# LEVERAGE OVERVIEW

## DEFINITION

Under a GDA, *Resource Partners* are those non-traditional USAID partners who bring resources to a partnership. These resources are called “leverage”, an often misunderstood GDA concept. Leverage is new, non-public resources – whether money, technologies, or expertise – brought by the private sector and other non-traditional USAID partners to a GDA partnership. *Leverage is not cost share and it cannot be audited*. The most valuable leverage is

- Significant in amount and in its ability to help USAID further its development impact. A good target is a 1:1 leverage match of USAID’s investment in the partnership.
- Resources that USAID would not be able to easily procure on its own.
- Resources that contribute to USAID’s outcomes in a measureable way.

Official leverage guidance can be found in **Acquisition and Assistance Policy Directive (**AAPD) 04-16. Based on the AAPD guidance, leverage may be proposed in a variety of forms, such as:

- anything of value that can be measured;
- financial contributions;
- third party contributions;
- donated services or property; and/or
- intellectual property.

Information for Contracting Officers on leverage can be found on the GDA Tools for Alliance Builders intranet site.

## WHAT IS/IS NOT LEVERAGE

Many Missions and Operating Units are confused about “what counts” as leverage, especially when trying to reach a 1:1 leverage goal. If you are struggling with whether to count a contribution as leverage, be sure to ask these two questions first:

1. Is this partnership a true GDA? GDAs meet the following criteria:
    - At least 1:1 leverage (in cash and in-kind) of USAID resources;
    - Common goal defined for all partners;
    - Jointly-defined solution to a social or economic development problem;

- Non-traditional resource partners (companies, foundations, etc.)[1];
- Shared resources, risks and results, with a preference for additionality of impact; and
- Innovative, sustainable approaches to development.

2. Is the leverage that I want to report adding real value to the partnership and USAID? And if not, is this a partnership worth doing?

A few additional guidelines on leverage may help:

- **Leverage is an input, or contribution, made to the partnership's activities, not the outcome of the partnership activities.** For example, USAID and a bank develop a partnership to increase financial services to small businesses. The partnership's activities include small business training, awareness raising and market analysis. The bank contributes their experts' time and the production of training materials to the partnership. These contributions would be considered "leverage". As a result of the partnership, the bank increases their loans to small businesses by $5 million. The $5 million in loans is *not leverage*, it is an outcome of the partnership. *Leverage is an input, not an outcome*.

- **Generally, numerous small contributions are not leverage**. For example, if you find yourself counting up tens or hundreds of small contributions like meeting space, training refreshments, transportation costs, etc. in order to get a 1:1 leverage match, these contributions may not be leverage. You have to ask yourself: are these contributions (and the time it takes to track and verify them) adding real value to this partnership? Would the partnership be able to have the development impact it does without these contributions? If you are considering a partnership that is leveraging only small contributions that lead to minimal impact on USAID's development work, you should evaluate whether or not it is a GDA worth implementing at all. GDAs are time consuming and USAID should not engage with partners unless they add real, significant development value.

- **Generally, traditional USAID beneficiaries are not considered resource partners**. For example, if USAID has a program to support 50 small and medium-sized enterprises (SMEs), you cannot count the SMEs' own investments or revenue as "leverage". In this situation, the SME is a not a resource partner, it is a beneficiary. Its own revenue and investments are not being contributed to a USAID program, but to the SME itself. Again, the GDA model is looking for non-traditional private sector partners that jointly plan and provide resources for development programs.

- **Generally, NGO partnerships are not GDAs**. USAID partners with NGOs to implement development programs, often with cost-sharing arrangements. This is USAID's traditional model and generally not considered a GDA. If, however, a

[1] Resource partners are considered co-donors. They provide resources, whether in cash or in-kind, to support development programming. Traditionally, resource partners have included other bi- and multilateral donors and public-sector agencies. Implementing partners are contractors or NGOs who manage and deliver projects on behalf of USAID.

NGO partner is bringing a non-traditional private sector actor and its resources to a partnership with USAID, then it may be considered a GDA.

- **Generally, cost share is not GDA leverage.** Cost share (also known as "match") refers to that portion of a project or program costs not borne by the Federal Government and is normally associated with contributions from the prime and sub-recipient sources that receive USAID funds. Leverage also refers to that portion of a project or program costs not borne by the Federal Government, but in the GDA context it is normally associated with the contributions of resource partners that are not receiving USAID funds. Cost share, which must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23 and is subject to audit. Leverage is not subject to these requirements and is not subject to audit, although it must be verifiable. In any event, it is important to advise the Agreement Officer whether the contributions under a GDA should be treated as "cost share or match" and/or "resource leveraging" consistent with agency policy on determining appropriate cost share/match. In addition, ADS 303.3.10 provides additional information about cost share and leverage under assistance instruments.

Acquisition and Assistance staff may be consulted at the GDA formation stage about leverage under Implementing Partner award instruments. More detailed information about leverage is available under the "***IMPLEMENTING MECHANISMS***" topic and at the following link: ***http://inside.usaid.gov/GDA/toolsAB/leverageOverview.doc***

## ROLE OF THE MEMORANDUM OF UNDERSTANDING (MOU)

Generally, leverage commitments should be documented in the MOU. The MOU is the core partnership document, which lays out the objective of the partnership, roles and responsibilities, and contribution estimates. The MOU is a non-obligating, non-legally binding document. The MOU forces the partners to discuss and decide on the amount and type of leverage at the very beginning of the partnership. The MOU helps ensure that the partners are in agreement and expectations aligned, and decreases the likelihood of a partner not honoring its leverage commitment.

However, there may be situations where it is difficult to provide leverage commitments in the MOU. If a partner is unable or unwilling to clarify its expected contribution under an MOU, it is important for USAID to consider the reasons for this. If a partner does not yet know what it plans to provide under the alliance, USAID should consider whether the partnership is really ready to be formalized in an MOU. If a partner's contribution includes a significant in-kind component, a partner may hesitate to provide a figure because it does not know how to value that contribution or does not want to release that valuation methodology outside the company. In that event, USAID should consider whether it is comfortable moving forward with an MOU that perhaps describes the in-kind contributions without providing a dollar value. Ultimately, there may be situations where USAID concludes that it makes programmatic sense to sign an MOU where the expected contributions are not spelled out. **In any case, it is important for everyone to understand that the expected funding contributions set forth in an MOU are not legally binding and do not represent actual commitments by any party to the MOU.**

Please see the MOU overview and template for more information.

## HOW TO DOCUMENT AND VERIFY LEVERAGE

Even though GDA leverage is not auditable, it is important for Missions and Operating Units to document and verify the leverage that they receive through a partnership. This ensures that partners uphold their commitments to the partnership and that USAID is fairly representing partnership data to internal and external stakeholders.

General guidelines for documenting and validating partner contributions include:

- Discuss the valuation methodology for the leverage with the resource partner and ensure that USAID considers the methodology reasonable. A resource partner may value its contributions based on its costs to produce the good or service or based on the market rate for such good or service. Either methodology could be reasonable, depending on the circumstances. While USAID generally defers to resource partners in their determination of the value of their leverage contribution, USAID should ensure that the amount is reasonable and does not appear to be inflated. All of this should be discussed and ideally included in the MOU prior to the launch of the alliance.
- Request that **Resource or Implementing Partners** provide a quarterly summary of all contributions to the partnership, keeping in mind the guidelines above. Click here for a template GDA leverage report.
- Discuss with USAID's Financial Management staff and implementing partner about how to best validate the type of contributions being reported.
- Record the method of validation and the individual who completed the validation.

## WHAT IF YOU DO NOT KNOW HOW TO VALUE THE LEVERAGE

While leverage is often easy to value (e.g., cash, many in-kind resources), there be instances when establishing leverage value may be difficult.

For example, GDA private sector partners may bring value that cannot be easily monetized such as brand value, reputation, market access, etc. In this case, such contributions are often considered desirable outcomes but are not counted as leverage. These assets can be invaluable to USAID's work and should not be discouraged just because they cannot be reported as a dollar figure. GDAs are about working with non-traditional private sector partners to increase the agency's development impact. If a private sector partner's contribution leads to significant development impact, then a powerful GDA is created, whether or not its contribution can be monetized as leverage.

In other cases, resource partners may not know how to value certain contributions or may suggest a leverage valuation that seems unreasonable or inflated. When these cases arise, USAID program staff may find it helpful to discuss possible valuations with the Agreement Officer, the Regional Legal Officer, Financial Management staff, and/or the GDA Office. This negotiation is part of the necessary exercises whose end result should be recorded in the MOU. Remember that the end goal is ultimately not to argue dollar for dollar but to ensure that proposed leverage is reasonable and strategic so that all stakeholders are equally invested in the partnership.

## ROLE OF THE IMPLEMENTER

**Implementing Partners** can play a crucial role in evaluating and documenting leverage. The Missions should provide the implementer with leverage guidance and a reporting template. The implementer can then incorporate leverage data collection, verification and reporting into their quarterly or other standard reports to USAID. Be sure that the implementer has budgeted costs that reflect these responsibilities. USAID's Financial Management team can work with the implementer and review the reports to ensure that they are using acceptable methods to document and verify leverage reported by the partners.