

Funding Organizational Sustainability: Indirect Cost Recovery

June 25, 2024



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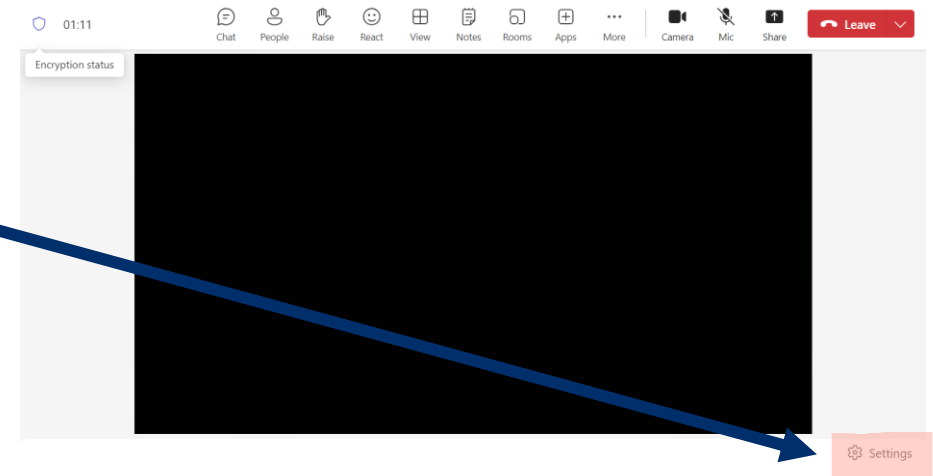
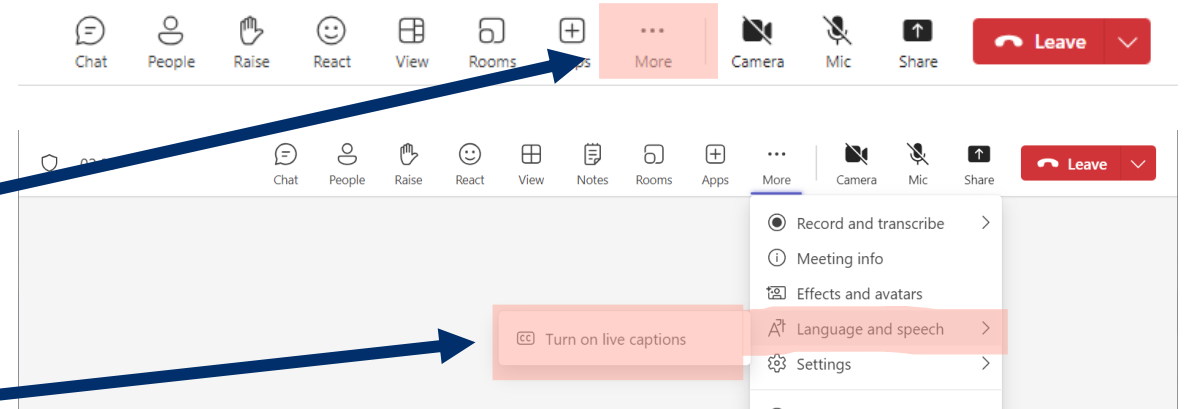
NEW PARTNERSHIPS INITIATIVE
EXPAND

New Partners for Better Health

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Thank you for joining us today

- Submit questions or comments at any time in the **Questions** box.
- Please note that this webinar is being **recorded**. Slides and the recording will be shared after the webinar.



Jeff Barnes

Project Director, NPI EXPAND



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Who We Are

New Partnerships Initiative New Partners for Better Health (NPI EXPAND)
is a five-year project funded by **USAID** operating globally

Guatemala:
Health policy
and advocacy

Brazil: COVID-19

Senegal: Social
Marketing,
Advocacy

Liberia: PSE

Tanzania: Family
Planning/TB

Mali: Maternal
Child & Health

Pakistan: Health,
Education

Ethiopia: Social Accountability

Kenya: Gender, FP,
Sustainability

India: Family
Planning

COVID-19 Interventions in Brazil, Liberia, Senegal, and Tanzania



Lessons in Localization

Experiences and Perspectives from the NPI EXPAND Project



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1. *Cocreation: Critical to Locally Led Program Design (Nov. 30th, 2023)*
2. *A Balancing Act: Rigor and Ownership in Local Partner Assessments (Jan. 23rd, 2024)*
3. *Lessons Learned from Adaptive Capacity Strengthening (Feb. 24th, 2024)*
4. *Innovative Subawarding in Dynamic Environments: The Use of Fixed Amount Subawards (April 4th, 2024)*
5. **Funding Organizational Sustainability: Indirect Cost Recovery**
6. Show Me the Money: Resource Mobilization for Local Partners
7. Gender Mainstreaming and Integration: From Organizations to Communities
8. What Have We Learned? Stories from the Frontlines of Local Capacity Strengthening

Irit Sinai

Senior Technical Advisor, Measurement and Learning, Palladium

Webinar Moderator



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Stephanie Snyder

Chief, Cost and Audit Support Division, Bureau for Management Office of Acquisition and Assistance, USAID



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Full Cost Recovery Considerations For Local Partners

Understanding the Purpose,
Selection, Negotiation, and
Administration Of Cost Recovery
Mechanisms with Local Partners

Agenda

- Full Cost Recovery Definition and Considerations
- Acquisition Cost Recovery Mechanisms, Application, & Challenges
- Assistance Cost Recovery Mechanisms, Application, & Challenges
- Questions?

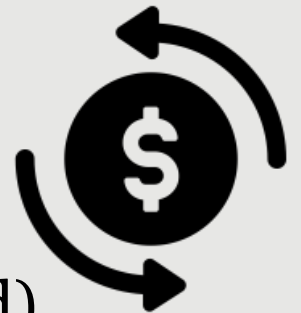
What is Full Cost Recovery?

- ✓ **Direct Costs** are costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity. Examples include direct labor, travel, equipment, and material that directly support the program.
- ✓ **Indirect Costs** are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Examples include rent, utilities, insurance, and administrative expenses.
- ✓ Full cost recovery is the process of recouping **both direct and indirect expenses** ensuring the long-term viability of programs.
- ✓ Full cost recovery can be achieved through an assessment of a cost structure that captures **all direct and indirect costs** associated with projects.

Full Cost Recovery Considerations

Key Factors:

- Type of Award – Acquisition or Assistance (Selection of Instrument)
- Type of program activity and history of the program
- **Risk – understanding the experience, capacity, and organizational & financial maturity of local organizations, expertise of organization's personnel**
- Size, complexity, and duration of award
- Country environment
- Capacity of Mission Staff to Administer Award and NICRA (if issued)



Acquisition Awards Cost Reimbursable Criteria & Challenges

Criteria For Awarding

- ✓ Award(s) are very large & multi-year
- ✓ Work is “best effort” vs. deliverables- or outcome-based
- ✓ Environment/costs are highly unpredictable
- ✓ **Organization must have adequate accounting system & financial management capabilities**

Challenges

- ✓ Highly burdensome for partner & Agency staff to monitor costs
- ✓ Increased Contract Surveillance
- ✓ Higher audit risks, especially for organizations unfamiliar with U.S. GAAP or the cost principles.
- ✓ Lengthy audits delaying closeout

Cost Recovery Methods For Assistance Awards

- ✓ Fixed Amount Awards 2 CFR §200.201
- ✓ Direct Charging
- ✓ 10% De Minimis 2 CFR 200.414 (f)
 - ✓ Effective October 1, 2024, the De Minimis rate will be raised from 10% to 15%
- ✓ Indirect Costs Charged As A Fixed Amount
- ✓ Negotiated Indirect Cost Rate Agreement (NICRA)

Fixed Amount Awards (FAAs)

- ✓ 2 CFR §200.201
- ✓ A type of grant or cooperative agreement in which a recipient provides a specific level of support without regard to actual costs incurred under the award.
- ✓ The award amount is negotiated using the cost principles as a guide.
- ✓ Federal awarding agency or pass-through entity may use fixed amount awards if the project scope has:
 - ✓ Measurable goals and objectives; and
 - ✓ Reasonable estimate of actual cost.

FAAs (cont.)

- ✓ Payments are based on meeting specific award requirements.
- ✓ Accountability is based on performance and results.
 - ✓ If the required level of activity or effort not met, the value of award is adjusted.
- ✓ Federal awarding agency does not review actual costs incurred under awards.
- ✓ Available payment options include:
 1. Partial payments based on award milestones;
 2. Unit price basis, for a defined unit or units, at a defined price or prices; or
 3. In one payment at award completion.

Direct Charging/Direct Cost Allocation

Direct Charging may be appropriate for Local Partners only if all of the following conditions are met:

- (1) Administrative or clerical services are integral to a project or activity;
- (2) Individuals involved can be specifically identified with the project or activity;
- (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- (4) The costs are not also recovered as indirect costs.

10% De Minimis

- ✓ 2 CFR §200.414(f) Indirect (F&A) costs
- ✓ Criteria:
 - ✓ Recipient does not have a current negotiated indirect cost rate
 - ✓ De Minimis based on 10% of Modified Total Direct Costs (MTDC)
- ✓ May be used indefinitely.
- ✓ No documentation is required to justify the 10% de minimis indirect cost rate.
- ✓ If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

Indirect Cost As A Fixed Amount

- Applicability
 - The recipient has never received a NICRA;
 - The recipient has chosen not to use the de minimis rate; and
 - The indirect costs are not included as other direct costs in the budget
- Direct Costs - Cost reimbursable and require audit
- Indirect Costs – Fixed dollar amount
 - ✓ All indirect costs must be charged as a fixed amount and must be shown as a separate line item in the budget.

NICRA Criteria & Challenges - Assistance Awards

Criteria

- ✓ Award is very large & multi-year
- ✓ Work is “best effort” vs. deliverables- or outcome-based
- ✓ Environment/costs are highly unpredictable
- ✓ Risk Assessment completed in accordance with 2 CFR 200.206(b) (NUPAS)
- ✓ Organization has large prime award(s) with USAID with significant dollar values

Challenges

- ✓ Highly burdensome to negotiate and maintain a NICRA
- ✓ The negotiated rates must be accepted by all Federal awarding agencies.
- ✓ Rates based on Partner Fiscal Year
- ✓ Mission becomes “Cognizant Agency” responsible for NICRA.
- ✓ Once issued, NICRA rates must be used on every cost reimbursable award.



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QUESTIONS?

Meet the Partners



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Roundtable Discussion and Q&A Session

Moderator: Irit Sinai

Stephanie Snyder	Khalid Ur Rehman	Abdul Waheed	Dickens Bwana
United States	Pakistan	Pakistan	Tanzania
Chief, Cost and Audit Support Division, Bureau for Management Office of Acquisition and Assistance USAID	Operations and Finance Manager Women Empowerment Organization	Director of Finance Hashoo Foundation	Program Manager Mwitikio wa Kudhibiti Kifua Kikuu na Ukimwi Tanzania (MKUTA)



WOMEN EMPOWERMENT ORGANIZATION PAKISTAN

ABOUT WEO

Founded: 2008; Registered with social-welfare 1961, Charity Commission Pakistan

Mission: To uplift the most vulnerable communities in Pakistan through comprehensive women empowerment initiatives, fostering gender equality and social justice.

Core Programs:

- **Education:** Enhancing educational opportunities for girls and women.
- **Healthcare:** Providing essential health services and reproductive health education.
- **Economic Empowerment:** Supporting women through vocational training and microfinance.
- **Advocacy:** Promoting women's rights and gender equality through community awareness campaigns.

Regions: Khyber Pakhtunkhwa (KP) including former FATA, and Punjab Province, Pakistan

Portfolio (Last 3 Years): Total Staff: 842; Current Staff: 110; Number of Offices: 6; in the last three years WEO has managed financial resources exceeding 4.9 million USD.

Implemented over 50 projects with the support of national and international donors, including UN agencies, the British Council, USAID, and others.





WOMEN EMPOWERMENT ORGANIZATION PAKISTAN

ABOUT: KHALID UR REHMAN

- An accomplished professional with 17 years of experience in both international and local for profit and non-profit organizations
- Key skills include financial reporting and analysis, donor reporting, grant and award management, partnership management, budget development and forecasting, cash flow management, bank management, bookkeeping, accounting, payroll, audit, capacity building, effort reporting, taxation, and internal controls
- Successfully managed multi grants, multi-million grants, multi-currency grants, local and international organizations and 50 plus well reputed government and non-government local implementing partners
- Working as Operations and Finance Manager in Women Empowerment Organization since 2023

Hashoo Foundation

Hashoo Foundation (HF) is leading the way in poverty reduction by implementing viable **economic empowerment, social development, and environment and climate change** interventions.

Vision: An ethical, equitable, and inclusive society in which people live with dignity and have power over their own lives.

Mission: To empower communities by leveraging knowledge as capital for their socioeconomic uplift.

Core Values:

Humility

Empathy

Impartiality

Honor

Fulfillment

Commitment

Hashoo Foundation

Mainstream programs and priorities:

Health and Nutrition

- Primary healthcare and hygiene systems
- Women and children's nutrition

Education

- Access to quality education and early childhood development
- Pre-primary and public primary education systems
- Technical and vocational education systems

Economic Growth

- Skills development and income generation
- Productive human resource development
- Resource mobilization and multiplication
- Employment generation
- Social business
- Marketing and linkage
- Access to financial services

Climate Action

- Climate change and disaster resilience
- Adaptation to climate change vulnerabilities
- Promotion of disaster resilient activities
- Conservation of natural resources
- Access to life safety skills and technologies
- Livelihoods security and development

Hashoo Foundation established:

- Hashoo Hunar, a TVET training service provider
- Hashoo Trust, a specialized humanitarian assistance program
- 3 social enterprises (Shad Foundation, FAA Enterprises, and DeafTawk)
- 2 start-ups (Organiks Plus and Shine Services)

The Foundation also restructured Umeed e Noor, a school with children for special needs, toward sustainability.

MKUTA OVERVIEW

- **MWITIKIO WA KUDHIBITI KIFUA KIKUU NA UKIMWI TANZANIA (MKUTA)** is a non-governmental organization formed by TB affected communities in Tanzania and founded in 2009.
- **Goal:** Coordinate community response towards TB and HIV/AIDS control.
- **Geographical Coverage:** In all regions of Tanzania mainland with physical presence in 134 councils.

Vision statement:

“Becoming a reputable Civil Society Organization providing high quality, replicable community TB and HIV/AIDS services in Tanzania”

Mission statement :

“To mobilize communities to fight TB and HIV/AIDS in Tanzania until they are no longer public health problems”



MKUTA
National Patient Organization

MKUTA FOCUS AREAS

- **TB care and prevention:** Community health volunteers are supported to provide TB health education, conduct TB screening, sample referrals from community to the health facilities.
- **Family Planning:** Provide health education and create demand for modern FP methods within TB service delivery platforms.
- **Community, Rights, and Gender:** Reduce barriers and create enabling environment for uptake of TB and HIV services.
- **Capacity Strengthening of Community-Based Organizations:** Capacity building of MKUTA TB clubs and its members, leaders and staff through training, workshops and participating in primary healthcare systems.
- **Community Empowerment:** Income generating activities such as small start-ups managed by TB clubs to increase household income.
- **Psychosocial and Human Right Support:** Community-owned call center, TB & COVID-19 information, referral, and feedback.



MKUTA
National Patient Organization

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Closing Remarks





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Thank you for joining! Be on the look out for information on the next webinar in this series.

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