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ADS Chapter 602

Forward Funding, Program Funds

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ADS 602 - Forward Funding, Program Funds
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This chapter has been revised in its entirety.

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602.1 OVERVIEW

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This ADS chapter provides the policy directives and required procedures on forward funding for USAID program accounts. Separate guidance for program funds authorized by statute for administrative purposes or other exceptions is located in [ADS 603, Forward Funding, Non-Program Funds](#).

This chapter clarifies responsibilities for planning, managing, evaluating, and reporting the funding of new and ongoing activities for all program accounts except disaster assistance and transition initiatives (which are administered by the Bureau of Humanitarian Assistance [BHA] and the Bureau for Conflict Prevention and Stabilization [CPS]), the President's Emergency Plan for AIDS Relief (PEPFAR) which is administered by the Department of State Bureau for Global Health Security and Diplomacy (GHSD), food aid per Public Law 480 (PL.480) and Food For Peace Act, and credit programs. Bureau and Independent Office (B/IOs) guidance may supplement these policy directives and required procedures as needed.

Except as specifically noted, the policy directives and required procedures in this ADS chapter cover the use of all program funds, including program-funded contract staff.

In order to ensure Agency compliance with appropriations law and other funding regulations, internal and external stakeholders (e.g., the Office of the Inspector General [OIG], and the Government Accountability Office [GAO]) scrutinize and strengthen USAID's forward funding and pipeline policies. Budget and program staff in the field and USAID/Washington (USAID/W) must follow this ADS chapter to ensure that forward funding at the time obligation is made in compliance with Agency policies. B/IOs and Operating Units (OUs) must achieve balance between providing adequate funds for activities and the need to limit obligations to only required needs.

In addition to helping management prioritize how resources are programmed, the policy directives and required procedures in this ADS chapter are intended to ensure that the size of an OU's pipeline is appropriate to meet its funding needs.

602.2 PRIMARY RESPONSIBILITIES

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- a. **Bureaus and Independent Offices (B/IOs)** are responsible for managing and approving programmatic resource allocations to ensure that funding decisions by OUs, including Field Missions, comply with the policy directives and required procedures in this ADS chapter.
- b. **Mission and B/IO Program Managers** are responsible for:
 - Reviewing their forward funding requirements,

- Providing relevant data to their Mission or B/IO in their annual reports and as otherwise directed, and
 - Ensuring the quality of these data.
- c. Program Offices** in B/IOs are responsible for reviewing the OU's pipeline management during the yearly budgetary process.
- d. The Chief Financial Officer (CFO)** carries out the statutory responsibility of the Chief Financial Officers Act of 1990 and has overall responsibility for USAID'S financial statement reporting.
- e. Mission Controllers and B/IO equivalent assigned personnel** coordinate semi-annual reviews to identify potential deobligations (see [ADS 621, Obligations](#)).
- f. Assistant Administrators (AAs), B/IO Directors, and Mission Directors** annually certify the validity of obligations existing at year end and determine whether unexpended obligated balances are necessary for both on-going and expired programs and whether the amount of funding is consistent with Agency policies on forward funding (see [ADS 621](#)).
- g. Contracting Officer's Representatives/Agreement Officer's Representatives (CORs/AORs) and Government Agreement Technical Representatives (GATRs)** oversee implementing mechanism activities and budget, and work with OU Controllers or B/IO equivalent assigned personnel, and Contracting Officers/Agreement Officers (COs/AOs) on issues related to forward funding, deobligations, and validity of obligations. CORs/AORs and GATRs annually review all unexpended obligated balances for certification or recommended deobligations.
- h. The Bureau for Planning, Learning, and Resource Management, Office of Budget and Resource Management (PLR/BRM)** is responsible for drafting forward funding policy directives and required procedures, with concurrence of the Bureau for Foreign Assistance (F), and monitoring forward funding and pipeline levels in relation to budget formulation and execution.

602.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

602.3.1 Maximum Length of Forward Funding

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Except as described in sections **602.3.2** and **602.3.4**, Program Managers must not forward fund obligations for more than 24 months beyond the date of the obligation. When considering the 24 month period, the assessment must include unexpended funds already obligated as well as the new funds being obligated (see [ADS 621](#) for the criteria for a valid obligation). Forward funding is a pre-obligation tool. Compliance is measured with forward-funding rules by the accuracy of estimated

projected expenditures at the time an OU makes a unilateral obligation or sub-obligation for a programmatic activity. On the other hand, monitoring pipeline levels throughout the life of obligation is also essential. After obligation, one should use an updated estimated monthly expenditure rate to determine if there might be excessive pipeline, such as exceeding 24 months, that may need to be addressed.

In the case of bilateral agreements with governments of partner countries, forward funding rules included in this ADS chapter apply only to sub-obligations and not to the original bilateral obligation. OUs are expected to sub-obligate bilaterally obligated funds in a timely fashion. OUs should sub-obligate 60 percent of the bilaterally obligated pipeline within six months of the most recent bilateral obligation or amendment. The bilaterally obligated pipeline is calculated by adding the un-sub-obligated funds to the pipeline of sub-obligations.

PLR/BRM closely monitors un-sub-obligated funds. The Agency Front Office may consider reprogramming funds that have not been sub-obligated within a six month period of time in order to meet the urgent needs or top priorities of the Agency.

In case of buy-in or field support, the funding OU is responsible for analyzing the pipeline and anticipated obligation amount for its own activity to comply with forward funding (see [Agency Notice 05101](#)). The forward funding regulations included in this ADS chapter do not apply to the entire field support or buy-in awards.

602.3.2 Exceptions to the Maximum Length of Forward Funding

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B/IOs and OUs may exercise some flexibility in forward funding required to facilitate execution of some activities. Foreign assistance might require an up-front commitment of assistance funds within the limitations allowed by applicable laws.

Bureau AAs, Bureau Deputy Assistant Administrator (DAAs), Independent Office Directors, and Mission Directors have the authority to approve exceptions to the 24-month maximum length of forward funding policy if a valid justification exists. B/IOs and OUs must document these justifications. This authority may not be redelegated. The following are valid justifications for exceptions to the 24-month maximum forward funding policy (see section **602.3.3** for analyzing and reporting forward funding).

- a. Construction activities:** Initial obligations should be sufficient to cover required upfront commitments such as feasibility studies, the development of detailed designs/specifications, etc. Obligations for actual construction and the procurement of related equipment and services should generally be sufficient to fully fund USAID's contribution to a planned, discrete infrastructure activity.
- b. Small awards:** For awards with a total estimated cost (TEC) or total estimated amount (TEA) equal to or less than \$4 million, full funding may be provided.

- c. Close-out countries:** Missions designated as accounting stations for non-presence countries should refer to the closeout instructions in [ADS 527mab, Guidance on How to Close a USAID Mission – Checklists](#) for guidance on how to terminate programs and staff. Missions should also pay special attention to Section VI of this reference. Pipelines must be liquidated as instructed in this section and [ADS 601](#) and [ADS 603](#).
- d. Agency priorities:** Exceptions made on rare occasions, to support significant priorities not specified in exceptions “a” through “c” above. These exceptions must be explained in the mandatory Bureau AAs, Bureau DAAs, Independent Office Directors, or Mission Directors’ approval documentation. Exceptions based on Agency priorities must demonstrate that a bona fide need exists and GC or the Regional Legal Office (RLO) must clear the exception.

Participant training: Each participant training program in the first acquisition and assistance request document must be fully funded and does not require a justification to the 24-month maximum forward funding policy.

602.3.3 Analyzing and Reporting Forward Funding

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B/IOs and OUs calculate the “pipeline in months” at the time of new obligation or obligation amendment. The following formula must be used for calculating pipeline in months: pipeline in months = pipeline amount / monthly expenditures rate.

The expenditure rate can be based on 12-months expenditures, 3-month expenditures, estimated expenditures rate for new activities when there is no history of expenditures, or when future expenditures are expected to substantially vary from historical trends, provided that reasonable justification for this variation is well documented.

602.3.4 Minimum Pipeline Standards

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While the assumption is that expenditures tend to lag behind obligations and cause pipelines to increase, B/IOs and OUs should address the insufficiency of pipelines to manage programs. For ongoing activities with remaining months greater than or equal to six months, B/IOs and OUs should maintain a minimum pipeline of six months as much as possible. In assessing the appropriateness of the pipeline, B/IOs and OUs should consider the predictability of the funding source and their own capacity to manage their programs at that level of pipeline.

602.3.5 Operating Unit Pipeline: Restrictions and Assessment

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B/IOs and OUs must review pipeline availability at the development objective level. OUs must be sensitive to the restrictions of specific funding sources within development objectives and advise Program Offices of their budgetary impacts. Forward funding

requirements for OUs are normally based on the sub-obligation or unilateral obligation pipeline divided by a projected or historical monthly expenditures rate. B/IOs and OUs must make well-planned expenditure estimates to complement efforts to ensure that sufficient new funding is available for the Agency's highest priority activities.

602.3.6 Program Management

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B/IOs and OUs must calculate pipeline availability at the award, program area, OU, and development objective agreement (DOAG) level, when applicable. B/IOs and OUs must be sensitive to the restrictions of specific funding sources and impact on the program.

Program Managers must periodically review and adjust pipelines to be in compliance with Agency guidelines. In reviewing the pipeline, Program Managers should comply with the following.

- a. Any obligated amounts identified as excessive for programmatic needs should be considered candidates for deobligation. If possible, in conformity with the Agency's reprogramming authority, these funds may be reallocated and reobligated to those development objectives that are underfunded and that warrant additional funding based on performance and other relevant criteria used by the Agency in making resource allocation decisions.
- b. Older same-purpose funds must be utilized before newer funds.
- c. For an ongoing activity, existing available pipelines are expected to be considered before new funds are added. B/IOs and OUs must review their pipeline during the Quarterly Financial Review or Portfolio Reviews.

602.4 MANDATORY REFERENCES

602.4.1 External Mandatory References

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- a. [31 USC 1502\(a\)](#) (specifically the availability of obligated balances known as the "Bona fide needs rule")
- b. [Foreign Assistance Act \(FAA\) of 1961, as amended, section 635\(h\), "Forward funding" authority \(Authority\)](#)

602.4.2 Internal Mandatory References

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- a. [ADS 201, Program Cycle Operational Policy](#)
- b. [ADS 601, Funding Source Policy](#)

- c. [ADS 603, Forward Funding, Non-Program Funds](#)
- d. [ADS 621, Obligations](#)
- e. ["No-year authority" of the section entitled "Availability of Funds" in USAID appropriations acts \(e.g., in the FY 1999 appropriations act it was section 511\) \(Authority\)](#)

602.5 ADDITIONAL HELP
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- a. [ADS 527sad, Sample Administrative Operational Close-Out Plan – USAID Mission](#)

602.6 DEFINITIONS
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See the [ADS Glossary](#) for all ADS terms and definitions.

Forward Funding

The United States Government definition of forward funding is obligating amounts to cover the cost of goods and services that will be received in subsequent fiscal year(s). For the purposes of the 24-months of forward funding allowed in this ADS, the forward funding also includes the remaining months of the FY in which the obligation is made. Rules for forward funding will vary somewhat depending on the goods and services under consideration. Forward funding is measured in months of pipeline at the time of issuing the obligation and is applied to unilateral obligations and sub-obligations. (**Chapter 602** and [603](#))

Pipeline

The difference between the total amount that has been obligated in an award or agreement and the total expenditures (disbursements plus accruals) against that award or agreement. The reasonableness of a pipeline is measured by dividing the estimated monthly expenditure rate into the pipeline. The 24-months of forward funding allowed in this ADS can also be used to determine if there is excessive pipeline. Note that advances do not reduce the pipeline for non-PEPFAR funding. (**Chapters [201](#), [602](#), and [621](#)**). For PEPFAR funds, please reference State / GHSD guidance for their definition of PEPFAR Pipeline, which is calculated differently: Approved amount minus Outlays (disbursements plus outstanding cash advances).

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