NPI EXPAND Fixed Amount Awards

Lessons Learned

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The USAID-funded New Partnerships Initiative EXPAND: New Partners for Better Health (NPI EXPAND) activity implemented by Palladium LLC issued 185 fixed amount awards (FAAs) and fixed amount renewable subawards to 92 local organizations in 11 countries. The awards had a maximum ceiling of $250,000 and were implemented over a 12-18 month period. The subaward activity was led by NPI EXPAND's Grants Director based in Washington, but each country program had at least one Grants Coordinator (larger programs had two) and there was one regional grants supervisor to ensure that local organizations were well supported throughout the grants process and grants documentation could be processed promptly. Especially during the initial stages, the grants team had to provide extensive coaching to local partners as most were unfamiliar with the fixed amount award mechanism.

- NPI EXPAND opted to exclusively use FAAs for three reasons:
- FAAs reduce audit risk and administrative burden for both the prime and the subrecipient because subrecipient only need to submit proof that a deliverable was produced as planned and not financial reports or receipts.
- NPI EXPAND's program activities were well suited to FAAs where results can be captured through easily verified deliverables in short term activities
- Using cost reimbursable awards can often delay implementation since cashflow depends on approval of detailed financial reports and receipts which can take a long time.

However, these advantages are counterbalanced by the requirement to do a detailed cost estimate for each project deliverable before the execution of the agreement. Once the prime and subrecipient have agreed that the proposed cost for delivering the results is fair, based on verified market data, there is no need to reverify those costs during implementation. But this creates a lot more work for the applicants at the stage of preparing the final agreement. Nearly all of NPI EXPAND's subrecipients were unaccustomed to this process and many expressed their frustration.

Another aspect that was new to most local partners was defining milestones for each activity. At the design stage, grantees are expected to establish milestones that capture the desired results and serve as the basis for payment. This requires additional effort from the grantee and the prime to agree on what would be an appropriate deliverable and exactly what would need to be verified to trigger the payment. Local organizations can incur more risk with FAAs compared with a cost reimbursable project because if the local organization underestimates their costs or overestimates their results, they may incur losses if the milestone payment doesn't cover their costs. At the same time, when local partners are aware of this risk, they are motivated to focus on achieving results as efficiently as possible and ensure that their internal systems for tracking costs work well. In that sense, FAAs are a good contracting tool for building organizational capacity by both empowering the local organization and holding them accountable for achieving the promised result at the estimated cost.

GRANTEES' PERCEPTIONS: WHAT WORKED WELL

In keeping with the principle of getting more feedback from local partners, NPI EXPAND implemented grantee feedback surveys to learn about their perception of the NPI EXPAND grants process. Most partners were unfamiliar with FAAs and had not used them prior to NPI EXPAND, and it took considerably more time to align their workplans and milestones in the beginning. However, they appreciated the FAA approach and payment against specific deliverables. As the Executive Director of

ADEMAS, Dr. Cheikh Sarr noted, "Knowing what milestone was expected and when it was due helped us to focus our efforts where it mattered. Having payments against milestones was a good way of being responsible and accountable."

Grantees said that orientation and regular review meetings with NPI EXPAND provided guidance on developing budgets and costing milestones, helping ensure that milestones were cost-effective and achievable with realistic timelines. The meetings helped monitor project progress and address challenges, and gave partners an opportunity to receive coaching, mentoring, and capacity strengthening from NPI EXPAND. They also provided opportunities to adjust plans if needed, ensuring that project implementation stayed on track. Partners appreciated NPI EXPAND's flexibility in amending milestones and said that this enhanced the effectiveness of project implementation.

Grantees in Kenya said though the FAA was new for them, implementing it was easier than other grant mechanisms because the milestones and the deliverables were pre-determined and mutually agreed upon with NPI EXPAND. Simon Parmaut, Finance Officer at Community Health Partners in Kenya said, "The payments were based on milestones and not on workplan activities which allowed for flexibility in implementation. Since we were implementing an FAA for the first time, I thought it would be financially challenging especially at start-up, but the first milestone was easy to achieve, and this helped establish a regular cashflow for the remaining activities.

Peter Karanja, Program Manager at the National Organization of Peer Educators in Kenya, said, "*When we learnt that NPI EXPAND was using FAAs, we were a bit nervous because we had implemented an FAA earlier from another donor. Our experience was not good; in fact, by the end of the two-year project we had two unpaid milestones remaining. However, with NPI EXPAND Kenya, the milestones were negotiated before contract signing and the requirements for each milestone submission were very clear.*"

"The turnaround time for milestone review was good and the feedback was clear and concise. The payments were prompt once the feedback was addressed and therefore, we had smooth project implementation; in fact, we really enjoyed the work because this time we had no cash flow issues.

Most grantees were able to follow the grants process easily and said that FAAs helped them to establish standardized processes that saved time and costs and facilitated internal communication in their organizations. Several said that they preferred FAAs over cost-reimbursable awards due to structured implementation, easier financial management, and flexibility in submitting multiple milestones upon completion. Implementing activities based on established milestones made it easier for them to set benchmarks, plan and execute interventions, gather means of verification, and report progress.

Marium Waqas, Project Manager at the Association for Mothers and Newborns in Pakistan said, "Since this was our first time using an FAA, we began by thoroughly calculating estimated expenses, ensuring that all potential costs were carefully anticipated. This helped to structure milestones and align them with realistic budgets. Breaking down larger goals into actionable, measurable steps by way of milestones

made it easier to track progress and ensure accountability at every stage. This experience underscored the importance of strategic planning, transparent vendor engagement, and a focus on achievable outcomes, which will guide us in future projects."

Though the process was slow in the beginning, local partners found that FAAs were easier to implement than cost reimbursable awards and the milestone payments were sufficient to cover all their project-related costs. They also said that financial management was much easier with FAAs than with cost reimbursable grants as FAAs do not require submission of receipts and financial reports.

As Peter Karanja noted, "The reporting requirements are very straightforward once the initial cost support documents are submitted compared to other funding approaches since we did not have to prepare forecasts and burn-rates." ADEMAS' Admin and Finance Director, Racine Ndiaye also agreed: "Not having to prepare financial reports and detailed documentation with accruals saved us a lot of time that we could spend on achieving results."

Partners found FAAs to be an appropriate instrument for grants focusing on capacity strengthening since they allowed grantees to focus on the quality of their deliverables instead of on financial documentation and allocate more time for staff and organizational capacity strengthening. Dr. Sarr of ADEMAS also emphasized that FAAs support capacity strengthening: "Firstly, we had to have very good internal systems for tracking our budget for activities because if we spent too much achieving the milestone, we would lose money and if we were efficient, we could save money. Secondly, the technical feedback we got on our milestone deliverables was another way our technical capacity was improved."

In Tanzania, grantees said that the FAA model introduced a fundamental shift from focusing on costs to centering on results, encouraging greater accountability and results-based implementation. Two said that they found the FAA model more manageable and that it led to greater efficiency and transparency in resource allocation, which in turn sped up implementation of project milestones. The output-focused approach allowed them to streamline administrative operations and concentrate on delivering project results.

GRANTEE FEEDBACK: WHAT COULD HAVE BEEN BETTER

Since local partners are more familiar with project-based budgeting than with FAAs' milestone-based budgeting, partners sometimes experienced delays finalizing grants. Some said that they found developing milestones a challenge because they had to accurately cost out each milestone at the beginning of the project and faced difficulties if any milestones had been under-budgeted. A few faced challenges with gathering the verification required for each milestone, which had to be submitted for timely payments. Grantees said that preparing technical proposals and budgets would have been easier and taken less time if more time had been spent at the beginning of the grant process to provide coaching on FAAs including budget preparation and documentation.

Dr. Azra Ahsan, President, Association for Mothers and Newborns, Pakistan, said, "There were changes in the NPI EXPAND team as a result of which the proposal went back and forth several times. This was sometimes frustrating for us because took a long time to be finalized and left very little time for implementation."

Some grantees shared concerns about delays in disbursement of funds, which were particularly challenging when they needed to make payments to local vendors or consultants. In some instances, local partners had to use indirect funding from other projects; however, the majority of NPI EXPAND grantees did not report liquidity problems during implementation of their FAAs.

Local partners' responses to the grantee feedback survey indicated that FAAs placed a lower administrative burden on their organizations compared to other types of grants and they were mostly able to complete milestones easily and on time. The FAA structure enabled them to manage their cash flow and, in some cases, save costs which they used for other organizational activities including business development. However, by the time their NPI EXPAND grants closed, many grantees said that they found implementing FAAs preferable over cost-reimbursable grants because they were more structured, and the financial management was easier.

Several grantees said that higher value thresholds and longer award periods would have helped achieve more extensive and longer-term results, both in terms of project impact and organizational capacity strengthening. Peter Karanja, National Organization of Peer Educators in Kenya, said, "The only challenge with FAAs is that they are usually short term and so the organization cannot make long term plans with those resources; maybe they should be for five years like Cooperative Agreements."

CONCLUSION

While developing and costing milestones can be a challenge, it can be overcome with appropriate technical support. FAAs can work as an effective funding mechanism especially for smaller local organizations by creating greater focus on project implementation and results. The focus on results also builds organizational and technical capacity that makes local organizations stronger, and more prepared to manage these types of awards in the future.

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