapter 302, “Direct Contracting”
- Code of Federal Regulations (CFR): for-profits use Title 48, Part 7 (as well as FAR Part 31 and AIDAR Part 731); nonprofits use Title 2, Part 230; educational institutions use Title 2, Part 220; find overall guidance at Title 2, Part 700
- USAID’s “Acronym Soup” and “Glossary of ADS Terms”
- USAID funding opportunities: Business Forecast and SAM.gov
- Standard Form 33 for Acquisition Opportunities
- Introduction to Federal Government Contracting
- Types of USAID Contracts
- When to Use the 10% De Minimis Rate infographic
- U.S. Department of State’s allowance rates and per diem rates
- Fly America Act/Open Skies Agreement
- USAID training modules at WorkwithUSAID.org:
  - “Effectively Responding to USAID Award Solicitations”
  - “Preparing Budgets for USAID Assistance Awards”
  - “Building Strong Sub-Partnerships”
Thank You
This module was produced by the United States Agency for International Development. The presentation team includes staff from both USAID and the Partnerships Incubator.

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Email questions and feedback: IndustryLiaison@usaid.gov
The power of partnership starts here.

Visit WorkwithUSAID.org to learn more.