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Process for Transition Awards

A Mandatory Reference for ADS Chapter 303

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1. Introduction

This mandatory reference provides policy on the process for making transition awards. Transition awards can be an effective means for USAID to increase local engagement, promote self-reliance, foster, and strengthen local sustainability, and enhance the quality of the Agency's relationship with local partners. This document provides an overview of the transition award process and contains requirements and considerations for A&A staff when making transition awards.

A transition award is an assistance award to a local entity or locally established partner (collectively referred to as local subrecipients) that is or has been a subrecipient under a USAID assistance award. A transition award can only be made when the following conditions have been met:

- a. The recipient of the transition award is a local subrecipient that has not previously received a direct award from USAID;
- b. The initial award required the recipient to develop the capacity of the local subrecipient(s) to become more capable of receiving a direct award from USAID or other donors; and
- c. The initial award recipient recommended the local subrecipient for a potential transition award based on explicit criteria contained in the initial award.

The transition award process relies on USAID's ability to effectively build the capacity of local subrecipients. This requires close coordination with technical teams to develop sound capacity-building components in the initial award. The A&A process described in this guidance implements this policy, but it must be paired with this more substantive aspect of capacity-building that underlies the transition award process.

The terms "transition award," "local entity," and "locally established partner" are defined in [ADS 303.6 – DEFINITIONS](#).

2. Overview of the Transition Award Process

The transition award process is designed to assist local subrecipients to enhance their capabilities to receive assistance awards from USAID. However, there is no guarantee that a local subrecipient will receive a transition award from the Agency as a result of this process.

The transition award process consists of two stages:

- a. The Initial Award: The award of an initial assistance award for a distinct development activity with an additional requirement to build the capacity of local subrecipients, and

- b. The Transition Award: The award of a subsequent assistance award to a local subrecipient whose capacity has been developed by the initial award recipient.

The initial award must be for an activity, distinct from and in addition to, the requirement to build and develop the capacity of the local subrecipient(s). The recipient must provide local subrecipients a subaward to carry out a distinct portion of the work in the award's program description. Like all recipient and subrecipient relationships, the recipient is required to monitor the local subrecipient and is ultimately responsible for the local subrecipient's work (see [2 CFR 200.331](#)). The recipient also has a role in recommending local subrecipients who have met the requirements for potential transition awards to be made by the Agency.

After the recipient identifies a local subrecipient to USAID as having met the initial award capacity development criteria, and if USAID has a new programmatic need and available funds, the Agreement Officer (AO), in consultation with the Planner or Agreement Officer's Representative (AOR), may make the transition award consistent with the requirements in **Section 5**.

3. Considerations for the Notice of Funding Opportunity

The notice of funding opportunity (NOFO) for the initial award must be for a distinct programmatic activity that will be carried out by the recipient and the subrecipients, and not solely for the capacity development of local subrecipients. This is an important distinction, as local subrecipients must be able to meet the definition of "subrecipient" in 2 CFR 200, which excludes beneficiaries.

The NOFO must also include a requirement for the recipient to develop the capacity of local subrecipients to receive a direct assistance award from USAID or other donors.

The NOFO and resulting award must also include appropriate mechanisms to avoid, eliminate, mitigate and reduce potential or actual conflict of interests, separate funds and accounts, and additional award oversight to ensure proper segregation of roles and funds resulting from an entity being a subrecipient and a beneficiary under the same award.

While the NOFO and resulting award may outline USAID's intent to make a transition award to a qualified local subrecipient, they must clearly state that there is no guarantee that the Agency will make a transition award and decisions related to issuing a transition award and the selection of transition award recipients are solely within USAID's discretion.

4. Initial Award Requirements

The initial award must contain a programmatic requirement for the recipient to develop the capacity of local subrecipients to receive USAID direct awards and include the capacity development criteria that the local subrecipient must meet. Prior to

recommending a local subrecipient to USAID, the recipient must demonstrate that the local subrecipient has met the stated criteria. Examples of criteria to include in the award are that the local subrecipient:

- Is registered in all applicable USG systems (for example, System for Award Management);
- Has demonstrated technical and management experience;
- Has the ability to use relevant IT systems;
- Has demonstrated an ability to maintain relationships with stakeholders;
- Has well-defined indicators of success and the ability to monitor its own program performance in a cost-effective and efficient manner;
- Has the necessary staff with the knowledge, skills, and abilities to carry out a program;
- Has proficiency of financial management systems and internal controls;
- Can address other general areas that would indicate potential success in managing specific technical programmatic areas; and
- Can meet the other pre-award requirements, including the risk assessment, and the required representations and certifications.

The recipient is responsible for developing the local subrecipient's capacity and tracking progress towards meeting the criteria for a transition award. To assist in this effort, the AO may include requirements in the initial award for the recipient to conduct a baseline capacity assessment at the time any subaward is made to a potential transition award recipient, with a follow-up assessment prior to recommending the local subrecipient for a transition award. Alternatively, the award may include a requirement for the recipient to conduct a risk assessment of the local subrecipient prior to recommending the local subrecipient for a transition award.

5. Making the Transition Award

Prior to making a transition award, the AO must substantiate and document:

- a. The appropriate legal instrument for the planned transition award is an assistance award as outlined in the [Federal Grants and Cooperative Agreement Act](#) and [ADS 304, Selecting the Appropriate Acquisition & Assistance Instrument](#);
- b. There is a programmatic need for the award and funds are available;

- c. The operating unit (OU) has demonstrated that the intended transition award recipient was identified by the recipient of the initial award at the conclusion of the capacity-development process outlined in the initial award;
- d. The intended transition award recipient is a local entity or locally established partner and has not received a prior award from USAID;
- e. The AOR/Planner has provided a written determination to restrict eligibility based on a programmatic rationale, in accordance with [ADS 303.3.6.5, Restricted and Unrestricted Eligibility](#). The written determination must clearly explain why the programmatic value of the proposed activity outweighs the benefits of a competitive process;
- f. The identified local subrecipient submitted a full application with all required pre-award certifications, representations, and assurances and has completed all other pre-award requirements in [ADS 303](#), and is otherwise qualified to receive an assistance award; and
- g. The application was favorably evaluated by the Agency and the application was recommended to the AO for award.

The transition award must state that the transition award recipient may not make any subawards to the initial award recipient. This ensures that the transition award recipient is capable of performance without reliance on the initial award recipient.

Once all conditions are met, the AO must select the appropriate assistance instrument for the award. Please see [ADS 303](#) for information on grants, cooperative agreements and fixed amount awards.

Additionally, the AO must ensure that the recipient of the transition award has met the risk assessment and pre-award survey requirements for a USAID direct assistance award in accordance with [2 CFR 200.206](#) and [ADS 303](#).

5.1 Specific Conditions

Specific conditions may be included to minimize risk to the Agency, see [ADS 303.3.9.2](#) and [2 CFR 200.208](#). When the transition award includes specific award conditions, the transition award recipient must begin addressing these conditions as specified during the performance of the award. The special award conditions may include a timeframe for completion of specific tasks, including a follow-up review by the Non-U.S. Organization Pre-Award Survey (NUPAS) team. This ensures that the recipient responds to and addresses the Pre-Award Assessment Findings if any are included as award conditions. If the follow-up review shows that the recipient has not adequately addressed all specific award conditions, the AO may need to take further action such as termination, corrective action, etc.

6. Additional Resources

[Reserved]

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