

Partnering for Innovation

MILESTONE AND MEANS OF VERIFICATION GUIDANCE INTRODUCTION

Feed the Future Partnering for Innovation is a USAID-funded program that helps the private sector to scale and market agricultural innovations for smallholder farmers through competitive awards and knowledge exchange, facilitates partnerships between USAID Missions and the private sector, and provides business acceleration tools and services that increase businesses' impact on smallholder farmers. Partnering for Innovation was explicitly designed to make it easy for private sector companies to receive and manage USAID funds for the achievement of mutually beneficial development goals. Specifically, the program's simplified application process, fixed price funding mechanism, and minimized reporting requirements all serve to make USAID funding more attractive and manageable for private sector partners.

WHAT ARE PERFORMANCE-BASED SUBAWARDS?

Partnering for Innovation has had considerable success using performance-based awards to partner with subawardees, especially those in the private sector. Performance-based awards are fixed amount awards, where the subawardee negotiates the expected cost of activities up front and is then paid based on results; the achievement of these results may be broken up into milestones, or periodic targets that demonstrate that the partner is making progress toward their final goals. Unlike a cost-reimbursable grant, where the partner submits receipts for the expenses incurred as a result of activities undertaken and is then repaid based on the actual costs, payments under a performance-based subaward are based solely on proven achievement of the stated milestones.



WHY USE PERFORMANCE-BASED SBAWARDS?

Performance-based subawards have resulted in the following benefits for Partnering for Innovation and its subaward partners:

- **Clear Expectations:** with clearly negotiated expected results, milestone deadlines, and detailed means of verification for each deliverable, subawardees are always clear on the implementing partner's expectations for project implementation.
- **Flexible Approach:** performance milestones are deliverables rather than activities, and therefore allow the subawardee considerable flexibility in how they respond to challenges and achieve the overall funding goals.
- **Lower Donor Risk:** all subaward payments are directly tied to the achievement of fixed targets determined during negotiation, so the subawardee will not be paid if they fail to meet their milestones on time and as specified in their subaward.
- **Reduced Financial Management:** because subaward payments are tied to the achievement of milestones rather than based on actual expenditures, no invoices or receipts need to be submitted by the subawardee or reviewed by the implementing partner.
- **Reduced Reporting Requirements:** rather than requiring subawardees to report on program activities through a structured monitoring and evaluation program, subawards are structured so that all impact information is pulled from means of verification documentation.

"This partnership is the perfect approach for engaging private sector companies—we were clear about the program's expectations, but had the flexibility to achieve them in the most efficient way possible."

— Ignacio Viteri, Business Strategy Manager for Agropecuaria Popoyán

"The milestone-based agreement was wonderful, it made it easy to manage the project. And since milestones and means of verification were agreed on in the beginning, we had absolutely no issues around meeting expectations. A project manager's dream!"

— Brigitta Nyawira, Project Manager for Grameen Foundation Kenya

HOW DO MILESTONES LEAD TO RESULTS?

When negotiating subaward partnerships, Partnering for Innovation negotiates a series of milestones or periodic targets that will demonstrate the subawardee is making progress toward the final impact. All milestones must be based on concrete achievements and key outcomes that contribute to the overall impact and sustainability of subaward activities. Milestones must be specific, measurable, and verifiable, and should be based on existing subawardee indicators, common business metrics (such as total number or dollar value of product sold), or concrete deliverables; they should not require implementation of new systems for financial or impact tracking.

In addition, milestones should be developed around final results rather than intermediate processes (e.g. milestones around farmers impacted or smallholder sales instead of farmers trained) or developed around deliverables that the project wants to retain control over (e.g. training curricula, implementation strategies, construction activities). And milestones should be consistently written and applied across partnerships.

WHAT MAKES A GOOD MILESTONE?

Milestones have two parts: the milestone itself and its means of verification. The **milestone** states the result that the subawardee must achieve, the deadline for achieving that result, and the payment amount should the subawardee achieve the stated result. The **means of verification (MOV)** is a detailed list of the documentation the subawardee must submit in order to confirm that they have in fact achieved the required milestone and are eligible to receive payment. A **milestone plan** is a comprehensive list of all the milestones a subawardee must achieve (including due dates and related payments) and the required documentation that must be submitted for the subawardee to fully achieve the partnership results.

Best Practices in Milestone Development

- Milestones should be developed around final results rather than intermediate processes (e.g. milestones around farmers impacted or smallholder sales instead of farmers trained).
- Milestones should be developed around deliverables that the project wants to retain control over (e.g. training curricula, implementation strategies, construction activities).
- Subawards should have approximately 10-12 milestones; it is possible to include more if necessary, but it is considerably more difficult to manage.
- The milestone payment schedule should be determined once the milestones and total award budget are finalized.
- Milestone plans should balance the financial or cash-flow needs of the proposed partner while still incentivizing the partner to focus on business goals and targets to reach commercial viability.
- The first milestone should be a work plan due no more than four weeks after the start date, and should be valued at no more than 10 percent of the total award; this is a “soft” milestone, but it will establish the timeline and implementation strategy and provide needed upfront investment.
- Key sales or results milestones should have the highest relative percentage per milestone.
- No more than 50 percent of the total award should be paid out in the first half of implementation; avoid frontloading the payment schedule to incentivize subawardees to complete all activities.
- At least 5 percent of the total award should be reserved for the final milestone to ensure subawardees are incentivized to complete all subaward activities.
- Synchronize the milestone schedule with the local agricultural cycle(s).

Best Practices in Means of Verification (MOV) Development

- MOVs must explicitly state all required deliverables, and should serve as a checklist to determine whether or not a milestone has been completed.



When developing milestones, think of a chocolate cake! If you just ask for a chocolate cake, you might not get what you want. Instead, you need to specify how many layers the cake should have, what flavor frosting you want, and if there's cream filling or coconut sprinkled on top. Likewise, milestones need to be clearly defined descriptions of specific, measurable deliverables.

- MOVs are specific, measurable, and verifiable (like milestones!) and should provide clarity and specificity for achieving intended business and program goals.
- MOVs are not the same as scopes of work! A scope of work is used to outline the broad objectives, activities, strategies, responsible parties, and expected outcomes of the subaward; MOVs are the specific, detailed contractual requirements that subawardees must deliver for payment.

Milestone & Means of Verification Guidelines

- **WORK PLAN/BUSINESS PLAN**

Milestone: work plan/business plan completed and submitted for approval.

Means of Verification: Using the format provided by Partnering for Innovation, the work plan/business plan should include a description of each activity including the timing necessary to achieve the performance milestones identified during the [MONTHS] of the agreement. If applicable, the work plan/business plan should incorporate environmental mitigation measures as outlined in Attachment I of the agreement.

- **PRODUCTION RECORDS¹**

Milestone: production records, demonstrating [VOLUME] produced over [TIME PERIOD], submitted for approval.

Means of Verification: [SUBAWARDEE] production reports indicating production date and product volumes.

- **CUSTOMER/FARMER IMPACT SURVEY**

Milestone: Customer/Farmer Impact Survey conducted and submitted for approval.

Means of Verification: representative, statistically significant [CUSTOMER/FARMER] impact survey conducted to learn more about the target customer, and the impact of the activity on that target customer. [ENTREPRENEUR/FARMER] questionnaire completed. Survey to include written narrative, before and after photos, descriptive graphs and charts.

- **SALES RECORDS**

Milestone: sales records indicating sales of [PRODUCT/TECHNOLOGY/SERVICE] sold to [## OF SMALLHOLDER FARMERS/AGGREGATORS/COMMERCIAL DISTRIBUTOR] submitted and approved.

Means of Verification: submission of sales records completed in the template provided by Partnering for Innovation from both commercial and non-commercial points of sale. One of the following submitted: sales ledger, copies of receipt or proof of sales, or purchase agreements measuring sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.

¹ If supporting a service rather than a product, this milestone may not be relevant. Partnership Managers should determine the relevance of the milestone.

- **CONSTRUCTION**

Milestone: facility completed and operational.

Means of Verification: Signed letter, dated before the start of construction, from FTF-P4I contracted engineer certifying that the facility blueprints and construction plans meet accepted building codes and regulations. Signed letter, dated prior to the end of construction, from FTF-P4I contracted engineer certifying adherence to engineering and environmental standards at the facility during ongoing construction. Signed letter, dated after completion of construction, from FTF-P4I contracted engineer certifying the completed facility adheres to blueprints and construction plan, engineering and environmental, and building codes and regulations.

- **LEVERAGE REPORT**

Milestone: final leverage report completed and submitted for approval.

Means of Verification: final leverage report submitted in the template provided by Partnering for Innovation, indicating that \$[###,###] in leveraged funds has been incurred by [SUBAWAREE].

- **INVESTMENT READINESS MATERIALS**

Milestone: investor readiness profile completed and submitted for approval.

Means of Verification: investment readiness profile, completed in template provided by Partnering for Innovation, will be a minimum of three (3), maximum of five (5) pages and include a description of the company, its product(s) and markets, the company's proposed business plan, an overview of the Executive team, and a summary of financing needs that correspond with the requirements to implement the growth strategy.

Milestone Plan Guidelines

Milestone Description	Weight (%)	Justification
<p>Milestone: work plan/business plan completed and submitted for approval.</p> <p>Means of Verification: Using the format provided by Partnering for Innovation, the work plan/business plan should include a description of each activity including the timing necessary to achieve the performance milestones identified during the [MONTHS] of the agreement. If applicable, the work plan/business plan should incorporate environmental mitigation measures as outlined in Attachment I of the agreement.</p>	8-10%	As a general rule, the first milestone is a work plan or business plan, due between two and four weeks after subaward signature. The workplan/business plan is a key implementation tool that will help the subawardee plan activities for the duration of the partnership. 10-15% of the total budget should be allocated for this milestone to provide start-up funds for project activities.
<p>Milestone: production records, demonstrating [VOLUME] produced over [TIME PERIOD], submitted for approval.</p> <p>Means of Verification: [SUBAWARDEE] production reports indicating production date and product volumes.</p>	20-30%	Following development of the work plan or business plan, the subawardee must prepare their product/technology/service for sale. Production is a precursor to sales, thus weighted 20-30% of the overall budget.
<p>Milestone: sales records indicating sales of [PRODUCT/TECHNOLOGY/SERVICE] sold to [## OF SMALLHOLDER FARMERS/AGGREGATORS/COMMERCIAL DISTRIBUTOR] submitted and approved.</p> <p>Means of Verification: submission of sales records completed in the template provided by Partnering for Innovation from both commercial and non-commercial points of sale. One of the following submitted: sales ledger, copies of receipt or proof of sales, or purchase agreements measuring sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.</p>	30-50+%	Once the subawardee has produced their product/technology and/or prepared their service and business strategy, they will begin to sell in the market. Each subaward should include multiple sales milestones, which should grow incrementally. As a key indicator of commercialization (i.e. access and adoption of technology) sales milestones will serve to inform both the subawardee and Partnering for Innovation about the business's financially status and progress towards break-even. Further, sales data is used by Partnering for Innovation to determine the rate of return of the program's investment, thereby of significant value to the program and valued at the highest relative percentage per milestone payment.

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Milestone Description	Weight (%)	Justification
<p>Milestone: facility completed and operational.</p> <p>Means of Verification: Signed letter, dated before the start of construction, from FTF-P4I contracted engineer certifying that the facility blueprints and construction plans meet accepted building codes and regulations. Signed letter, dated prior to the end of construction, from FTF-P4I contracted engineer certifying adherence to engineering and environmental standards at the facility during ongoing construction. Signed letter, dated after completion of construction, from FTF-P4I contracted engineer certifying the completed facility adheres to blueprints and construction plan, engineering and environmental, and building codes and regulations.</p>	10-20%	Construction activities must meet safety and quality standards. For partnerships that include construction, it will be critical to the success of the partnership and ongoing scaling of activities. Given their importance and that they are expensive, the construction milestone warrants a heavier weight, valued at 10-20% of the total budget.
<p>Milestone: customer/farmer impact survey conducted and submitted for approval.</p> <p>Means of Verification: Representative, statistically significant [CUSTOMER/FARMER] impact survey conducted to learn more about the target customer, and the impact of the activity on that target customer. [ENTREPRENEUR/FARMER] questionnaire completed. Survey to include written narrative, before and after photos, descriptive graphs and charts.</p>	5-10%	Impact surveys collect data on target customers and the impact of the activity in the market. They inform businesses of the market response to their product/technology/service and therefore are useful as a mid/late milestone, when sales and market demand are growing. As an informative tool for the subawardee, the milestone is valued at 5-10% of the budget.
<p>Milestone: final leverage report completed and submitted for approval.</p> <p>Means of Verification: final leverage report submitted in template provided by Partnering for Innovation, indicating that \$[###,###] in leveraged funds has been incurred by [SUBAWAREE].</p>	10-20%	The final leverage report is required by Partnering for Innovation to hold the subawardee accountable for completing their private sector investment. Given the importance of demonstrating the subawardee's investment, the milestone is weighted 10-20% of the total budget.
<p>Milestone: investor readiness profile completed and submitted for approval.</p> <p>Means of Verification: investment readiness profile, completed in template provided by Partnering for Innovation, will be a minimum of three (3), maximum of five (5) pages and include a description of the company, its product(s) and markets, the company's proposed business plan, an overview of the Executive the team, and a summary of financing needs that correspond with the requirements to implement the growth strategy.</p>	10-20%	10-20% of the total subaward is reserved for the final milestone. The final milestone is designed for the partner to prepare to seek further investment following the partnership. As such, this milestone requires the subawardee to develop materials necessary for investors or banks, including company profiles, investment pitches, financial projections and needs, to enhance company's presence in the market and support the business' commercial sustainability.

Milestone & Means of Verification Examples

Milestone 1: Work plan/business plan completed and submitted for approval.

Means of Verification: Using the format provided by Partnering for Innovation, the work plan/business plan should include a description of each activity including the timing necessary to achieve the performance milestones identified during the 15 months of the agreement. If applicable, the work plan/business plan should incorporate environmental mitigation measures as outlined in Attachment 1 of the agreement.

Milestone 2: Production records, demonstrating 50 MT produced over three months, submitted for approval.

Means of Verification: AG Seed LLC. production reports indicating production date and product volumes.

Milestone 3: Sales records indicating sales of AG Seed certified tomato seed sold to 200 smallholder farmers submitted and approved.

Means of Verification: Submission of sales records completed in the template provided by Partnering for Innovation (include one of the following: sales ledger, copies of receipt or proof of sales, purchase agreements) from both commercial and non-commercial points of sale. Submitted sales ledger measures sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.

Milestone 4: Production records, demonstrating 100 MT (cumulative 150 MT) produced over six months, submitted for approval.

Means of Verification: AG Seed LLC. production reports indicating production date and product volumes.

Milestone 5: Sales records indicating sales of AG Seed certified tomato seed sold to 400 smallholder farmers (cumulative 600 smallholder farmers) submitted and approved.

Means of Verification: Submission of sales records completed in the template provided by Partnering for Innovation (include one of the following: sales ledger, copies of receipt or proof of sales, purchase agreements) from both commercial and non-commercial points of sale. Submitted sales ledger measures sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.

Milestone 6: Customer/Farmer Impact Survey conducted and submitted for approval.

Means of Verification: Representative, statistically significant farmer impact survey conducted to learn more about the target customer, and the impact of the activity on that target customer. Farmer

questionnaire completed. Survey to include written narrative, before and after photos, descriptive graphs and charts.

Milestone 7: Sales records indicating sales of AG Seed certified tomato seed sold to 1,600 smallholder farmers (cumulative 2,200 smallholder farmers) submitted and approved.

Means of Verification: Submission of sales records completed in the template provided by Partnering for Innovation (include one of the following: sales ledger, copies of receipt or proof of sales, purchase agreements) from both commercial and non-commercial points of sale. Submitted sales ledger measures sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.

Milestone 8: AG Seed facility completed and operational.

Means of Verification: Signed letter, dated before the start of construction, from FTF-P4I contracted engineer certifying that the facility blueprints and construction plans meet accepted building codes and regulations. Signed letter, dated prior to the end of construction, from FTF-P4I contracted engineer certifying adherence to engineering and environmental standards at the facility during ongoing construction. Signed letter, dated after completion of construction, from FTF-P4I contracted engineer certifying the completed facility adheres to blueprints and construction plan, engineering and environmental, and building codes and regulations.

Milestone 9: Sales records indicating sales of Ag Seed certified tomato seed sold to 3,000 smallholder farmers (cumulative 5,200 smallholder farmers) submitted and approved.

Means of Verification: Submission of sales records completed in the template provided by Partnering for Innovation (include one of the following: sales ledger, copies of receipt or proof of sales, purchase agreements) from both commercial and non-commercial points of sale. Submitted sales ledger measures sales in volume – indicating the farmer name, mobile phone number, farmer location, gender, value of sale, date of sale, and amount purchased. Sales records may be subject to outside verification, if requested by Partnering for Innovation.

Milestone 10: Final leverage report completed and submitted for approval.

Means of Verification: Final leverage report submitted in templated provided by Partnering for Innovation, indicating that \$200,000 in leveraged funds has been incurred by AG Seed LLC.

Milestone 11: Investor readiness profile completed and submitted for approval.

Means of Verification: Investment readiness profile, completed in template provided by Partnering for Innovation, will be a minimum of three (3), maximum of five (5) pages and include a description of the company, its product(s) and markets, the company's proposed business plan, an overview of the executive team, and a summary of financing needs that correspond with the requirements to implement the growth strategy.

Milestone Plan Example

No.	Milestone Description	Weight (%)	Value (\$)	Justification
1	Milestone: work/business plan completed and submitted for approval.	10%	\$10,000	As a key implementation tool that will help the AG Seed LLC plan activities for the duration of the partnership, the workplan/business plan is 10% of the total budget. In addition to setting up the overall schedule, the work plan/business plan milestone provide start-up funds for AG Seed to begin project activities.
2	Milestone: production records, demonstrating 50MT produced over three months, submitted for approval.	7%	\$7,000	As soon as the workplan/business plan is set, AG Seed LLC must begin production of the certified tomato seed for sale. Since production is a precursor to sales, AG Seed LLC will begin by producing 50 MT, which is approximately 30% of total production required under this activity. As a whole, production milestones will make up 15% of the total budget; this first production milestone is accordingly weighed at 7% of the overall budget.
3	Milestone: sales records indicating sales of AG Seed certified tomato seed sold to 200 smallholder farmers submitted and approved.	5%	\$5,000	With product on hand, AG Seed LLC will begin to sell in the market. This subaward includes four sales milestones, which increase sales targets incrementally, and equal 40% of the overall budget. This first sales milestone begins at 5% of the total budget.
4	Milestone: production records, demonstrating 100 MT (cumulative 150 MT) produced over six months, submitted for approval.	8%	\$8,000	AG Seed LLC will complete their second production milestone in preparation for further sales. They will double production to 100 MT to reach their production requirement under this activity. As such, this milestone is weighed at 8% of the overall budget.
5	Milestone: sales records indicating sales of AG Seed certified tomato seed sold to 400 smallholder farmers (cumulative 600 smallholder farmers) submitted and approved.	10%	\$10,000	As the second sales milestone, this doubles the sales target and is weighed at 10% of the total budget. As a key indicator of commercialization – i.e. access and adoption of technology – this sales milestone begins to inform both the AG Seed LLC and Partnering for Innovation about the business's financially status and progress towards their break-even point.
6	Milestone: customer/farmer impact survey conducted and submitted for approval.	5%	\$5,000	The impact survey will collect data on target customers and the impact of the activity in the market to inform AG Seed LLC of the market response to their product. As a mid-activity milestone, when sales and market demand are growing, this will be an informative tool on product health. The milestone is valued at 5% of the overall budget.

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No.	Milestone Description	Weight (%)	Value (\$)	Justification
7	Milestone: sales records indicating sales of AG Seed certified tomato seed sold to 1,600 smallholder farmers (cumulative 2,200 smallholder farmers) submitted and approved.	10%	\$10,000	As the fourth sales milestone, the sales target here is again increased, this time by four times the previous target. As such it is weighed at 10% of the total budget. As a key indicator of commercialization – i.e. access and adoption of technology – this sales milestone will further serve to inform both the AG Seed LLC and Partnering for Innovation about the business's financially status and progress towards their break-even point.
8	Milestone: AG Seed facility completed and operational.	10%	\$10,000	Construction activities must meet safety and quality standards. For AG Seed, construction of the facility is critical to the success of the partnership and ongoing scaling of activities. Given the importance and expense of the construction activity, the construction milestone is valued at 10% of the total budget.
9	Milestone: sales records indicating sales of Ag Seed certified tomato seed sold to 3,000 smallholder farmers (cumulative 5,200 smallholder farmers) submitted and approved.	15%	\$15,000	The sales target here is again increased, this time by double the previous target. As such it is weighed at 15% of the total budget. At this point, sales data collected will be used by Partnering for Innovation to determine the rate of return of the program's investment.
10	Milestone: final leverage report completed and submitted for approval.	10%	\$10,000	The final leverage report is required by Partnering for Innovation to hold AG Seed LLC accountable for completing their private sector investment. Given the importance of demonstrating the subawardee's investment, the milestone is weighted 10% of the total budget.
11	Milestone: investor readiness profile completed and submitted for approval.	10%	\$10,000	30% of the total subaward is reserved for the final milestone. The final milestone is designed for AG Seed LLC to prepare for further investment following the partnership. This milestone requires the AG Seed LLC to develop materials necessary for investors or banks to enhance company's presence in the market and support their commercial sustainability.