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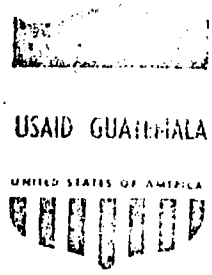

USAID GUATEMALA

UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A. I. D. MISSION TO GUATEMALA

USAID/GUATEMALA or c/o American Embassy
APO MIAMI 34024 Guatemala City, Guatemala, C. A.

Agosto 26, de 1986

August 26, 1986

Federación Nacional de
Cooperativas de Ahorro y Crédito
y Servicios Varios
5a. Calle 0-55, Zona 9
Guatemala, Guatemala

Federación Nacional de
Cooperativas de Ahorro y Crédito
y Servicios Varios
5a. Calle 0-55, Zona 9
Guatemala, Guatemala

Asunto: Convenio de cooperación
No. 520-0286-A-00-6329-00

Subject: Cooperative Agreement
No. 520-0286-A-00-6329-00

Estimados señores:

De conformidad con las facultades concedidas por la Ley de ayuda Exterior de 1961 y sus enmiendas, la Agencia para el Desarrollo Internacional (referida de aquí en adelante como "A.I.D." o "Donador") por la presente proporciona a la Federación Nacional de Cooperativas de Ahorro y Crédito y Servicios Varios (referida de aquí en adelante como la "Recipiendaria" o "FENACOAC) la cantidad de Q21,803,450 (ó US$7,391,000, cualquiera que sea la cantidad más baja), y $3,029,000 para un total de $10,420,000, de acuerdo con la descripción del Anexo I, "Programa" de este Convenio y Anexo 2 titulado "Términos de Referencia".

Gentlemen:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby provides to the Federación Nacional de Cooperativas de Ahorro y Crédito y Servicios Varios (hereinafter referred to as the "Recipient" or "FENACOAC) the sum of Q21,803,450 (or US$7,391,000 whichever is lower) and US$3,029,000 for a total of US$10,420,000 as described in Attachment 1, the "Schedule" of this Agreement and Attachment 2 entitled "Terms of Reference".

Este Convenio tendrá vigencia y la obligación se hará a partir de la fecha de esta carta, y se deberá aplicar a los compromisos incurridos por la recipiendaria en apoyo de los objetivos de este programa durante el período que se inicia con la fecha de vigencia y que termina el 28 de julio de 1991.

Se firma el presente Convenio con FENACOAC con la condición de que los fondos serán administrados según los términos y condiciones que se exponen en el Anexo 1 titulado el "Programa", Anexo 2 titulado "Términos de Referencia" y Anexo 3, titulado "Cláusulas Generales" que han sido aceptadas por su institución.

Le ruego acusar recibo de este Convenio firmando el original y (7) copias de esta carta, y devolver el original y seis (6) copias a USAID/Guatemala, Atención de: Oficina de Contratos y Suministros.

Atentamente,

This Agreement is effective and obligation made as of the date of this letter and shall apply to commitments made by the recipient in furtherance of program objectives during the period beginning with the effective date and ending July 28, 1991.

This Agreement is made to FENACOAC on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1 entitled "Schedule", Attachment 2 entitled "Terms of Reference" and Attachment 3, entitled "Standard Provisions" which have been agreed to by your organization.

Please sign the original and (7) copies of the letter to acknowledge your receipt of this Agreement and return the original and six (6) copies to the USAID/Guatemala, Attention: Contracts & Supply Office.

Sincerely yours,

James E. Corley
Agreement Officer

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Attachments:

1. Schedule
2. Terms of Reference
3. Standard Provisions

Anexos:

1. Programa
2. Términos de Referencia
3. Cláusulas Generales

ACKNOWLEDGED:

ACEPTADO:

BY/POR _____ Rocael García

Title/Título Manager/Gerente

Date/Fecha September 9, 1986

FISCAL DATA	INFORMACION FISCAL
Appropriation No. Apropiación No.	72-1161021
Budget Plan Code Código del Plan de Presupuesto	LDAA-86-25520-AG13
PIO/T No. PIO/T No.	520-0286-3-60050
Project No. Proyecto No.	520-0286
Total Estimated Amount Cantidad Total Estimada	US$10,420,000
Total Obligated Amount Cantidad Total Obligada	US$10,420,000
Controller's Code Código de Contabilidad	P601092

Anexo No. 1

PROGRAMA

A. Propósito del Convenio:

El propósito de este convenio de cooperación con FENACOAC es desarrollar un movimiento cooperativo guatemalteco viable, eficiente y efectivo entre federaciones seleccionadas y sus cooperativas afiliadas por medio del mejoramiento de sus servicios, capacidades y mejorando su desempeño económico de sus empresas.

B. Período de este Convenio:

1. La fecha de vigencia de este Convenio es 26 de agosto de 1986. La fecha de vencimiento de este Convenio es 28 de julio de 1991.

2. Los fondos obligados en el presente documento están disponibles para gastos del programa para el período estimado del 26 de agosto de 1986 hasta el 28 de julio de 1991.

C. Cantidad de Convenio y Pago:

1. La cantidad total estimada de este Convenio para el período que aparece en B.1. arriba es de Q21,803,450 (ó US$7,391,000, cualquiera que sea la menor), y $3,029,000, para un total de $10,420,000.

Attachment No. 1

SCHEDULE

A. Purpose of Agreement:

The purpose of this Cooperative Agreement with FENACOAC is to develop a viable, efficient and effective Guatemalan cooperative movement among selected federations and their affiliated cooperatives by enhancing their managerial and service delivery capabilities and by improving their performance as profitable enterprises.

B. Period of Agreement:

1. The effective date of this Agreement is August 26, 1986. The expiration date of this Agreement is July 28, 1991.

2. Funds obligated hereunder are available for program expenditures for the estimated period August 26, 1986 through July 28, 1991.

C. Amount of Agreement and Payment:

1. The total estimated amount of this Agreement for the period shown in B.1. above is Q 21,803,450 (or US$7,391,000 whichever is lower) and $3,029,000 for a total of $10,420,000.

2. Por la presente, AID obliga la cantidad de Q21,803,450 (ó US$7,391,000, cualquiera que sea la menor), y $3,029,000 para un total de $10,420,000 para cubrir gastos del programa durante el período que se indica en B.2. arriba y que se muestra en el Plan Financiero que aparece posteriormente.

2. AID hereby obligates the amount of Q21,803,450 (or US$7,391,000 whichever is lower) and U.S. $3,029,000 for a total of $10,420,000 for program expenditures during the period set forth in B.2. above and as shown in the Financial Plan below.

3. Los pagos se efectuarán a la Recipiendaria de acuerdo con los procedimientos que aparecen en el Anexo 3, Cláusula Opcional General No. 1, titulada "Pago - Anticipos Periódicos".

3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 Optional Standard Provision No. 1 entitled "Payment - Periodic Advance".

D. Plan Financiero:

D. Financial Plan:

1. A continuación aparece el Plan Financiero para este Convenio, y la Recipiendaria no podrá exceder el gran total allí especificado. Se podrán efectuar revisiones a este Plan, de acuerdo con la Cláusula General de este Convenio titulada "Revisión del Presupuesto del Convenio de Cooperación".

1. The following is the Financial Plan for this Agreement, and the Recipient may not exceed the grand total set forth therein. Revisions to this Plan shall be made in accordance with the Standard Provision of this Agreement entitled "Revision of Cooperative Agreement Budget".

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FINANCIAL PLAN

IN U.S. DOLLARS/EN DOLARES

Activity/Actividad	AID/Guatemala Funding/ Fondos AID/Guatemala	FENACOAC contribution/ contribución	TOTAL
I. Institutional Development/ Desarrollo Institucional	5,110,000	1,387,000	6,497,000
A. International Technical Assistance/Asistencia Técnica Internacional *	3,029,000		3,029,000
B. Guatemalan Program Operations/Programa de Operaciones de Guatemala	2,081,000	1,387,000	3,468,000
1. TDU/FMU local operations/UDT/FMU operaciones locales	630,000	370,000 1/	1,000,000
2. Federation Institutional Support Grants/Donaciones de apoyo institucional a la Federación	410,000	550,000 2/	960,000
3. INACOP Regulatory Development Assistants/ Asistentes para el desarrollo regulador INACOP	11,000		11,000
4. CONFECOOP Institutional Support Grant/Apoyo Institucional del Convenio CONFECOOP	50,000		50,000
5. Staff Incentive Program/ Programa de Incentivos para personal	980,000	467,000 3/	1,447,000
II. Capitalization/Stabilization/ Capitalización/Estabilización	2,510,000	1,531,200	4,041,200
A. Stabilization Fund/Fondo de Estabilización	2,165,000		2,165,000
B. Savings Protection Fund/Fondo de Protección de Ahorro	345,000		345,000
C. Retained Earnings/Ganancias retenidas		121,200 4/	121,200
D. Member Shares/Acciones		892,500 5/	892,500

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	E. Member Deposits/Depósitos de miembros		517,500 6/	517,500
III.	Credit/Crédito	2,800,000	900,000 7/	3,700,000
IV.	Trust Agreement/Fideicomiso		6,800	6,800
	GR'ND TOTAL ITEMS I - IV	10,420,000	3,825,000	14,245,000

* USAID/Guatemala retained funds to contract for international technical assistance and provide for their support/Fondos retenidos por USAID Guatemala para contratar asistencia técnica internacional y la otorga para su apoyo.

1/ TDU/FMU local operations/Operaciones Locales de la UDT/FMU

FENACOAC's indirect administrative costs, excluding its annual general meeting and other non-administrative indirect costs. The amount is derived from the financial analysis of FENACOAC presented in the WOCCU assessment study.

FENACOAC's indirect administrative costs were Q222,612 in 1982. This amount was then inflated at five percent per year for the five years of Project implementation, converted to U.S. dollars and discounted by 25% to calculate the counterpart contribution.

(Los costos indirectos administrativos de FENACOAC, excluyendo su reunión general anual y otros costos indirectos no administrativos. La cantidad se deriva del análisis financiero de FENACOAC presentado en el estudio de WOCCU.

(Los costos administrativos de FENACOAC fueron de Q222,612 en 1984. Esta cantidad fue inflada en un cinco por ciento anual durante los cinco años de ejecución del Proyecto, convertidos en dólares de los Estados Unidos, y con un descuento del 25% para calcular la contribución de la contraparte.)

2/ Federation Institutional Support Grants/Donaciones de Apoyo Institucional a la Federación

The total administrative costs incurred by each potential participant federation. The sum of the administrative costs of the federations was inflated at five percent anually, converted to dollars and discounted.

(Los costos administrativos totales incurridos por cada federación potencial participante. La suma de los costos administrativos de las federaciones fue inflado en un cinco por ciento anual, convertido en dólares y descontado.

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3/ Staff Incentive Program/Programa de Incentivos para el Personal

This component included incremental funding to cooperatives and credit unions to permit increases in managers' and other key staff's salaries. The counterpart is defined as that portion of these salaries which is paid by the local cooperatives themselves. No counterpart estimate is included for the federation staff incentive portion since these costs have already been allocated to the federation institutional support grant category.

(Este componente incluye financiamiento creciente a las cooperativas para permitir incrementar los salarios de los gerentes y otro personal clave de las mismas. La contraparte está definida como la parte de estos salarios que se paga por las mismas cooperativas locales. Ninguna estimación de datos de la contraparte se incluye para la parte de incentivos del personal de la federación, ya que estos costos han sido ya asignados a la categoría de donación de apoyo institucional de la federación.)

4/ Retained Earnings/Ganancias Retenidas

Incremental retained earnings generated by FENACOAC's affiliated credit unions comprise this portion of the counterpart funding for the Capitalization component. The estimates of additional retained earnings (including reserves) generated by these cooperaties and credit unions are based on the financial impact analysis contained in section IX of the Project Design.

(Las ganancias retenidas crecientes, generadas por las cooperativas de ahorro y crédito afiliadas a FENACOAC, comprenden esta parte de los fondos de contraparte del componente de Capitalización. La estimación de ganancias retenidas adicionales (incluyendo reservas) generadas por estas cooperativas y uniones de crédito se basan en el impacto financiero contenido en la Sección IX del Diseño del Programa.)

5/ Member Shares/Acciones

In the case of FENACOAC's affiliates, total share growth is estimated at Q5,935,000 without the Project and Q8,905,000 with the Project; the difference of Q2,970,000 is the counterpart funding. Additional share purchases by members are estimated for FENACOAC's affiliates in response to improved yields on share account balances and automatic capitalization (reinvestment) of dividends on share accounts.

(En el caso de las afiliadas a FENACOAC, el crecimiento total de las acciones se estima en Q5,935,000 sin el Proyecto, y en Q8,905,000 con el Proyecto; la diferencia de Q2,970,000 es el financiamiento de la contraparte. Se esperan compras adicionales de acciones por parte de los afiliados a FENACOAC en respuesta a los rendimientos mejorados en balances de cuentas de acciones y a la capitalización automática (reinversión) de los dividendos en cuentas de acciones.)

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6/ Member Deposits/Depósitos de Miembros

This counterpart funding is produced only in the credit union sector and it measures the expected difference in total savings deposit mobilization with and without the Project. With the Project, total additional deposits are estimated at Q5,170,000; without it, new savings deposits would be Q3,445,000. The counterpart-funded difference is Q1,725,000.

(Este financiamiento de la contrapartida se produce solamente en el sector de las cooperativas de ahorro y crédito y mide la diferencia esperada en la mobilización total de depósitos de ahorros, con y sin el Proyecto. Con el Proyecto, el total de depósitos adicionales se estima en Q5,170,000; sin esto, los nuevos depósitos de ahorro serán de Q3,445,000. La diferencia financiada por la contraparte es de Q.1,725,000.)

7/ Additional credit resources obtained in addition to the new capitalization described above is defined as the counterpart contribution for the Credit component. Estimates are provided for FENACOAC only, since information on projected external indebtedness of the other federations was not provided in the assessment studies. The amount estimated for FENACOAC is Q3.0 million from COLAC/IDB. Additional amounts are expected from the Coopertive Housing Foundation but have not been included.

(Los recursos crediticios adicionales obtenidos además de la nueva capitalización descrita con antelación se definen como la contribución de la contraparte para el Componente de Crédito. Solamente se proporcionan las estimaciones de FENACOAC, ya que en los estudios de asesoría no se cuenta con la información sobre deuda externa proyectada de las otras federaciones. El monto estimado para FENACOAC es de Q3.0 millones de COLAC/BID. Se esperan cantidades adicionales de la Fundacion Cooperativa de la Vivienda pero no han sido incluídas.)

ILLUSTRATIVE BUDGET
IN U.S. DOLLARS/EN DOLARES

I. Institutional Development/Desarrollo Institucional	5,110,000
A. International Technical Assistance/Asistencia Técnica Internacional	3,029,000
1. Salaries/Salarios Credit Union Specialist/Especialista en Asociaciones de Ahorro y Préstamo (5 py*) Credit & Fin. Specialist/Especialista Crediticio y Financiero (3 py) AG. Coop. Operation Spec./Esp. en Operaciones de Cooperativas Agrícolas (5 py) Staff Development Spec./Especialista en Desarrollo de Personal (3 py)	967,000
2. Benefits/Beneficios	260,000
3. Allowance/Asignación	435,000
4. Miscellaneous Personnel/Personal Vario	100,000
5. Short term consultants/ Consultores a Corto Plazo (140 pd**)	65,000
6. Travel & transportation/Viajes y Transportes	200,000
7. Equipment & Commodities/Equipo y Mercadería	250,000
8. Evaluation/Evaluación	30,000
9. Training/Adiestramiento	40,000
10. Other direct cost/Otro Costo Directo	13,000
11. Project Support & Indirect cost (Overhead)/Apoyo al Projecto y Costo Indirecto	669,000
B. Guatemalan Program Operations/Operaciones Guatemaltecas del Programa	2,081,000
1. TDU/FMU local operations (See Footnote 1/)/ Operaciones locales UDT/FMU (Ver nota 1/)	630,000

* py = Person years/Persona años
** pd = Person days/Persona déas

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2. Federation Institutional Support Grants/ Donaciones de apoyo institucional a la Federación	410,000
a. Personnel/Personal	127,000
b. Travel & Transportation/Viaje y Transporte	32,000
c. Training/Adiestramiento	70,000
d. Equipment & Commodities/Equipo y Mercadería.	11,000
f. Audits/Auditoría	120,000
g. Promotion & Publicity/Promoción y Publicidad	50,000
3. INACOP Regulatory Development Assistants/Asistentes Regulatorios de Desarrollo INACOP	11,000
a. Auditor Training/Adiestramiento de Auditoría	11,000
4. CONFECOOP Institutional Support Grant/ Apoyo Institucional del Convenio CONFECOOP	50,000
a. Travel/Viaje	24,000
b. Publishing & Materials/Publicación y Materiales	9,000
c. Equipment & Commodities/Equipo y Mercadería	3,000
d. Promotions & Publicity/Promociones y Publicidad	14,000
5. Staff Incentive Program/Programa de Incentivos para personal	980,000
a. Federations/Federaciones	38,000
b. Cooperative & Credit unions/Asociaciones de Ahorro y Préstamo	942,000
II. Capitalization/Stabilization/ Capitalizaciçn/Estabilización	2,510,000
A. Stabilization Fund/Fondo de Estabilización	2,165,000

1/

BUDGET - TECHNICAL UNIT

T D U

QUETZALES

YEARS/A OS	I	II	III	IV	V	TOTAL
1. Salaries/Salarios	19,100	21,974	25,278	29,084	33,470	128,906
2. Fringe Benefits/Prestaciones Laborales	4,879	5,812	6,912	8,220	9,762	35,585
3. Per Diem/Viáticos	28,800	46,200	52,800	59,400	68,640	255,840
4. Transporte/Transportation	36,870	49,620	58,925	69,045	80,202	294,662
5. Consultoría/Consultant	6,000	9,900	16,290	18,000	13,200	63,390
6. Rent/Alquiler	18,000	20,700	23,760	27,360	31,500	121,320
7. Furniture & Equipment Repair & Maintenance/ Reparación y Mantenimiento de Mobiliario y Equipo	3,430	3,945	4,536	5,216	6,000	23,127
8. Mail, Telephone, Water, Electricity/Correo, teléfono, agua, luz	6,600	7,590	8,729	10,037	11,543	44,499
9. Courier services/Servicio de encomienda	500	575	660	760	875	3,370
10 Office Supplies/Papelería y Utiles	4,500	5,175	5,950	6,840	7,870	30,335
11 Subscriptions & Publications/Subscripciones y Publicaciones	1,000	1,100	1,210	1,330	1,465	6,105
Sub-Total	129,679	172,591	205,050	235,292	264,527	1007,139
Indirect Costs/Costos Indirectos (0.059)	7,651	10,183	12,098	13,882	15,607	59,421
TOTAL	137,330	182,774	217,148	249,174	280,134	1066,560

FMU Q 791,939
TDU Q1,066,560
Q1,858,499 = $630,000

Rate/Tasa: Q2.95 = US$1.00

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2. Este Plan Financiero es de naturaleza ilustrativa, y la Recipiendaria podrá ajustar el costo de los rubros individuales por una cantidad que no exceda del 10%. Cualquier ajuste que exceda del 10% requerirá de una autorización escrita previa del Oficial de Contratos.

3. Las transferencias de Fondos serán hechas en Quetzales, con excepción de la Asistencia Técnica Internacional y compras al exterior, tales como vehículos, equipo, etc., las cuales serán manejadas por AID.

E. Informes

1. Informes Financieros

a. Los requisitos de Informes Financieros serán de conformidad con las Cláusulas Generales de este Convenio titulado "Pago - Anticipos Periódicos, como se estipula en el Anexo 3.

b. El original y dos copias de todos los Informes Financieros serán enviados a USAID/Guatemala, Oficina del Contralor, 8a Calle 7-86, Zona 9, Ciudad Guatemala.

Además, tres copias de todos los Informes Financieros serán enviados a la Oficina de Desarrollo Rural, USAID/Guatemala.

2. The above FMU and TDU Budgets are illustrative in nature, and the Recipient can adjust individual cost lines by a factor not to exceed 10%. Any adjustment exceeding 10%, requires the prior written approval of the Contracting Officer.

3. Fund Transfers will be made in Quetzales, except for International Technical assistance and offshore procurement such as vehicles, equipment, etc. which will be handled by USAID.

E. Reporting

1. Financial Reporting

a. Financial reporting requirements shall be in accordance with the Standard Provision of this Agreement entitled "Payment - Periodic Advance," as set forth on Attachment 3.

b. The original and two copies of all financial reports shall be submitted to USAID/Guatemala, Office of the Controller, 8a Calle 7-86, Zona 9, Guatemala City.

In addition, three copies of all financial reports shall be submitted to USAID/Guatemala, Office of Rural Development.

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F. Special Provisions/Cláusulas Especiales:

1. Estimated Level of Effort: Nivel de Esfuerzo Estimado	Person - Months Persona - Meses
F M U	
a. Unit Manager/ Gerente de Unidad	54
b. Loan Officer/ Encargado de Préstamos	54
c. Senior Accountant/ Jefe de Contabilidad	54
d. Cashier/ Cajero	54
T D U	
a. Credit & Finance Officer/ Oficial de Créditos y Finanzas	57
b. Auditor/Auditor	57
c. Coop. Analysts/Analistas de Cooperativas	144
d. Develop. Plan Monitor/Monitor del Plan de Desarrollo	48
e. Promotion & Project Specialist/ Especialista en Promoción & Proyectos	48
f. Office Manager/Gerente de Oficina	60
g. Secretaries/Word Processors/Secretarias/Procesadores de Palabras	114
h. National Consultants/Consultores Nacionales	15
i. National Training Instructor/Instructor Nacional de Adiestramiento	13

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G. Establecimiento de la Tasa de Costos Indirectos

1. De conformidad con la Cláusula General de este convenio de cooperación titulada "Tasas Provisionales de Costos Indirectos Negociadas", una tasa o tasas deberán establecerse para cada uno de los períodos contables de la Recipiendaria, durante el término del convenio. Quedará pendiente el establecimiento de las tasas finales de costos indirectos para el período inicial, los pagos provisionales sobre las cuentas de costos indirectos disponibles deberán hacerse basadas en las siguientes tasas provisionales delineadas aplicadas a la(s) base(s) que se establecen a continuación:

G. Establishment of Overhead Rate

1. Pursuant to the Standard Provision of this Cooperative Agreement entitled "Negotiated Overhead Rates Provisional " a rate or rates shall be established for each of the Recipient accounting periods during the term of the Agreement. Pending establishment of final overhead rates for the initial period, provisional payments on account of allowable indirect costs shall be made on the basis of the following delineated provisional rates applied to the base(s) which are set forth below:

Type of Rate/ Tipo de Tasa	Rate(s)/ Tasa(s)	Base/Base	Period (FR/TO)/ Período (DE/A)
Overhead/Costos Indirectos	0.059	Total Direct Costs of FMU and TDU only*	Effective Date of Cooperative Agreement**

* Costos Directos Totales sólo de FMU y TDU
** Fecha de vigencia del Convenio de Cooperación

H. Codigo Geográfico Autorizado:

El Código Geográfico autorizado para el suministro de bienes y servicios deberá estar de acuerdo con lo que estipula la Cláusula 6 de las Cláusulas Generales.

H. Authorized Geographic Code:

The authorized Geographic Code for procurement of goods and services shall be in accordance with Provision 6 of the Optional Standard Provisions.

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I. Certificación del Sistema Financiero Administrativo:

USAID Guatemala hará arreglos para efectuar una revisión del Sistema Financiero Administrativo de la Recipiendaria, a través de una firma contratada con fondos de USAID Guatemala. La revisión determinará la capacidad de administración financiera de la Recipiendaria en las siguientes áreas:

a. Una declaración exacta, actualizada y completa para cada proyecto o programa patrocinado por AID, de acuerdo con los requisitos de reportes que se indican en el párrafo 1M del Capítulo 1, Manual 13 de AID. Si bien la AID establece que los reportes deberán presentarse con bases acumulativas, no se le requerirá a la Recipiendaria que establezca un sistema contable acumulativo, pero deberá desarrollar dicha información acumulativa para presentar los reportes con base en los análisis de la documentación disponible.

b. Registros que identifiquen adecuadamente la fuente y aplicación de los fondos para actividades patrocinadas por la AID. Estos registros deberán contener información correspondiente a adjudicaciones, autorizaciones, obligaciones, saldos no obligados, activos, desembolsos e ingresos Federales.

c. Control efectivo sobre y contabilidad por todos los fondos, propiedad y otros activos. Los Recipiendarios deberán resguardar adecuadamente todos y cada uno de dichos activos y deberán asegurar que éstos sean utilizados únicamente para los propósitos autorizados.

I. Financial Management System Certification:

USAID Guatemala will arrange a review of the Recipient's Financial Management System, through a USAID Guatemala funded contractor. The review will determine the Recipient's financial management capacity in the following areas:

a. Accurate, current, and complete disclosure for each AID-sponsored project or program in accordance with the reporting requirements set forth in paragraph 1M of Chapter 1, AID Handbook 13. While AID requires reporting on an accrual basis, the recipient shall not be required to establish an accrual accounting system but shall develop such accrual data for its reports on the basis of an analysis of the documentation on hand.

b. Records that identify adequately the source and application of funds for AID-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays and income.

c. Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and shall ensure that they are used solely for authorized purposes.

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d. Comparación de los desembolsos reales con las cantidades presupuestadas para cada donación o convenio. La información financiera debería estar relacionada con la información de cumplimiento y de unidad-costo, siempre que sea apropiado.

e. Procedimientos para minimizar el tiempo transcurrido entre la transferencia de fondos a través del Tesoro de Estados Unidos y el desembolso por la Recipiendaria, cada vez que los fondos sean entregados anticipadamente por el Gobierno Federal.

f. Procedimientos para determinar la razón, admisibilidad y distribución de los costos de acuerdo con las provisiones de los principios aplicables de costos federales y los términos de la donación o convenio.

g. Los registros contables que están respaldados por documentación que al menos en mínima parte, identificarán, segregarán, acumularán y registrarán todos los costos en que se ha incurrido bajo una donación o convenio y que expongan totalmente (1) la cantidad y disposición por la recipiendaria de los fondos provenientes de tal asistencia, (2) el costo total del proyecto o actividad en relación con el cual tal ayuda es proporcionada o utilizada, (3) la cantidad de esa porción del costo del proyecto o actividad proporcionada por otras fuentes, y (4) cualquier otro registro que facilite una auditoría efectiva.

d. Comparison of actual outlays with budget amounts for each grant or agreement. Financial information should be related to performance and unit-cost data whenever appropriate.

e. Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the recipient, whenever funds are advanced by the Federal Government.

f. Procedures for determining the reasonableness, allowability, and allocability of costs in accordance with the provisions of the applicable Federal cost principles and the terms of the grant or agreement.

g. Accounting records that are supported by documentation that at a minimum will identify, segregate, accumulate, and record all costs incurred under a grant or agreement and which fully disclose (1) the amount and disposition by the recipient of the proceeds of such assistance, (2) the total cost of the project or undertaking in connection with which such assistance is given or used, (3) the amount of that portion of the cost of the project or undertaking supplied by other sources, and (4) such other records as will facilitate an effective audit.

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h. Revisiones en forma de auditorías internas o externas. Dichas auditorías deberán realizarse por personal calificado que sean lo suficientemente independientes de las personas que autorizan los gastos de los fondos de AID, para que puedan expresar opiniones, conclusiones o juicios imparciales. Ellos deberán cumplir con el criterio de independencia que se detalla en el contenido del Capítulo IV, Parte B de la publicación de la Oficina General de Contabilidad de Estados Unidos, en las Normas para Auditoría de Organizaciones, Programas, Actividades y Funciones Gubernamentales (Revisión de 1981). Estas revisiones se realizan con el fin de determinar la efectividad de los sistemas de administración financiera y los procedimientos internos que se han establecido para cumplir con los términos y condiciones de las donaciones o convenios. Esto no significa que tendrá que examinarse cada una de las donaciones o convenios adjudicados a la Recipiendaria. Generalmente, estas revisiones se deberían conducir en base a la organización en general para comprobar la integridad fiscal de las transacciones financieras, asé como el cumplimiento con los términos y condiciones de las donaciones y convenios de AID. Dichas pruebas deberían incluir un muestreo apropiado de las donaciones y convenios de AID. Las revisiones serán llevadas a cabo con una frecuencia razonable, continuas o con intervalos programados, usualmente anuales, pero no menos frecuentes que una cada dos años. La frecuencia de estas revisiones dependerá de la naturaleza, tamaño y complejidad de la actividad.

h. Examinations in the form of audits or internal audits. Such audits shall be made by qualified individuals that are sufficiently independent of those that authorize the expenditure of AID funds, to produce unbiased opinions, conclusions, or judgements. They shall meet the independence criteria along the lines of Chapter IV, Part B of the U.S. General Accounting Office publication, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (1981 Revision). These examinations are intended to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and conditions of the grants or agreements. It is not intended that each grant or agreement awarded to the recipient be examined. Generally, examinations should be conducted on an organization-wide basis to test the fiscal integrity of financial transactions, as well as compliance with the terms and conditions of the AID grants and agreements. Such tests would include an appropriate sampling of AID grants and agreements. Examinations will be conducted with reasonable frequency, on a continuing basis or at scheduled intervals, usually annually, but no less frequently than every two years. The frequency of these examinations shall depend upon the nature, size, and the complexity of the activity.

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Estas auto-revisiones de la recipiendaria no relevan a AID de sus responsabilidades de auditoría, pero pueden afectar la frecuencia y la extensión de dichas auditorías.

i. Un método sistemático que asegure soluciones oportunas y apropiadas para los descubrimientos y recomendaciones de las auditorías.

Si esta revisión indica deficiencias en cualquiera de las áreas arriba mencionadas, la Recipiendaria deberá tomar acciones para rectificar dicha deficiencia dentro de 120 déas calendario, para continuar recibiendo fondos de AID. Si estas acciones no son llevadas a cabo, ésto dará como resultado la cancelación de la ayuda financiera de AID y la terminación del Convenio de Cooperación.

J. Cambios a las Cláusulas Generales

1. Las siguientes cláusulas se suprimen del Anexo 3, Cláusulas Generales:

a. 2 - Pagos - Reembolso de Costos

b. 19 - Título y Cuidado de la Propiedad del País Cooperante.

These recipient self-examinations do not relieve AID of its audit responsibilities, but may affect the frequency and scope of such audits.

i. A systematic method to ensure timely and appropriate resolution of audit findings and recommendations.

Should this review indicate deficiencies in any of the above-mentioned areas, the Recipient must take action to rectify such deficiency within 120 calendar days to continue receiving AID funding. Failure to take such action shall result in a cessation of AID funding and a termination of the Cooperative Agreement.

J. Alterations to Standard Provisions

1. The following provisions are deleted from Attachment 3, Standard Provisions:

a. 2 - Payment - Cost Reimbursement

b. 19 - Title to and Care of Property (Cooperating Country Title)

K. Orden de Precedencia

Cualquiera inconsistencia en el convenio será resuelta en el siguiente orden de precedencia:

1) el Programa; 2) las Cláusulas Generales y 3) los términos de referencia.

L. Lenguaje del Convenio:

Este convenio está preparado tanto en el idioma inglés como en español. En caso de discrepancias o conflictos entre las dos versiones, la versión en inglés prevalecerá.

K. Order of Precedence

Any inconsistency in this Agreement shall be resolved by giving precedence in the following order:

1) The Schedule; 2) the Standard Provisions; and 3) the Terms of Reference.

L. Language of Agreement:

This Agreement is prepared in both English and Spanish. In the event of discrepancies or conflicts between the two versions, the English version shall prevail.

ATTACHMENT 2

TERMS OF REFERENCE FOR COOPERATIVE STRENGTHENING PROJECT

I. Project Goal, Purpose and Outputs

The goal of the project is to increase rural family incomes and productivity through strengthened cooperatives providing improved services. The project purpose is to develop a viable, efficient and effective Guatemalan cooperative movement among selected federations and their affiliated cooperatives by enhancing their managerial and service delivery capabilities and by improving their performance as profitable enterprises. The strengthening of the participating organizations will be accomplished by their financial stabilization, upgrading of their management skills, and introduction of the operating policies necessary to make them become competitive and cost-efficient rural intermediaries.

By the Cooperative Agreement termination date July 31, 1991, the following project outputs will have been attained:

A. At least 8,000 new members will have joined the participating federated cooperatives.

B. At least 75 participating federated cooperatives will have achieved the break-even point in their annual financial operations.

C. Participating federated cooperatives will have increased their savings and member capitalization by 50% over the 1983-85 period.

ANEXO 2

TERMINOS DE REFERENCIA PARA EL PROYECTO FORTALECIMIENTO COOPERATIVO

I. Objetivos, Propósitos y Resultados

El objetivo del proyecto es aumentar los ingresos y la productividad de las familias rurales por medio del fortalecimiento de las cooperativas para que puedan prestar mejores servicios. El propósito del proyecto es desarrollar un movimiento cooperativo guatemalteco viable, eficiente y efectivo entre federaciones seleccionadas y sus cooperativas afiliadas por medio del mejoramiento de sus servicios, capacidades y mejorando el desempeño económico de sus empresas. El fortalecimiento de las organizaciones participantes se logrará por medio de su estabilización financiera, superación de sus capacidades de dirección empresarial, y la introducción de políticas de operación necesarias para que las mismas se tornen en intermediarios competitivos y auto-suficientes.

A la fecha de terminación del Convenio Cooperativo el 31 de julio de 1991, se habrán logrado los siguientes resultados:

A. Que por lo menos 8,000 asociados nuevos hayan ingresado a las cooperativas federadas.

B. Que por lo menos 75 cooperativas federadas participantes hayan logrado un punto de equilibrio en sus operaciones financieras anuales.

C. Que las cooperativas federadas participantes hayan aumentado sus ahorros y capitalización de sus miembros en un 50% sobre el período 1983-85.

D. At least 35 participating federated cooperatives will be using the cooperative movement's own funds to finance new or expanded productive ventures.

E. At least 1,500 cooperative leaders will be trained in business management and cooperative operations.

F. At least 100 participating federated cooperatives will have modified their operating policies to include break-even pricing, member capitalization, establishment of reserve accounts, delinquency control, and staff incentives.

G. At least 90 participating federated cooperatives will have reduced delinquency by 50% or more over the 1983-85 rate.

H. Adequate and efficient systems will be employed by the cooperative movement for auditing, accounting, reporting, input management, credit administration and savings mobilization.

I. A deposit insurance program for the savings of credit unions and their members will be established by the Recipient.

J. Through the Financial Management Unit (FMU) credit will be supplied to cooperative members at interest rates which cover costs of capital, administrative operations, and reserves formation and accumulation, proportionate to the risks generated by loans.

D. Que por lo menos 35 cooperativas federadas participantes estén utilizando fondos propios para financiar la creación de nuevas empresas productivas o la ampliación de las ya existentes.

E. Que por lo menos 1,500 líderes cooperativistas sean capacitados en administración de empresas y operaciones cooperativistas.

F. Que por lo menos 100 cooperativas federadas participantes hayan modificado sus políticas de operación para alcanzar un equilibrio de precios, capitalización de sus asociados, establecimiento de cuentas de reserva, control de morosidad e incentivos al personal.

G. Que por lo menos 90 cooperativas federadas participantes hayan reducido su nivel de morosidad en un 50% o más sobre la del período 1983-85.

H. Que el movimiento cooperativo emplée sistemas apropiados y eficientes de auditoría, contabilidad, informes, administración de insumos, administración de créditos y mobilización de ahorros.

I. Que el Recipiendario cuente con un programa de seguro de depósitos para los ahorros de las cooperativas de crédito y de los asociados.

J. Que por medio de la Unidad Financiera (UF) se proporcione créditos a los miembros de las cooperativas a través de las federaciones a tasas de interés que cubran los costos del capital, las operaciones administrativas, la fomación y acumulación de reservas apropiadas a los riesgos que generan las operaciones de préstamos.

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K. External debt of the participating cooperatives and federations will be restructured in accordance with their estimated repayment capacity.

II. Project Organization

Global management of the project will be the responsibility of a Project Manager under the supervision of the USAID/Guatemala Office of Rural Development. The Recipient shall implement the project through two separate, but coordinated, units: the Technical Development Unit and the Fund Management Unit.

A. Technical Development Unit (TDU).

This Unit will be responsible for institutional analysis, rehabilitation planning, policy review, field monitoring, evaluations, training, gathering and processing information, and making technical recommendations for stabilization and lending activities. The TDU will be staffed by four long-term, North American advisors in the areas of staff development/training, agricultural cooperative operations, credit union systems, and financial operations. There will be a Guatemalan staff of eight technicians in the areas of project preparation and analysis, cooperative operations, development planning and policy, credit and finance, training, auditing, and information management. In addition, international and/or Guatemalan specialists may be contracted on a short-term basis under the supervision of the TDU to provide assistance to all three components of the project in technical areas not covered by the TDU permanent staff.

K. La deuda externa de las cooperativas y federaciones participantes será reestructurada de acuerdo a su capacidad estimada de pago.

II. Organización del Proyecto

La administración global del proyecto será responsabilidad del Encargado de Proyecto bajo la supervisión de la Oficina de Desarrollo Rural de la Misión USAID/Guatemala. El Recipiendario implementará el proyecto a través de dos unidades separadas pero coordinadas: la Unidad de Desarrollo Técnico y la Unidad Financiera.

A. Unidad de Desarrollo Técnico (UDT).

Esta Unidad será responsable del análisis institucional, planificación de la rehabilitación, revisión de políticas, supervisión de campo, evaluaciones, capacitación, recabación y procesamiento de datos, y de hacer recomendaciones técnicas sobre las actividades de estabilización y préstamos. La UDT estará compuesta de cuatro consultores norteamericanos especializados en los siguientes campos: desarrollo y capacitación de personal, organización de cooperativas, y sistemas de operaciones financieras. Con este grupo trabajará un grupo de ocho guatemaltecos en el campo de preparación y análisis de proyectos, operaciones cooperativistas, planificación y políticas de desarrollo, créditos y finanzas, capacitación, auditoría y administración de la información. Además se podrá contratar a especialistas extranjeros y/o guatemaltecos a corto plazo bajo la supervisión de la UDT para prestar

ayuda a los tres componentes del proyecto en campos técnicos no cubiertos por el personal permanente de la UDT.

The Unit will provide technical assistance to federations and through the Technical Assistance departments of the Federations will also assist cooperatives to analyze their financial and operational status and needs, prepare a development plan, and provide assistance and monitoring in the implementation of the plan. The participation of cooperatives and federations in any or all of the project's activities will depend upon the willingness of these organizations to submit their operations to a diagnostic study, a written agreement and a development plan. The degree of participation of and type of assistance to each organization will be guided by each's level of financial, institutional, and administrative development. That is, some may immediately qualify for additional credit assistance (secondary phase) while others may only be able to use limited training (primary phase) in the early stages.

La Unidad apoyará técnicamente a las federaciones y por medio de los departamentos de Asistencia Técnica de las Federaciones también ayudará a las cooperativas a analizar su estado financiero y de operaciones y sus necesidades, a preparar un plan de desarrollo, y prestar ayuda y supervisión en la implantación del plan. La participación de las cooperativas o las federaciones en cualquiera o todas las actividades del proyecto dependerá del deseo de estas organizaciones de someter sus operaciones a un estudio de diagnóstico, a un convenio escrito y a un plan de desarrollo. El grado de participación y tipo de ayuda a cada organización estará guíado por el nivel financiero institucional y de desarrollo administrativo de cada una. Es decir, algunas calificarán inmediatamente para ayuda crediticia adicional (segunda fase) mientras que otras podrán utilizar capacitación limitada (primera fase) en sus inicios.

Specifically, the process flow of TDU support from beginning to end is as follows:

1. Diagnostic study of the financial and operational condition of the selected organizations in order to determine their financial viability and sustainability as well as to make recommendations for operational and policy adjustments.

2. Written agreement, based on the diagnostic study, between the Recipient, the Federation, and the concerned

Específicamente, el flujo del proceso de la ayuda de la UDT desde el principio al fin, es el siguiente:

1. Un estudio de diagnóstico de la condición financiera y operativa de las organizaciones seleccionadas para determinar su viabilidad financiera y pronóstico de estabilidad, incluyendo recomendaciones para cambios en las operaciones y políticas.

2. Un convenio escrito, basado en el estudio de diagnóstico, entre el Recipiendario, la Federación y la organización

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cooperative organization, specifying conditions of participation, specific program objectives to be achieved through the development plan, and types of assistance to be provided by the TDU and the Fund Management Unit.

3. Development plan for the participating organization, including policy adjustments, institutional strengthening, training, management services, financial strengthening (capitalization, debt restructuring, additional credit requirements), and a one year implementation plan.

4. Implementation, monitoring and control of the development plan by the TDU and the participating organization.

Each year a progress review will be undertaken by each of the participating institutions to determine operating performance and compliance with the written agreement and development plan. Based on this review, the development plan will either be renewed or adjusted to reflect new conditions. Then for the following year a written agreement will be signed to reflect the development plan. The maximum period of time that the TDU will maintain a development plan with a participating organization will be four years. If,

cooperativista interesada que especifique las condiciones de participación, los objetivos concretos que se persiguen mediante la ejecución del plan y los tipos de apoyo que prestarán las Unidades Técnica y Financiera.

3. Un plan de desarrollo para la organización participante incluyendo la modificación de las políticas, el fortalecimiento institucional, la capacitación, los servicios gerenciales, el fortalecimiento financiero (incluyendo la capitalización, reestructuración financiera y crediticia) y un plan de ejecución a un año plazo.

4. Implantación, supervisión y control del plan de desarrollo por parte de la UDT y la organización participante.

Cada año se revisará el progreso logrado por cada institución participante para determinar los resultados y el cumplimiento del convenio y del plan de desarrollo. Con base en esta revisión, el plan será ajustado o modificado para que refleje las condiciones cambiantes. El convenio escrito para el siguiente año será firmado para que refleje el plan de desarrollo. El período máximo de tiempo que la UDT mantendrá un plan de desarrollo con la organización participante será de cuatro años. Si, en opinión de la UDT la organización

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in the estimation of the TDU, the participating organization has made little effort to follow the development plan and comply with the written agreement during the year under review, the TDU will suspend all technical and financial assistance, and financial recuperation procedures will be immediately initiated.

B. Fund Management Unit (FMU).

The Recipient will administer the Specific Trust Fund determined by USAID/Guatemala. Acting as trustee, the Recipient will organize a specific unit in charge of handling the trust fund, called the Fund Management Unit (FMU). It will depend administratively from the Recipient and will administer the Trust Fund in accordance with guidelines established by USAID/Guatemala and the two Administrative Boards formed for such purpose. The FMU will act as a disbursing agent for the project's stabilization and institutional development grants and credit agent for the project's debt financing to cooperatives and federations. The FMU will also be in charge of supervising debt collection and prepare pertinent analyses in case it is necessary to initiate legal action. The FMU will be staffed with administrative, financial and accounting personnel, all Guatemalans. Normative direction to the FMU will be provided by two Administrative Boards: The Loan Management Board and the Non-Reimbursable Stabilization Funds Board. The Loan Management Board will be formed by the Federations which have paid their capital contribution to the Trust Fund of approximately Q20,000 each. The Non-Reimbursable Stabilization Funds Board will be

participante ha hecho pocos esfuerzos para seguir el plan de desarrollo y cumplir con el convenio escrito del año bajo revisión, la UDT suspenderá toda la asistencia técnica y financiera e inmediatamente se iniciarán las acciones de recuperación financiera pertinentes.

B. Unidad Financiera (UF).

El Recipiendario será el administrador del Fideicomiso Específico determinado por la USAID/Guatemala. En su calidad de fiduciario, el Recipiendario organizará una unidad específica para el manejo del fideicomiso. Esta Unidad se denomirá Unidad Financiera (UF). Dependerá administrativamente del Recipiendario y administrará el Fideicomiso conforme a los lineamientos establecidos por USAID/Guatemala y las dos Juntas Administrativas que se integrarán para este Fideicomiso. La Unidad actuará como agente de pagos para los componentes de estabilización y donaciones del proyecto y como agente de crédito para el financiamiento de préstamos de las cooperativas y federaciones. La Unidad también se encargará de supervisar el cobro de créditos y preparar los análisis pertinentes en caso de que sea necesario iniciar un cobro judicial. La UF contará con personal administrativo, financiero y contable, todos guatemaltecos. La dirección del Fideicomiso estará a cargo de dos Juntas Administradoras: una de Préstamo y la otra de Fondos no Reembolsables de Estabilización. La Junta Administradora de Préstamos será integrada por las Federaciones que hayan pagado su aportación de capital

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formed by the Project Manager, CONFECOOP and FENACOAC representatives, and a Representative from each one of those federations which have been qualified to receive non-reimbursable stabilization funds. FENACOAC will be the Administrative Agent for the Trust Fund in what concerns the loan as well as the non reimbursable stabilization funds. Both Administrative Boards will limit their operations to analyses and opinions concerning applications sent over from the Technical Units (TDU and EMU).

Through its grant window the EMU will make funds available to the participating cooperatives and federations in accordance with these institutions' development plans approved by the TDU. The credit window will provide short-term production and medium-term investment funds to qualifying participants for new and/or expanded activities based on their development plans. The Loan Administrative Board will be responsible for reviewing and approving all credit applications presented by the TDU. In addition, the TDU will also forward those applications which have been judged unacceptable by the TDU along with a list of reasons why the credit was rejected.

de aproximadamente Q.20,000 cada una al Fideicomiso. La Junta Administradora de Fondos no Reembolsables de Estabilización será integrada por el Encargado de Proyecto, los representantes de CONFECOOP, y de FENACOAC y un Representante de cada una de aquellas federaciones que hayan sido calificadas para recibir fondos no reembolsables de estabilización. FENACOAC será el Agente Administrador del Fideicomiso tanto para lo que se refiere a préstamos como para lo que se refiere a fondos no reembolsables de estabilización. Ambas Juntas Administrativas limitarán sus funciones al análisis y dictámen de los expedientes que les trasladen las Unidades Técnicas (la UDT y la UF).

En su capacidad de "pagador", la Unidad Financiera suministrará los fondos disponibles a las cooperativas y federaciones participantes, de acuerdo con los planes de desarrollo de estas instituciones y de la Unidad Técnica. La ventanilla de crédito suministrará fondos para producción de corto plazo e inversiones de mediano plazo a los participantes calificados para que inicien nuevas actividades o amplien las ya existentes con base en sus planes de desarrollo. La Junta Administradora de Préstamos del Fideicomiso será responsable de revisar y aprobar las solicitudes de crédito analizadas por la UDT. Además la UDT también enviará las solicitudes que no han llenado los requisitos conjuntamente con una lista de razones del por qué el crédito no puede ser aprobado.

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The Recipient shall provide the headquarters and management offices of both the TDU and FMU. The Recipient will also provide administrative and service support to the FMU under a fee agreement. This support will consist of accounting, operating and financial record-keeping and reporting, internal control, security of funds management, and appropriate facilities and personnel. After project completion, all commodity donations (vehicles, computers, furniture, etc.) of the FMU and the TDU, as well as the financial assets and liabilities, would become the property of the successor cooperative financial institution or shall be distributed to participating federations. Prior approval of AID will be required on any distribution plan.

III. Project Components Description

A. Institutional Development Component

The purpose of this component is to strengthen the institutional capabilities of selected federations and affiliated cooperatives where potential and interest exist. The Guatemala and U.S. technical TDU team will be responsible for the structure and implementation of this component with the participating organizations through the process flow described earlier (diagnostic study, written agreement, development plan, implementation, evaluation). Support efforts will be largely tailored to fit the needs and opportunities of each participating organization as determined by the diagnostic study and development plan.

El Recipiendario será la sede de la UF y la UDT. El Recipiendario prestará ayuda administrativa y de servicio a la UF de acuerdo con un convenio de cobro. Esta ayuda consistirá en contabilización, mantenimiento de información financiera y de operación, preparación de informes, control interno, seguridad en la administración de fondos, y el uso de las instalaciones y el personal. A la terminación del proyecto, todos los artículos y equipo donados (vehículos, computadoras, mobiliario, etc.) de la UF y la UDT así como los activos y pasivos, serán propiedad de la institución cooperativa financiera sucesora o se distribuirán entre las federaciones participantes. Se requerirá la aprobación previa de la AID para cualquier plan de distribución.

III. Descripción de Componentes del Proyecto

A. Componente de Desarrollo Institucional.

El propósito de este componente es fortalecer las capacidades institucionales de federaciones seleccionadas y cooperativas afiliadas que tengan un interés potencial. El grupo técnico guatemalteco y estadounidense de la UDT será responsable de la estructuración e implantación de este componente con las organizaciones participantes por medio del procedimiento descrito anteriormente (estudio de diagnóstico, convenio escrito, plan de desarrollo, implantación, evaluación). Los esfuerzos de la ayuda serán diseñados en su mayor parte para que se adapten a las necesidades y oportunidades de cada organización participante según se determine por medio del estudio de diagnóstico y el plan de desarrollo.

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Specific actions within this component are as follows:

1. Policy Reviews and Adjustment. The TDU staff will examine existing policies, especially those related to pricing, credits, capitalization and staffing, will measure their effects and discuss possible modifications with the staff and directors of participating institutions.

2. Staff Incentives. Typically in periods of adversity, one of the principal areas of cost reduction is the elimination of staff. As a consequence, many qualified administrators have been lost to the cooperative movement and many who remain have bleak expectations of improving their positions. In order to counteract this tendency, a program of staff and management incentives and compensation commensurate with performance and results of the firm's operations will be designed and undertaken by the TDU. A special fund for the co-financing of cooperative managers' and staffs' increased salaries will be established, in which the cooperative or federation assumes increasingly greater responsibility for the paying of these higher salaries from increased operations. Also, opportunities for specialized training will be made available to managers and staff as incentives for improved performance.

Las acciones específicas dentro de este componente son como sigue:

1. Revisión y Ajuste de Políticas. El personal de la UDT examinará las políticas existentes, especialmente aquellas relacionadas con precios, créditos, capitalización y personal, medirá sus efectos y discutirá las posibles modificaciones con el personal y directores de la institución participante.

2. Incentivos al Personal. Típicamente en los períodos de adversidad, una de las principales áreas de reducción de costos es la eliminación de personal. Como consecuencia, el movimiento cooperativista ha perdido muchos administradores calificados y muchos de los que aún están tienen muy pocas esperanzas de mejorar su posición. Con el fin de contrarrestar esta tendencia, La UDT diseñará un programa de incentivos para el personal y una compensación que esté de acuerdo con la ejecución y resultados de las operaciones de la empresa. Se establecerá un fondo especial para el co-financiamiento de los aumentos salariales del personal, por medio del cual la cooperativa o federación asume una creciente responsabilidad para el pago de salarios más altos, con el aumento en sus operaciones. También, se proporcionarán oportunidades de capacitación especializada a los administradores y personal como un incentivo para un mejor desempeño.

3. Training. Improved internal administration and management capability will be dealt with directly through training. Specific areas of training will include organization, financial analysis and profit planning, budget preparation, inventory control, credit analysis, and service delivery.

4. Consultations. Institutional strengthening actions which cannot be handled by the resident staff of the TDU because of time or expertise limitations will be undertaken by short-term national and international consultants. As the need is identified, especially in the diagnostic analysis and development plan, the TDU will prepare terms of reference, budgets and scheduling and will select and supervise these consultancies.

This component will also finance the administrative control and accounting services of the TDU and FMU local operations. Additionally, institutional strengthening will be undertaken with the National Cooperative Institute (INACOP) to improve its audit and examination capabilities with cooperatives and federations, while the Cooperative Confederation (CONFECOOP) will improve its cooperative training and representation activities.

3. Capacitación. Una mayor capacidad en la administración y gerencia interna se logrará por medio de la capacitación de los directivos y empleados. Entre los campos específicos de capacitación se incluirá, organización, análisis financieros y planificación de utilidades, preparación de presupuestos, control de inventarios, análisis de créditos, y prestación de servicios.

4. Consultores. Las acciones de fortalecimiento institucional que no puedan ser manejadas por el personal residente de la UDT debido a limitaciones de tiempo y experiencia, serán llevadas a cabo por consultores nacionales e internacionales de corto plazo. A medida que se identifique la necesidad, especialmente en el análisis de diagnóstico y el plan de desarrollo, la UDT preparará los términos de referencia, presupuestos y programación y seleccionará y supervisará a estos consultores.

Este componente también financiará los servicios administrativos de control y contabilización de la UDT y de la UF. El Proyecto financiará asimismo la mejora y expansión de la capacidad de auditoría e inspección por parte del Instituto Nacional de Cooperativas (INACOP) y la mejora de la capacidad de la Confederación de Cooperativas (CONFECOOP) en las áreas de defensa, representación y orientación del movimiento cooperativo nacional.

B. Stabilization/Capitalization Component

This project component will build upon and complement the Institutional Development activities by addressing the cooperative movement's capitalization and refinancing needs. The purpose of this component will be to develop innovative approaches to member generation of paid-in and retained capital while strengthening cooperative balance sheets through stabilizing grants.

Two essential elements are included in this component: first, a Stabilization Fund to provide investment of cash and securities in participating institutions to restore earning asset levels and share values; and second, a Savings Protection Fund to guarantee individual depositors' savings accounts in credit unions.

1. Specific Objectives. The following are the specific objectives for those institutions participating in this component:

   a. Expand the economically viable operations of cooperatives and federations (lending, savings, input supply, marketing and distribution of members' output).

   b. Increase the volume of financial resources in the cooperative system for lending and investment purposes through capturing personal savings and share purchases by cooperative members.

B. Componente de Estabilización/Capitalización.

Este componente del proyecto complementará las actividades de desarrollo institucional y será orientado hacia las necesidades de capitalización y refinanciamiento del movimiento cooperativista. El propósito de este componente será el desarrollo de nuevos enfoques para que los miembros generen capital pagado y reservas y al mismo tiempo se estabilicen los balances de las cooperativas por medio de apoyo financiero para la estabilización.

En este componente se incluyen dos elementos esenciales: primero, un Fondo de Estabilización para proporcionar la inversión de efectivo y valores en las instituciones participantes con el fin de restaurar los niveles de activos y el valor de las acciones; y segundo, un Fondo de Protección de Ahorros para respaldar las cuentas de ahorros de los depositantes de las cooperativas de crédito.

1. Objetivos Específicos. Los siguientes son objetivos más específicos para aquellas instituciones que participen en este componente:

   a. Una expansión de operaciones viables por parte de las cooperativas y sus federaciones (crédito, ahorros, suministro de insumos y mercadeo de la producción de los miembros cooperativistas).

   b. Un aumento en el volumen de los recursos financieros disponibles en las cooperativas mediante la generación de capital, tanto en forma de depósitos, como de aportaciones.

c. Restore member confidence in the financial soundness of their cooperatives and federations while simultaneously restoring lender/public confidence in the creditworthiness of the cooperative system.

d. Establish and achieve minimum financial standards and conditions which will help cooperatives and federations assure their existence as profitable business ventures.

e. Avoid possible intervention or liquidation of delinquent cooperatives by INACOP, BANDESA or other creditors while appropriate medium-term stabilization programs are being implemented by the project.

2. Participation Criteria. Participation in the Stabilization Fund will be open to all cooperatives and federations which meet the eligibility criteria listed below and agree to implement the stringent operational stabilization policies appropriate to resolving their particular economic and financial difficulties. These criteria are as follows:

a. Economic potential and financial viability as demonstrated in the TDU diagnostic study.

c. Restablecimiento de la confianza por parte de los asociados en la solidez financiera de sus cooperativas y federaciones y simultáneamente calificarlas como empresas merecedoras de crédito de otras fuentes.

d. Establecimiento y logro de normas y condiciones mínimas financieras que ayuden a las cooperativas y federaciones a asegurar su existencia como empresas rentables.

e. Evitar, hasta donde sea posible, la intervención o liquidación de las cooperativas morosas por parte de INACOP, BANDESA u otros acreedores, hasta que se sientan los efectos del proceso de estabilización financiera.

2. Criterios de Participación. La participación en el Fondo de Estabilización estará abierta para todas las cooperativas y federaciones que llenen los criterios de elegibilidad enumerados a continuación y convengan en implantar las políticas de operación apropiadas para resolver sus dificultades económicas y financieras. Estos criterios son:

a. El potencial económico y la viabilidad financiera demostradas en el estudio de diagnóstico de la UDT.

b. Have a rural membership orientation outside Guatemala City.

c. Participation in the TDU-approved stabilization and recovery plan (including, but not limited to, annual operating plans and budgets and formation of reserves).

d. Acceptable delinquency control systems and collections procedures.

e. TDU-approved management.

f. Acceptance of external audit, inspection, supervision and reporting requirements established by the TDU and FMU to verify compliance with the stabilization plan and general performance.

g. Implementation of realistic pricing policies designed to cover all operating expenses, reserve formation, and capital costs.

h. Fidelity bonding.

i. Implementation of sound investment, credit and asset/liability management policies and procedures.

j. Participation in on-going federation services (insurance, bonding, accounting systems, supplies, fertilizer sales, marketing, etc.)

b. Poseer una orientación rural de membrecía fuera de la capital de Guatemala.

c. Participación en el plan de estabilización y recuperación aprobado por la UDT (incluyendo, pero sin limitarse a, planes de operación y presupuestos anuales y formación de reservas).

d. Sistemas de control de morosidad y procedimientos de cobro aceptables.

e. Gerencia que llene los requisitos de calidad diseñados por la UDT.

f. Aceptación de auditoría externa, inspección, supervisión e informes requeridos establecidos por la UDT y la UF para verificar el cumplimiento con el plan de estabilización y la ejecución general.

g. Implantación de políticas realistas de precios diseñadas a cubrir los gastos de operación, la formación de reservas y los costos de capital.

h. Fianzas y seguros adecuados.

i. Implantación de políticas y procedimientos sólidos de inversión, crédito y administración de activos/pasivos.

j. Participación en los servicios que tienen en marcha las federaciones (seguros, fianzas, sistemas de contabilidad, suministros, venta de fertilizantes, mercadeo, etc.).

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k. Participation in all TDU and federation-supported institutional development programs (management training, specialized courses, adoption of recommended management practices, etc.) in accordance with needs.

l. Enter into agreements with other credit institutions to monitor and, if necessary, prevent multiple loans to members which might negatively affect their repayment capacity.

m. Enter into agreements with creditors to restructure external debt and prevent foreclosure and liquidation actions.

n. Implement an appropriate capitalization system and reserve discipline to assure adequate capital growth.

As can be seen from this above list, the TDU plays a very important role in determining the eligibility and continued participation of cooperatives and federations in the capitalization and stabilization activities. Especially important is the commitment of the organization to institutional improvement and strengthening as envisioned in the Institutional Development component of the project.

k. Participación en todos los programas de desarrollo institucional auspiciados por la UDT y las federaciones (capacitación gerencial, cursos especializados, adopción de prácticas gerenciales recomendadas, etc.) de acuerdo con las necesidades.

l. Celebración de convenios con otras instituciones de crédito para ejercer supervisión, y si fuera necesario, prevenir préstamos múltiples a miembros, que pudieran afectar negativamente su capacidad de pago.

m. Celebración de convenios con otras instituciones acreedoras para re-estructurar la deuda externa y prevenir la liquidación o cobro judicial.

n. Implantar una disciplina para un sistema apropiado de capitalización y reservas, con el fin de lograr un crecimiento adecuado del capital.

Como puede verse por la lista anterior, la UDT desempeña un papel muy importante en la determinación de la elegibilidad y participación continuada de las cooperativas y federaciones en las actividades de capitalización y estabilización. Es especialmente importante el compromiso de la organización de lograr la mejora y fortalecimiento institucionales, según se plantea en el componente del proyecto denominado Componente de Desarrollo Institucional.

3. Operation of the Stabilization Fund. A brief summary of the key functions of each element of the Stabilization Fund is as follows:

a. Cooperatives and federations will undertake complete institutional analyses and approve and implement required policy and procedural changes within their individual development plans. The federations will monitor their participating affiliates' performance and provide needed technical support in concert with the TDU.

b. The TDU will participate with the federations and cooperatives in the diagnostic studies, provide required technical guidance, facilitate preparation of the development plans and financial projections, and approve capitalization grants.

c. The FMU will disburse capitalization grants either in cash or securities ("stabilization certificates" backed by investments in approved instruments and loans for creditworthy cooperatives) to TDU-approved federations and cooperatives and monitor their progress in executing their development plans.

3. Operación del Fondo de Estabilización. A continuación se da un breve resumen de las funciones principales de cada elemento del Fondo de Estabilización:

a. Las cooperativas y las federaciones llevarán a cabo un análisis institucional completo y aprobarán e implantarán las políticas y cambios de procedimientos requeridos dentro de sus planes individuales de desarrollo. Las federaciones ejercerán supervisión sobre la ejecución de sus afiliadas y les proporcionarán la ayuda técnica necesaria de acuerdo con la UDT.

b. La UDT participará con las federaciones y cooperativas en los estudios de diagnóstico, proporcionará la asesoría técnica requerida, facilitará la preparación de los planes de desarrollo y de las proyecciones financieras.

c. La UF proveerá apoyo financiero para la estabilización en efectivo o valores emitidos bajo el proyecto a las federaciones y cooperativas recomendadas por UDT y ejercerá supervisión sobre su progreso en la ejecución de sus planes de desarrollo.

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d. TDU or other designated auditors will examine the books of participating institutions at least annually and will certify the asset write-downs to be offset by capitalization grants.

e. The Recipient shall establish an agreement with an external auditing firm approved by AID or with the Superintendency of Banks to examine the books of the FMU, and its debtors if necessary, to certify that grant funds are properly managed.

4. Savings Protection Program. The Savings Protection Program (SPP) is expected to evolve from the operations of the Stabilization Fund in the credit union sector. Functioning in a manner analogous to deposit insurance in the industrialized nations, its purpose is to increase depositor confidence in the credit union system and thus generate significant additional capital for lending operations.

While the bulk of this additional capital will be concentrated in the credit union sector at first, it is probable that an increasing share of these funds may be directed to other sectors of the cooperative movement as their creditworthiness improves. Directing this excess liquidity into new cooperative lending programs will be a major task of the successor organization to the FMU.

d. Los auditores de la UDT u otros auditores designados examinarán los libros de las instituciones participantes por lo menos anualmente y certificarán la reducción de activos que serán compensados por los fondos de capitalización.

e. El Recipiendario establecerá un convenio con una firma de auditoría externa aprobada por AID o bien con la Superintendencia de Bancos si es posible para que examine los libros de la UF, y sus deudores si fuera necesario, para certificar que los fondos de donación están siendo administrados apropiadamente.

4. Programa de Protección de Ahorros. Se espera que este Programa de Protección de Ahorros (PPA) sea el complemento de las operaciones del Fondo de Estabilización en el sector de cooperativas de crédito. Funcionando en forma análoga a los seguros de depósitos de las naciones industrializadas, su propósito es aumentar la confianza del depositante en el sistema de cooperativas de crédito y así generar capital adicional significativo para las operaciones crediticias.

Aún cuando la mayoría de este capital adicional estará concentrado en el sector de cooperativas de crédito al principio, es probable que la mayor parte de estos fondos sea dirigida a otros sectores del movimiento cooperativo a medida que aumente su solvencia. El dirigir este capital excedente hacia los programas crediticios de nuevas cooperativas será una tarea importante de la organización sucesora de la UF.

A feasibility and design study for the SPP will be undertaken during the implementation of the project. Key items to be examined include: corporate structure; risk analysis and determination of required capitalization and premium rates; types of coverage; voluntary or obligatory participation; policy and procedures; legal powers; and reinsurance protection.

Se llevará a cabo un estudio de diseño y viabilidad para la PPA durante la implantación del proyecto. Entre los renglones importantes que serán examinados están: estructura de la cooperativa, análisis de riesgo y determinación de la capitalización y tasas de las primas requeridas; tipos de cobertura, participación obligatoria o voluntaria, políticas y procedimientos, poderes legales, y protección de reaseguro.

The program will probably require an initial capital investment by insured credit unions which, depending on the results of the feasibility study, may need to be matched in some proportion with project funds. Upon completion of the project, the funds would be permanently vested in the deposit insurance organization's capital fund in the Recipient federation.

El programa probablemente requerirá una inversión de capital inicial por parte de las cooperativas de crédito aseguradas que, dependiendo de los resultados del estudio de viabilidad, serán complementados en alguna proporción con los fondos del proyecto. A la terminación del proyecto, estos fondos pasarán permanentemente al capital de seguros de depósitos de la organización del Recipiendario.

C. Credit Component

The credit fund is the final stage in the overall implementation of the Cooperative Strengthening project building on the Institutional Strengthening and Stabilization/Capitalization activities. The specific objectives of this component are:

- Help restore economic activity in the rural areas of Guatemala by providing federations and their member cooperatives with an adequate supply of funds for both short-term (production) and long-term (investment) loans.

- Reactivate the service capability of federations and member cooperatives affected by recent natural disasters and political turmoil throughout the country.

C. Componente de Crédito.

El fondo de créditos es el paso final en la implantación general del proyecto de Fortalecimiento Cooperativo y responde a las actividades de Fortalecimiento Institucional/Capitalización. Los objetivos específicos de este componente son:

- Ayudar a restaurar la actividad económica en las zonas rurales de Guatemala dando a las federaciones y sus cooperativas afiliadas una dotación adecuada de fondos tanto para préstamos de corto plazo (producción) como de largo plazo (inversiones).

- Reactivar la capacidad de servicio de las federaciones y sus cooperativas afectadas por los recientes desastres naturales y por los disturbios políticos en todo el país.

-- Assure proper disbursement and recovery of credit funds by improving credit policies and procedures.

-- Improve financial statement analysis, budget and cash flow preparation, and repayment capacity analysis of the professional staff at both the federation and cooperative levels.

1. Participation Criteria. It is anticipated that many of the existing federations and their member cooperatives will want to participate in the benefits of the Credit component of this project. In order to qualify, the institutional applicants must first comply with the following general criteria:

   a. Belong to a federation.

   b. Have a rural membership orientation outside Guatemala City.

   c. Be current in all respects with membership dues and capitalization requirements.

   d. Be actively involved in financing income-generating projects such as agricultural production, marketing, small enterprise, artisanry, etc..

   e. Be bonded for all types of contingencies.

   f. Have an approved internal and external audit program.

-- Lograr un desembolso y recuperación apropiados de los fondos de crédito mediante la mejora de las políticas y procedimientos crediticios.

-- Mejorar la capacidad del personal profesional tanto de las federaciones como de las cooperativas con respecto a estados financieros, preparación de presupuestos y flujos de caja y análisis de la capacidad de amortización.

1. Criterios de Participación. Debe esperarse que muchas de las federaciones existentes y sus cooperativas deseen participar en los beneficios del componente de crédito de este proyecto. Con el fin de calificar, los solicitantes deberán primero cumplir con los siguientes criterios generales:

   a. Pertenecer a una federación.

   b. Poseer una orientación rural de membrecía fuera de la capital de Guatemala.

   c. Estar al tanto en todo respecto de las cuotas de membrecía y los requisitos de capitalización.

   d. Estar activamente involucrado en proyectos de financiamiento generadores de ingreso tales como la producción agrícola, mercadeo, pequeñas empresas, artesanías, etc.

   e. Estar asegurado contra todo tipo de contingencias.

   f. Contar con un programa de auditorías satisfactorio.

g. Have adopted operating and financial policies which will contribute to the economic viability of the institution.

h. Participate in the Institutional Development component of the project, as determined by the initial diagnostic assessment.

i. Receive the prior written approval of the TDU if funds for institutional stabilization have been disbursed.

If a federation or cooperative has demonstrated compliance with the general criteria mentioned above, a more in-depth review of the institution's strengths/weaknesses will be conducted by the staff of the FMU to determine the creditworthiness of the applicant in receiving new funds. The following key areas to be analyzed are:

-- Current financial condition.

-- Net earnings and repayment capacity.

-- Cash flow capacity.

-- Collateral guarantees available, such as mortgages, chattels, and personal signature guarantees.

-- Current loan programs, terms and conditions.

-- Current credit-oriented policies and procedures.

-- Capitalization policies.

g. Haber adoptado políticas financieras y de operación que contribuyan a la viabilidad económica de la institución.

h. Participar en el componente de Desarrollo Institucional del proyecto, según se determinó en el estudio de diagnóstico inicial.

i. Obtener la aprobación escrita previa de la UDT si se ha desembolsado fondos para estabilización institucional.

Si una federación o cooperativa ha demostrado que ha cumplido con los criterios generales arriba descritos, el personal de la UF llevará a cabo una revisión más a fondo de los puntos fuertes y débiles de la institución para determinar la confiabilidad crediticia del solicitante para recibir nuevos fondos. Los puntos claves que deben ser analizados son:

— Condición financiera actual.

— Rentabilidad actual y capacidad de pago.

— Capacidad de flujo de caja.

— Garantías disponibles, tales como hipotecas, pignoraciones y garantías fiduciarias.

— Programas de préstamo actuales, términos y condiciones.

— Políticas y procedimientos crediticios actuales.

— Políticas de capitalización.

-- Delinquency control policies and procedures associated with the reporting, monitoring, and resolution of problems.

-- Current status of loans in foreclosure and/or liquidation and estimated loan losses.

Due to the limited number of presently qualified participants in the Credit component of this project, it is estimated that a very nominal amount of credit funds will be needed in the early stages of the project, while a greater amount will be needed during the last two years.

2. Credit Implementation. The implementation of this credit component will be divided into two phases. The first phase will deal with the establishment of credit policies and procedures which will be implemented at the FMU, federation, and cooperative levels. In the initial stages, the TDU will be heavily involved with the Guatemalan staff of the FMU Credit Department. The establishment of coordinated policies and procedures will be an area of critical importance in achieving a uniform, systemwide approach to credit analysis. The second phase of the project will encompass the actual loan analysis, approval and disbursement at each level of the cooperative sector. This area will be primarily the responsibility of the Guatemalan staff of the FMU, the federations, and the cooperatives.

-- Políticas de control de morosidad y procedimientos asociados con la preparación de informes, la supervisión y la resolución de los problemas.

-- Estado actual de los préstamos sometidos a juicio o liquidación y pérdidas estimadas.

Debido al número limitado de participantes calificados en el componente de Crédito de este proyecto, se estima que se necesitará una cantidad muy nominal de fondos de crédito en las primeras etapas del proyecto, mientras que una cantidad mayor será necesaria durante los últimos dos años.

2. Implantación de Crédito. La implantación de este componente de crédito estará dividida en dos fases. La primera fase tratará del establecimiento de políticas y procedimientos crediticios los que serán implantados a nivel de UF, federación y cooperativa. En las etapas iniciales, la UDT estará muy involucrada con el personal guatemalteco del Departamento de Crédito de la UF. El establecimiento de políticas y procedimientos coordinados será un campo de suma importancia para el logro de un enfoque uniforme en todo el sistema de análisis de crédito. La segunda fase del proyecto abarcará el análisis real de los préstamos, su aprobación y el desembolso de fondos en todos los niveles del sector cooperativista. Este campo estará primordialmente bajo la responsabilidad del personal guatemalteco de la UF, las federaciones y las cooperativas.

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a. Phase I

The following operating policies and procedures need to be defined and implemented before any new credit can be granted:

- Perform Pre-credit assessments of prospective borrower federations.
- Define specific income-generating purposes for eligible loans to be financed under this Component.
- Prepare standardized Loan forms.
- Define lending ratios and guidelines for FMU, federations and cooperatives to use in reviewing loans.
- Establish loan approval authorities for participating federations.
- Agree upon acceptable interest rate policies with participating federations.
- Design disbursement procedures for use by FMU.
- Detail loan disbursement procedures.
- Establish delinquency control mechanisms.

b. Phase II

Once the issues identified in Phase I have been properly coordinated into standardized operating policies and procedures, Phase II can begin. The key components of Phase II are

a. Etapa I

Las políticas y procedimientos de operación siguientes necesitan ser definidos e implantados antes de la concesión de créditos:

- Llevar a cabo evaluaciones previas de las federaciones prestatarias.
- Definir los propósitos específicos de generación de ingresos para los préstamos elegibles a ser financiados dentro de este Componente.
- Preparar formularios de préstamo uniformes.
- Definir la relación crediticia y los lineamientos que la UF, las federaciones y las cooperativas deben aplicar en la revisión de los préstamos.
- Establecer autoridades de aprobación de préstamos para las federaciones participantes.
- Acordar una política sobre tasas de interés aceptables con las federaciones participantes.
- Diseñar procedimientos de desembolso para ser usados por la UF.
- Detallar los procedimientos para el desembolso de fondos de préstamos.
- Establecer mecanismos para el control de la morosidad.

b. Etapa II

Una vez los puntos identificados en la Fase I hayan sido coordinados apropiadamente dentro de las políticas y procedimientos uniformes de operación, puede empezar

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loan analysis, loan approval, and loan disbursements and collections. It is anticipated that considerable training and practice will take place before the respective institutions become proficient in the lending phase of the project. Since there are some unique areas of concern at each level of the cooperative sector in analyzing, approving, and disbursing loans, each level will be treated separately.

— FMU - Federation Level. At this highest level, the FMU should be primarily concerned with the federation's ability to properly identify creditworthy cooperatives who have a good track record of extending credit to their members. The federation must also have enough liquidity to pay back the new indebtedness as it becomes due and payable. The ability to properly analyze the cash flow of the federation is crucial in the repayment analysis.

— Federation - Cooperative Level. At the next level down, the federation must intensify its efforts to correctly assess the credit lending capacity of it's member cooperatives. In order to achieve this, several actions are need. First, it is recommended that each affiliated cooperative be ranked once a year on the performance of its own loan portfolio. The loan portfolios of the cooperatives should be divided into the various types of enterprises financed (i.e., agriculture, commerce, housing, handicrafts, personal loans, etc.). Once divided, the respective divisions can be ranked according to their volume, yield

la Fase II. Los componentes clave de la Fase II son el análisis de los préstamos, su aprobación, y el pago y cobro de los mismos. Se espera que se necesitará considerable capacitación y práctica antes de que las respectivas instituciones alcancen la eficiencia necesaria para la fase crediticia del proyecto. En vista de que existen algunas áreas únicas de preocupación en cada uno de los niveles del sector cooperativista con respecto al análisis, aprobación y pago de los préstamos, cada nivel será tratado separadamente.

— UF - Nivel de Federación. A este alto nivel, la UF deberá preocuparse principalmente de la habilidad de la federación de identificar apropiadamente a las cooperativas confiables que tengan un buen record en la concesión de créditos a sus miembros. La federación debe también contar con suficientes fondos para pagar el nuevo préstamo a medida que el mismo venza y deba pagarse. La habilidad de analizar apropiadamente el flujo de caja de la federación es crucial en el análisis de pagos.

— Nivel Federación-Cooperativa. En el siguiente nivel inferior, la federación deberá intensificar sus esfuerzos para evaluar correctamente la capacidad crediticia de sus cooperativas miembros. Para lograr ésto, se necesita tomar varias acciones. Primero, se recomienda que cada cooperativa afiliada sea clasificada cada año con base al comportamiento de su propia cartera de préstamos. Las carteras de préstamos de las cooperativas deben dividirse entre los varios tipos de empresas financiadas (por ejemplo, agricultura, comercio, vivienda, artesanías, préstamos personales, etc.). Una vez hayan

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and delinquency rate. With this type of information, the federation can effectively stay abreast of the performance of its member cooperatives.

- In conjunction with ranking the loan portfolio, there is a definite need to identify and write off all uncollectible loans. In order to avoid overstating earnings, it is recommended that all cooperatives cease to accrue interest for book purposes on loans that are delinquent over 90 days. If loan recoveries are made or delinquencies resolved, interest can be easily readjusted. In addition to the cessation of interest accrual, it is recommended that all loans over six months deliquent be placed in a separate liquidation account and adequate reserves be established to cover anticipated loan losses. By doing these things, the cooperative will present a much more accurate picture of its financial condition and portfolio quality when applying for new credit.

- Cooperative - Member Level. At the lowest or grass-roots level, there is a real need for sound credit skills. This necessitates a greater level of skill on behalf of the loan officer in getting the necessary information from the farmer to properly process the loan application. The loan officers must have a sound

sido divididas, las respectivas divisiones pueden ser clasificadas de acuerdo a su volumen, rendimiento y tasa de morosidad. Con este tipo de información, la federación puede estar efectivamente al tanto de la ejecución de sus cooperativas miembros.

- Juntamente con la clasificación de la cartera crediticia, existe una definida necesidad de identificar y dar por cancelados todos los préstamos incobrables. Con el fin de evitar utilidades en exceso, se recomienda que todas las cooperativas cesen de acumular los intereses para propósitos contables sobre los préstamos que estén morosos más de 90 días. Si se recuperasen algunos intereses o se resolviera la morosidad, los intereses pueden ser fácilmente reajustados. Además del cese de la acumulación de intereses, se recomienda que todos los préstamos con una morosidad de más de seis meses sean trasladados a una cuenta de liquidación separada y se establezca una reserva adecuada para cubrir las pérdidas esperadas. Al hacer ésto, la cooperativa presentará un cuadro mucho más exacto de su situación financiera y su cartera calificará cuando solicite un nuevo crédito.

- Nivel Cooperativa-Asociado. Al nivel más bajo existe una necesidad de habilidades crediticias sólidas. Esto necesita un nivel más alto de capacitación de parte del oficial de préstamos para obtener la información necesaria del usario para tramitar apropiadamente su solicitud de crédito. Los

understanding of credit, as well as of the types of enterprises that they finance. Certain rules of thumb are necessary to help loan officers mature in their judgement and decision-making capability. The single most important quality is the ability to discern good borrowers from bad ones.

In order to properly strengthen the member cooperative credit department, it is recommended that all loan officers receive the support of the TDU. As part of the strengthening process, the TDU staff should plan field visits to both review new loan applications, as well as critique recently approved applications with the local lending officers. Much of the success of the entire Credit component will hinge upon the ability of the TDU staff to reach out and strengthen local leadership.

IV. Phasing of Key Implementation Actions

The following comprises a listing of key actions over which USAID/Guatemala must have some participation or control in order to assure effective implementation of the Cooperative Agreement. During the life of the Program USAID/Guatemala will consult actively with the Recipient concerning all four phases of implementation. However, USAID/Guatemala must be consulted or approve certain key phases of the Program as outlined below. USAID/Guatemala will rely on the Project Manager to be in control of the implementation of the Cooperative Agreement. Any concerns or questions

oficiales de crédito deben poseer una buena comprensión del crédito, así como de los tipos de empresas que financian. Se necesita algunas reglas generales para ayudar a los oficiales de préstamo a madurar en su capacidad de emitir juicios y tomar decisiones. La cualidad más importante es la habilidad de discernir quiénes son los buenos prestatarios y quiénes son los malos.

Con el fin de fortalecer apropiadamente al departamento de crédito de las cooperativas, se recomienda que todos los oficiales de préstamo reciban el apoyo de la UDT. Como parte del proceso de fortalecimiento, el personal de la UDT deberá llevar a cabo visitas de campo tanto para revisar las nuevas solicitudes de préstamo como para discutir las solicitudes recientemente aprobadas con los oficiales locales de crédito. Mucho del éxito del componente completo de Crédito dependerá de la habilidad del personal de la UDT para alcanzar y fortalecer el liderazgo local.

IV. Programación de Acciones Claves de Ejecución

A continuación se encuentra una lista de las acciones claves en las que la USAID/Guatemala debe tener alguna participación o control con el fin de asegurar la implantación efectiva del Convenio Cooperativo. Durante la vida del programa la USAID/Guatemala tendrá consultas frecuentes con el Recipiendario relativas a las cuatro fases de implantación. Sin embargo, la USAID/Guatemala debe de ser consultada o tener funciones de aprobación en ciertas fases claves del programa diseñado a continuación. La USAID/Guatemala designará al Encargado de Proyecto el control de la

about implementation must first be presented to the Project Manager.

Phase I: (First 180 days after signature of the Agreement)

A. FENACOAC, acting as the Trust Fund administrator, will be responsible for the organization of the FMU; i.e., issuance of its bylaws, outlining of its precise responsibilities and accounting system, composition of its Administrative Boards, and hiring of FMU personnel. The FMU must be organized and approved by USAID/Guatemala prior to the disbursement of any stabilization grants or credits under the Program.

B. Advertisement, selection and contracting of a technical assistance Contractor for the TDU and of a Project Manager to monitor implementation of the project as a whole: USAID/Guatemala is delegated authority under this Agreement, subject to consultation with the Recipient, to carry out the advertisement, selection and contracting of such experts as soon as possible after the signature of this Cooperative Agreement.

C. Advertisement, selection, and procurement of vehicles, furniture and appliances and office equipment necessary to support the work of the expatriate technical assistance team and the TDU: USAID/Guatemala is delegated authority to carry out these actions as soon as possible after the signature of the Cooperative Agreement.

implantación del Convenio Cooperativo. Cualquier preocupación o pregunta relativas a la implantación deben primero ser presentadas al Encargado del Proyecto.

Fase I: (Primeros 180 días despues de la firma del Convenio)

A. FENACOAC, en calidad de administrador del Fideicomiso, será responsable de la organización de la UF, por ejemplo, descripción de sus responsabilidades y sistemas contables, composición de sus Juntas Administrativas, y contratación de su personal. La UF debe organizarse y estar aprobada por la USAID/Guatemala antes del pago de cualesquiera donaciones de estabilización o créditos dentro de este Programa.

B. El anuncio, selección y contratación de una firma de asistencia técnica para la UDT y de un Encargado del Proyecto para ejercer supervisión en la implantación del proyecto en general: Dentro de este convenio se ha delegado autoridad a la USAID/Guatemala con el visto bueno del Recipiendiario para llevar a cabo el anuncio, selección y contratación de tales expertos para el proyecto tan pronto como sea posible después de la firma de este Convenio Cooperativo.

C. Anuncio, selección y compra de vehículos, muebles y electro-domésticos y equipo de oficina necesarios para el trabajo de los técnicos extranjeros y la UDT: Se ha delegado autoridad a la USAID/Guatemala para realizar estos pasos tan pronto como haya sido firmado el Convenio Cooperativo.

D. INACOP and CONFECOOP shall draft and submit Implementation Plans to the Recipient, and the latter will send them in to USAID/Guatemala for approval during the first 90 days after the signature of this Agreement. Such plans will outline in detail the training, audit service and other activities which these organizations intend to carry out under the Project, as well as the proposed counterpart to be provided by these institutions in support of their Project activities.

Phase II: (within first 270 days after signature of the Agreement)

A. Preparation of detailed operating plans-manuals, forms, internal accounting controls by the TDU governing the preparation of diagnostic studies and the delivery of technical assistance, training and salary incentive services to federations and member cooperatives. The TDU shall prepare detailed operating procedures and forms for implementation of the Cooperative Agreement Stabilization Fund and the Credit Fund financed under this Agreement. Such plans and procedures will be reviewed by the FMU and submitted by the TDU to USAID/Guatemala for its approval within 90 days of the contracting of the TDU technical assistance team.

B. Design of the structure and operation of the Savings Protection Fund. The TDU shall carry out such design and submit it to USAID/Guatemala for its approval within the first 270 days of the Agreement.

D. El INACOP y la CONFECOOP deberán redactar y presentar los Planes de Ejecución al Recipiendario, y éste los trasladará a la Misión AID para su aprobación durante los primeros 90 días después de la firma del convenio. En estos planes se describirá detalladamente la capacitación, servicios de auditoría y otras actividades que estas organizaciones intentan llevar a cabo dentro del Proyecto. En estos planes deberán también incluirse evidencia de su aporte de contraparte.

Fase II: (Dentro de los primeros 270 días después de la firma del Convenio)

A. Preparación por parte de la UDT de manuales-planes de operación detallados, formularios, controles internos de contabilidad que norman la preparación de estudios de diagnóstico, la ayuda técnica, la capacitación y los servicios de incentivos salariales, de las federaciones y sus cooperativas. La UDT deberá preparar procedimientos detallados de operación y formularios para la ejecución del Fondo de Estabilización y Fondo de Crédito financiado bajo este Convenio. Tales planes y procedimientos serán revisados por la UF y sometidos por la UDT a la consideración de la USAID/Guatemala para su aprobación dentro de los 90 días siguientes a la contratación del grupo de asistencia técnica de la UDT.

B. Diseño de la estructura y operación del Fondo de Protección de Ahorros. La UDT llevará a cabo este diseño y lo someterá a consideración de la USAID/Guatemala para su aprobación dentro de los primeros 270 días del Convenio.

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C. TDU review and USAID/Guatemala approval of INACOP and CONFECOOP Implementation Plans within 90 days after signature of the technical assistance contract.

Phase III.: (Within one year after signature of the technical assistance contract)

A. Identification of the first 3 federations or member cooperatives to receive diagnostic studies under the project. The TDU will consult with USAID/Guatemala and the Administrative Board for Non-Reimbursable Funds during the process of its identifying the first 3 organizations to receive such studies.

B. Submission of first participating federation or member cooperative Development Plan which shall include proposed counterpart support to be provided by such organization in support of project activities. TDU reviews, approves and submits the plan to USAID/Guatemala for its approval. Subsequent Plans will be analized and recommended by the TDU and approved by the Administrative Board for Non-Reimbursable Funds.

Phase IV: (Years 2-5 of the Agreement)

A. USAID/Guatemala reviews with TDU and FMU the results (e.g. income generation, decline in subloan delinquency, increase in coop member deposits) following first year implementation of the first Development Plan.

C. Revisión por parte de la UDT y aprobación de la USAID/Guatemala de los Planes de Ejecución de la INACOP y la CONFECOOP dentro de los 90 días siguientes a la firma del contrato de asistencia técnica.

Fase III: (Dentro del primer año después de la firma del contrato de asistencia técnica)

A. Identificación de las tres primeras federaciones o cooperativas asociadas que reciban estudios de diagnóstico dentro del proyecto. La UDT consultará con la USAID/Guatemala y la Junta Administrativa de Fondos no Reembolsables durante el proceso de identificación de las tres primeras organizaciones que recibirán tales estudios.

B. Presentación del Plan de Desarrollo de la primera federación o cooperativa participante, el cual incluirá apoyo propuesto de contraparte, que será proporcionado por dicha organización para reforzar sus actividades de proyecto. Tal Plan será revisado por la UDT, y sometido a consideración de la USAID/Guatemala para su aprobación. Los planes subsiguientes serán analizados y recomendados por la UDT y aprobados por la Junta Administrativa de Fondos no Reembolsables.

Fase IV: (Años 2-5 del Convenio)

A. La USAID/Guatemala revisará con la UDT y la UF los resultados (por ejemplo, generación de ingresos, declinación de la morosidad en los sub-préstamos, aumento de los depósitos de los asociados) después del primer año de implantación del primer Plan de Desarrollo.

B. Submission of first group of credits by coops to PMU for review and TDU for approval. USAID/Guatemala will review the first group of credits with the Recipient's approval, but subsequent credits will only be reviewed by the TDU and approved by the Administrative Board of Non-Reimbursable Funds.

C. Completion of first external audit of all project operations and disbursements under the Program. USAID/Guatemala will prepare the scope of work for such audit and, will select and contract the external audit firm to carry out such work. This audit will be carried out within two years after signature of the Cooperative Agreement.

D. Completion of mid-point evaluation of general implementation of the project to ascertain how well all executing agencies and all components are performing in their attainment of programmed project objectives. USAID/Guatemala will prepare the scope of work for such evaluation and, after discussions with the Recipient, will select and contract the external evaluation firm to carry out such work. Such evaluation will be initiated during the third year after signature of this Cooperative Agreement.

E. Completion of Final Project evaluation. USAID/Guatemala will prepare the scope of work for such evaluation and, after discussions with the Recipient will select and contract the external evaluation firm to carry out such work. Such

B. Presentación del primer grupo de créditos por parte de las cooperativas a la UF para estudio de la UDT. La USAID/Guatemala dará el visto bueno al primer grupo de créditos, además del visto bueno del Recipiendario, pero los créditos subsiguientes serán estudiados por la UDT y aprobados por la Junta Administrativa de Préstamos.

C. Terminación de la primera auditoría externa de todas las operaciones del proyecto y pagos dentro del Programa. La USAID/Guatemala preparará el alcance de trabajo para tal auditoría y seleccionará y contratará a una firma de auditoría externa para que lleve a cabo tal trabajo. Esta auditoría será llevada a cabo dentro de los dos años siguientes a la firma del Convenio Cooperativo.

D. Evaluación de medio-período de la ejecución general del proyecto para verificar cómo se están desempeñando todas las agencias ejecutoras y todos los componentes, para el logro de los objetivos programados del proyecto. La USAID/Guatemala preparará el alcance de trabajo para cada evaluación y, después de consultar con el Recipiendario, seleccionará y contratará a la firma de evaluación externa que llevará a cabo este trabajo. Tal evaluación será iniciada durante el tercer año de la firma del Convenio Cooperativo.

E. Evaluación Final del Proyecto. La USAID/Guatemala preparará el alcance de trabajo para tal evaluación y, después de consultar con el Recipiendario, seleccionará y contratará a la firma de evaluación externa que llevará a cabo este

evaluation will be initiated during the fifth year after signature of this Cooperative Agreement. In preparing its evaluation, the evaluation firm will take into account the final report of the TDU technical assistance team, reports from external auditors, as well as information provided by the FMU, CONFECOOP, INACOP and participating federations and member cooperatives in the project.

V. Special Conditions:

In addition to cooperating with USAID/Guatemala in the attainment of the above key program implementation actions, the Recipient pledges that it will perform the following:

A. Following the life of project, the Recipient pledges to maintain the funds and other assets held by the FMU under the Project as the capital for a Cooperative Financial Institution. 90 days prior to the termination date of the Agreement, the Loan Administrative Board will submit to USAID/Guatemala, for its approval, a plan under which the Loan Administrative Board will acquire the legal, commercial and financial support to provide viability for a Cooperative Financial Institucion. The plan will include an accounting of participating federations' accumulation of share capital acquired in the aforementioned financial institution. An implementation plan will be required before USAID/Guatemala's approval.

trabajo. Tal evaluación se iniciará durante el quinto año después de la firma del Convenio Cooperativo. Al preparar su evaluación, la firma de evaluación tomará en cuenta el informe final del grupo de asistencia de la UDT, los informes de los auditores externos, así como la información proporcionada por la UF, la CONFECOOP, la INACOP y las federaciones y cooperativas que participan en el proyecto.

V. Condiciones Especiales

Además de cooperar con la USAID/Guatemala en el logro de las acciones de ejecución arriba descritas, el Recipiendario se compromete a llevar a cabo lo siguiente:

A. Después de la terminación del proyecto, el Recipiendario se compromete a mantener los fondos y otros activos en poder de la UF para el Proyecto, como capital para una Institución Financiera Cooperativa. Noventa (90) días antes de la fecha de terminación del Convenio (PACD), la Junta Administrativa de Préstamos someterá a consideración de la USAID/Guatemala, para su aprobación, un plan bajo el cual la Junta Administrativa de Préstamos adquirirá apoyo legal, comercial y financiero para dar viabilidad a una Institución Cooperativa y Financiera. El plan incluirá un record de la acumulación de los participantes sobre el capital adquirido en la institucion financiera arriba mencionada, por parte de las federaciones afiliadas. Será requerido un plan de implementación antes de la aprobación de la USAID/Guatemala.

B. The Recipient shall provide the office space and human resources support necessary for the efficient Trust Fund operation through the FMU during the life of the program (LOP). Such support will be evidenced by a sequential Implementation Letter from AID approving an administrative support plan submitted by FENACOAC to the FMU.

C. The Recipient, in cooperation with other federations and member cooperatives, will make best efforts to obtain from BANDESA a non-disturbance agreement, satisfactory to A.I.D., during the first year of the project.

D. All technical positions of FMU, TDU are considered key positions and therefore, can not be filled, changed, replaced, or removed without the prior written approval of the Chief, Office of Rural Development or his designee.

VI. Reports, Evaluations, Audits

The Recipient in cooperation with and with support from the Project Manager, TDU and FMU shall prepare quarterly, annual and end-of-project reports. A yearly implementation plan with budgets shall be submitted to USAID/Guatemala no later than the second week of December. This plan and budget must be approved by USAID/Guatemala prior to the use of new year funds.

B. El Recipiendario deberá proporcionar el espacio de oficina y los recursos humanos que sean necesarios para el buen funcionamiento del Fideicomiso a través de la UF durante la vida del proyecto (LOP). Tal ayuda será garantizada por una Carta de Ejecución de AID que apruebe un plan de apoyo administrativo a la UF entregado por FENACOAC.

C. Durante el primer año del proyecto, el Recipiendario, en cooperación con otras federaciones y cooperativas, hará todo el esfuerzo posible por obtener el compromiso de BANDESA, satisfactorio a la AID, de no cobrar préstamos pendientes con cargo a fondos del Proyecto.

D. Todos los puestos técnicos del UF, UTD son considerados puestos claves y por lo tanto, no pueden ser ocupados, cambiados, reemplazados o eliminados sin previa aprobación escrita del Jefe, Oficina de Desarrollo Rural o su delegado.

VI. Informes, Evaluaciones, Auditorías

El Recipiendario en cooperación y con el apoyo del Jefe de Proyecto, la UDT y la UF prepararán informes trimestrales anuales y finales. Se presentará a consideración de la USAID/Guatemala un plan de implantación con presupuestos a más tardar la segunda semana de diciembre de cada año. Este plan y presupuesto deberán ser aprobados por la USAID/Guatemala antes de utilizar los fondos del nuevo año.

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A. Evaluation Plan

During the implementation of the Agreement, three separate but interrelated evaluation activities will be conducted. These will be the primary responsibility of the Project Manager and designed for the purposes of: a) measuring the progress of activities against the general implementation plan and periodic planning during Project life and; b) measuring the impact or results of Project interventions as stated in terms of goal, purpose and outputs in this document. With the exception of the final evaluation, the interim measurements of progress and achievement will be performed not only for purposes of "keeping score" of events but also as an aid in implementation. These exercises may point out such factors as a changing enviroment, suggest shifting emphasis, or indicate opportunities unforeseen initially. They will surely guide short-range planning conducted either yearly or by business cycle of the participating cooperatives.

B. The Tracking System

A Tracking System for the second quarter of Project implementation shall be established. This system will be established on the basis of key events in implementation and target dates for their initiation/completion. This system should also reflect expenditures against budget projections and be structured in such a way as to be the principal source of information used normally by USAID/Guatemala in quarterly review exercises. Periodic

A. Plan de Evaluación

Durante la ejecución del Convenio, se llevarán a cabo tres actividades de evaluación separadas pero interrelacionadas. Estas estarán a cargo del Encargado del Proyecto y estarán diseñadas para propósitos de: a) medir el progreso de las actividades contra el plan general de ejecución y la planificación periódica durante la vida del Proyecto; y b) medir el impacto o resultados de las intervenciones del Proyecto en términos de objetivos, propósitos y resultados descritos en este documento. Con excepción de la evaluación final, las medidas interinas del progreso y logros serán llevadas a cabo no sólo para propósitos de "mantener un recuento" de los eventos, sino también como una ayuda para la ejecución. Estos ejercicios resaltarán factores tales como el cambio en el ambiente, sugerencias de cambio en el énfasis, o indicarán oportunidades no previstas inicialmente. Estas medidas servirán de guía para la planificación de corto plazo que se lleve a cabo ya sea anualmente o por ciclo comercial de las cooperativas participantes.

B. Sistema de Verificación

Deberá establecerse un Sistema de Seguimiento durante el segundo trimestre de la ejecución del Proyecto. Este sistema se establecerá con base en los eventos claves de la ejecución y las fechas meta para su iniciación/terminación. Este sistema deberá también reflejar los gastos contra las proyecciones presupuestarias y estará estructurado de tal forma que constituya la fuente principal de información usada normalmente por la USAID/Guatemala en

reporting by Project staff will be structured in format and content to include tracking indicators; an overall tracking report prepared by the Project Manager will be largely a summary of these indicators as well as contain a brief text explaining variations from projections.

sus ejercicios trimestrales de revisión. La presentación de informes periódicos por parte del personal del Proyecto será estructurada en forma y contenido que incluyan los indicadores de verificación; un informe general de verificación preparado por el Encargado del Proyecto será en su mayor parte un resumen de estos indicadores y contendrá una breve descripción que explique las variaciones de las proyecciones.

C. The Mid-Project Evaluation

During the tenth quarter of Project implementation, a mid-Project evaluation is scheduled for the principal purpose of examining the process and content of interventions. Although an external consultant will be called in to direct and coordinate this evaluation, the principal input will come from key staff of the Project and participating institutions. To those intimately familiar with the Project and participating institutions, searching questions will be posed requiring reflection, analysis and a conscientious appraisal of the mid-point status of the Project. A sample of these questions which may be posed during the exercise includes:

- Are the basic assumptions and rationale of the Project valid? Was the Project conceived in realistic, practical terms and in accordance with the predominant thinking of cooperative leaders?

C. La Evaluación de Medio-Período

Durante el décimo trimestre de la ejecución del Proyecto, se programará una evaluación de Medio-Período con el propósito primordial de examinar el proceso y contenido de las intervenciones. Aunque se llamará a un consultor externo para dirigir y coordinar esta evaluación, la contribución principal vendrá del personal clave del Proyecto y las instituciones participantes. Se harán preguntas a aquellos que estén estrechamente familiarizados con el Proyecto y las instituciones participantes, las cuales requerirán reflexión, análisis, y una evaluación concienzuda del estado del Proyecto a Medio-Período. A continuación se da una muestra de las preguntas que se harán durante este ejercicio.

- Son válidas las presunciones básicas y la razón del Proyecto? Fue el Proyecto concebido en términos realistas y prácticos y de acuerdo con el pensamiento predominante de los líderes cooperativistas?

- Are the policies and practices of the Project interventions (Institution Building, Capitalization and Credit) understood, supported and practiced as envisioned? Are these in concordance with the philosophy and goals of the participating cooperative institutions?

- Does the structure of the Project work; is there sufficient coordination, direction, representation in the system to make it functional and effective?

- Are the resources of the Project being applied in a reasonable, effective manner, e.g. is the technical assistance appropriate; does the recapitalization and credit work; is the training on the mark?

- What changes in emphasis or direction are called for during the remaining life of the Project?

Although USAID/Guatemala Project officials will be fully appraised of the results of this evaluation and in fact may participate in the process, it is primarily internal in its focus. Recommendations for significant changes in the Project design or implementation as a result of this evaluation will be considered by the USAID/Guatemala and acted on as a appropriate.

- Están las políticas y prácticas de las intervenciones del Proyecto (Institucionalidad, Capitalización y Crédito) siendo comprendidas, apoyadas y practicadas como se pensó? Están las mismas de conformidad con la filosofía y objetivos de las instituciones cooperativistas participantes?

- Da resultado la estructura del Proyecto; existe suficiente coordinación, dirección, representación en el sistema para que el mismo sea funcional y efectivo?

- Están los recursos del Proyecto siendo aplicados en forma razonable y efectiva, por ejemplo, es apropiada la asistencia técnica; dan resultado la recapitalización y el crédito; es la capacitación adecuada?

- Qué cambios en énfasis o dirección se necesita efectuar durante el resto de la vida del Proyecto?

Aún cuando los Oficiales de Proyecto de la USAID/Guatemala estarán completamente informados de los resultados de esta evaluación y en efecto podrán participar en este proceso, el mismo es primordialmente interno en su enfoque. Las recomendaciones de cambios significativos en el diseño o ejecución del Proyecto como resultado de esta evaluación serán consideradas por la USAID/Guatemala y se tomará la acción apropiada.

D. The Final Evaluation

Within three months of the end of the Project, USAID/Guatemala will contract for approximately two person-months of external consultant services to perform a final evaluation of the Project. Of paramount interest in this evaluation is a measurement of the degree to which the effort produced the expected or planned results. Both the tracking system data and mid-term evaluation conclusions will be utilized to trace the evolution of the work as well as noting any modifications in planning done during the Project life.

USAID/Guatemala recognizes that institutional building and strengthening is a dynamic, often imprecise and unpredictable venture, especially in light of political and economic uncertainties facing Central America during the period of Project implementation. The final evaluation must, without compromising USAID/Guatemala evaluation guidelines and the discipline of measurement, take into consideration external factors when measuring achievement, be they positive in terms of unforeseen opportunities or negative in terms of unexpected problems or obstacles.

D. La Evaluación Final

Dentro de los tres meses anteriores a la finalización del Proyecto, la USAID/Guatemala contratará aproximadamente dos meses/persona de servicios de consultoría externa para llevar a cabo la evaluación final del Proyecto. Es de sumo interés en esta evaluación la medida del grado en que los esfuerzos produjeron los resultados planificados y esperados. Tanto los datos del sistema de verificación como las conclusiones de la evaluación de medio-período serán utilizados para marcar la evolución del trabajo así como para notar cualesquiera modificaciones en planificación efectuadas durante la vida del Proyecto.

La USAID/Guatemala reconoce que la institucionalización y fortalecimiento constituyen una empresa dinámica y a menudo imprecisa e impredecible, especialmente en vista de las incertidumbres políticas y económicas que confronta Centro América durante el período de ejecución del Proyecto. La evaluación final deberá, sin comprometer los lineamientos de evaluación de la USAID/Guatemala y las disciplinas de medida, tomar en consideración los factores externos al medir los logros, ya sean positivos en términos de oportunidades imprevistas o negativos en términos de problemas u obstáculos inesperados.

The primary reference for measuring achievement in the Project will be indicators drawn from the assessments of selected cooperative institutions prepared prior to Project design and the diagnostic studies drawn up jointly by cooperative and specialist staffs during early implementation. Development plans, derived from these diagnoses, will provide sequential and progressive benchmarks of both Project inputs and impact in the client or participating institutions at the point of termination. The verification of financial indicators will also be aided by periodic audits scheduled for participating institutions during implementation.

La primera referencia para medir los logros del Proyecto serán los indicadores sacados de las evaluaciones de instituciones cooperativistas seleccionadas, preparadas antes del diseño del Proyecto y los estudios de diagnóstico preparados juntamente por las cooperativas y el personal especializado durante las primeras etapas de ejecución. Los planes de desarrollo derivados de estos diagnósticos, proporcionarán una guía secuencial y progresiva tanto de las contribuciones al Proyecto como del impacto sobre el cliente o instituciones participantes en el punto de terminación. La verificación de indicadores financieros también estará respaldada por auditorías periódicas programadas para las instituciones participantes durante la implantación.

VII. Modifications and Interpretations to the Agreement

To assist the Recipient in the implementation of the Agreement USAID/Guatemala from time to time, will issue Sequential Implementation Letters (SIL's) These SIL's will furnish additional information about matters stated in the Agreement. The parties may also use jointly agreed-upon letters to confirm and record their mutual understanding on aspects of the implementations of this Agreement. Sequential Implementation Letters cannot be used to amend the text of the Agreement , but can be used to record agreements, revisions or exceptions which are permitted or required by the Agreement.

VII. Modificaciones e Interpretaciones del Convenio

Para ayudar al Recipiendario en la ejecución de este Convenio, la USAID/Guatemala, de tiempo en tiempo, emitirá Cartas de Ejecución Numeradas (CEN's). Estas CEN's proporcionarán información adicional sobre los asuntos indicados en el Convenio. Las partes podrán también utilizar cartas convenidas conjuntamente para confirmar y registrar su mútuo entendimiento de los aspectos de la ejecución del Proyecto. Las Cartas de Ejecución Numeradas no podrán ser usadas para enmendar el texto del Convenio, pero pueden usarse para registrar convenios, enmiendas o excepciones que sean permitidas o requeridas por el Convenio.

VIII. Counterpart Budget

Counterpart contribution under this agreement will consist of administrative support (office space and secretarial support) by FENACOAC to the FMU; and other assets and credit lines from FENACOAC which complement this Agreement. Furthermore, the Recipient will contribute with Q20,000 as an investment to the Trust Agreement. The same contribution will be made by the rest of Federations which want to participate in the loan operations.

The counterpart contribution to be provided by the Recipient during LOP is indicated in the Financial Plan.

VIII. Estimación del Presupuesto de Contrapartida

La contrapartida bajo este Convenio consistirá de ayuda administrativa (espacio de oficina y servicios secretariales) por parte de la FENACOAC a la UF, además de otros activos y líneas de crédito de FENACOAC que complementen este Convenio. Además, el Recipiendario contribuirá con Q.20,000 como una inversión al Fideicomiso. Igual contribución deberán hacer el resto de Federaciones que participen en las operaciones de préstamos.

La contrapartida a ser suministrada por el Recipiendario durante la vida del Convenio está indicada en el Plan Financiero.

MANDATORY STANDARD PROVISIONS FOR NON-U.S., NONGOVERNMENTAL GRANTEES [1]

INDEX OF MANDATORY STANDARD PROVISIONS

1. Allowable Costs
2. Accounting, Audit and Records
3. Refunds
4. Revision of Grant Budget
5. Termination and Suspension
6. Disputes
7. Ineligible Countries
8. Nondiscrimination in Federally Assisted Programs
9. U.S. Officials Not to Benefit
10. Covenant Against Contingent Fees
11. Nonliability
12. Amendments
13. Notices

[1] The following standard provisions are mandatory for use in all grants with non-U.S., nongovernmental organizations. When these Standard Provisions are used for cooperative agreements, the following terms apply:

"Grantee" means "Recipient,"
"Grant" means "Cooperative Agreement," and
"AID Grant Officer means "AID Agreement Officer."

1. ALLOWABLE COSTS (NOVEMBER 1984)

The grantee shall be reimbursed for costs incurred in carrying out the purposes of this grant which are determined by the grant officer to be reasonable, allocable, and allowable in accordance with the terms of this grant and the cost principles (hereinafter referred to as "applicable cost principles") in effect on the date of this grant, which are attached.*

(a) *Reasonable.* Shall mean those costs that do not exceed those which would be incurred by an ordinarily prudent person in the conduct of normal business.

(b) *Allocable Costs.* Shall mean those costs which are necessary to the grant.

(c) *Allowable Costs.* Shall mean those costs which must conform to any limitations set forth in this grant.

(d) Unallowable costs, direct or indirect, include but are not limited to the following examples: Advertising, bad debts, contingencies, entertainment, fines and penalties, interest, fund raising, investment management costs, losses on other awards, taxes, first class air fare unless specifically approved, certain relocation costs, and professional service costs incurred in connection with litigation against the U.S. Government, and organization or reorganization costs. Additionally, public information service costs are unallowable as indirect costs. The applicable cost principles do authorize some of the above listed unallowable costs in appropriate circumstances. Prior to incurring a questionable or unique cost, the grantee should obtain the grant officer's written determination as to whether the cost will be allowable.

*NOTE: OMB Circular A-21 shall apply to universities.
OMB Circular A-122 shall apply to all other non-profits.

2. ACCOUNTING, AUDIT, AND RECORDS (NOVEMBER 1984)

(a) The grantee shall maintain books, records, documents, and other evidence in accordance with the grantee's usual accounting procedures to sufficiently substantiate charges to the grant. The grantee's financial management system shall provide for the following:

(1) Accurate, current, and complete disclosure for each AID-sponsored project or program in accordance with the reporting requirements of this grant. While AID requires reporting on an accrual basis, the grantee shall not be required to establish an accrual accounting system but shall develop such accrual data for its reports on the basis of an analysis of the documentation on hand.

(2) Records that identify adequately the source and application of funds for AID-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, and income.

(3) Effective control over and accountability for all funds, property, and other assets. Grantee shall adequately safeguard all such assets and shall ensure that they are used solely for authorized purposes.

(4) Comparison of actual outlays with budget amounts for each grant. Financial information should be related to performance and unit-cost data whenever appropriate.

(5) Accounting records that are supported by documentation that at a minimum will identify, segregate, accumulate, and record all costs incurred under a grant and which fully disclose (i) the amount and disposition by the grantee of the proceeds of such assistance, (ii) the total cost of the project or undertaking in connection with which such assistance is given or used, (iii) the amount of that portion of the cost of the project or undertaking supplied by other sources, and (iv) such other records as will facilitate an effective audit.

(b) The grantee shall preserve and make available such records for examination and audit by AID and the Comptroller General of the United States, or their authorized representatives (1) until the expiration of three years from the date of termination of the grant and (2) for such longer period, if any, as is required to complete an audit to resolve all questions concerning expenditures unless written approval has been obtained from the grant officer to dispose of the records. AID follows generally accepted accounting principles and auditing standards in determining that there has been proper accounting and use of grant funds. The grantee agrees to make available any further information requested by AID with respect to any questions arising as a result of the audit.

(c) The grantee shall require subgrantees to adopt the standards in paragraph (b) above.

3. REFUNDS (NOVEMBER 1984)

(a) If use of the AID funds results in accrual of interest to the grantee or to any other person to whom the grantee makes AID funds available, the grantee shall refund to AID the amount of interest accrued.

(b) Funds obligated by AID but not disbursed to the grantee at the time the grant expires or is terminated shall revert to AID, except for such funds encumbered by the grantee by a legally binding transaction applicable to this grant. Any funds disbursed to but not expended by the grantee at the time of expiration or termination of the grant shall be refunded to AID.

(c) If, at any time during the life of the grant, or as a result of final audit, it is determined by AID that funds it provided under this grant have been expended for purposes not in accordance with the terms of this grant, the grantee shall refund such amount to AID.

4. REVISION OF GRANT BUDGET (NOVEMBER 1984)

(a) The approved grant budget is the financial expression of the grantees program as approved during the grant award process.

(b) The grantee shall immediately request approval from the grant officer when there is reason to believe that within the next 30 calendar days a revision of the approved grant budget will be necessary for any of the following reasons:

(1) To change the scope or the objectives of the project and/or revise the funding allocated among project objectives.

(2) Additional funding is needed.

(3) The grantee expects the amount of AID authorized funds to exceed its needs by more than $5,000 or five percent of the AID award, whichever is greater.

(4) The grantee plans to transfer funds budgeted for indirect costs to absorb increases in direct costs or vice versa.

(5) The grantee intends to contract or subgrant any of the work under this grant, and such contracts or subgrants were not included in the approved grant budget.

(c) Except as required by other provisions of this grant specifically stated to be an exception from this provision, the Government shall not be obligated to reimburse the grantee for costs incurred in excess of the total amount obligated under the grant. The grantee shall not be obligated to continue performance under the grant (including actions under the "Termination" provision) or otherwise to incur costs in excess of the amount obligated under the grant, unless and until the grant officer has notified the grantee in writing that such obligated amount has been increased and has specified the new grant total amount.

5. TERMINATION AND SUSPENSION (NOVEMBER 1984)

(a) *For Cause.* This grant may be terminated for cause at any time, in whole or in part, by the grant officer upon written notice to the grantee, whenever it is determined that the grantee has failed to comply with the conditions of the grant.

(b) *For Convenience.* This grant may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the grant would not produce beneficial results commensurate with the further expenditure of funds. Both parties shall agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the grant officer to the grantee.

(c) *Termination Procedures.* Upon receipt of and in accordance with a termination notice as specified in either paragraph (a) or (b) above, the grantee shall take immediate action to minimize all expenditures and obligations financed by this grant and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination. The grantee shall within 30 calendar days after the effective date of such termination repay to the Government all unexpended AID funds which are not otherwise obligated by a legally binding transaction applicable to this grant. Should the funds paid by the Government to the grantee prior to the effective date of the termination of this grant be insufficient to cover the grantee's obligations in the legally binding transaction, the grantee may submit to the government within 90 calendar days after the effective date of such termination a written claim covering such obligations. The grant officer shall determine the amount(s) to be paid by the Government to the grantee under such claim in accordance with the applicable cost principles.

(d) *Suspension; Termination for Changed Circumstances.* If at any time AID determines that continuation

of funding for a program should be suspended or terminated because such assistance is not in the national interest of the United States or that it would be in violation of an applicable law, then AID may, following notice to the grantee, suspend this grant and prohibit the grantee from incurring additional obligations chargeable to this grant other than necessary and proper costs in accordance with the terms of this grant during the period of suspension. If the situation causing the suspension continues for 60 days or more, then AID may terminate this grant on written notice to the grantee and cancel that portion of this grant which has not been disbursed or irrevocably committed to third parties. Financial settlement of this grant shall be governed by the termination procedures specified in paragraph (c) above.

6. DISPUTES (NOVEMBER 1984)

(a) Any dispute under this grant shall be decided by the AID grant officer. The grant officer shall furnish the grantee a written copy of the decision.

(b) Decisions of the AID grant officer shall be final unless, within 30 days of receipt of the decision of the grant officer, the grantee appeals the decision to the Administrator of AID. Any appeal made under this provision shall be in writing and addressed to the Administrator, Agency for International Development, Washington, D.C. 20523. A copy of the appeal shall be concurrently furnished to the grant officer.

(c) In connection with any appeal proceeding under this provision, the grantee shall be given an opportunity to be heard and to offer evidence in support of its appeal.

(d) A decision under this provision by the Administrator or an authorized representative shall be final unless overruled by a court of competent jurisdiction.

7. INELIGIBLE COUNTRIES (NOVEMBER 1984)

Unless otherwise approved by the AID grant officer, no funds will be expended for costs incurred in countries ineligible for assistance under the Foreign Assistance Act of 1961, as amended, or under acts appropriating funds for foreign assistance.

8. NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS (NOVEMBER 1984)

No person in the United States, consistent with the laws of the United States, shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity funded by this grant on the basis of race, color, national origin, age, handicap, or sex.

9. U.S. OFFICIALS NOT TO BENEFIT (NOVEMBER 1984)

No member of or delegate to the U.S. Congress or resident U.S. Commissioner shall be admitted to any share or part of this grant or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this grant if made with a corporation for its general benefit.

10. COVENANT AGAINST CONTINGENT FEES (NOVEMBER 1984)

The grantee certifies that no person or selling agency has been employed or retained to solicit or secure this grant upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee except bona fide employees or bona fide established commercial or selling agencies maintained by the grantee for the purpose of securing business. For breach or violation of this certification, AID shall have the right to cancel this grant without liability or, to deduct from the grant amount, or otherwise recover, the full amount of each commission, percentage, brokerage, or contingent fee.

11. NONLIABILITY (NOVEMBER 1984)

AID does not assume liability for any third party claims for damages arising out of this grant.

12. AMENDMENT (NOVEMBER 1984)

The grant may be amended by formal modifications to the basic grant document or by means of an exchange of letters between the grant officer and an appropriate official of the grantee.

13. NOTICES (NOVEMBER 1984)

Any notice given by AID or the grantee shall be sufficient only if in writing and delivered in person, mailed, or cabled as follows:

To the AID grant officer, at the address specified in the grant.

To grantee, at grantee's address shown in the grant or to such other address designated within the grant.

Notices shall be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

OPTIONAL STANDARD PROVISIONS FOR NON-U.S., NONGOVERNMENTAL GRANTEES

The standard provisions contained in this Form are required to be used when applicable. Applicability statements are contained in the parenthetical statement preceding the standard provision as set forth below. When a standard provision is determined to be applicable in accordance with the applicability statement, the use of such standard provision is mandatory unless a deviation has been approved in accordance with Paragraph 1E of Chapter 1 of Handbook 13. *Each grant is required to have a payment provision.* Since not all of the standard provisions will be used in each grant, the standard provisions selected should be numbered to follow consecutively with the mandatory standard provisions contained in AID 1420-53.

INDEX OF OPTIONAL STANDARD PROVISIONS

1.	Payment—Periodic Advance	AID 1420-54A
2.	Payment—Cost Reimbursement	AID 1420-54B
3.	Air Travel and Transportation	AID 1420-54C
4.	Ocean Shipment of Goods	AID 1420-54D
5.	Procurement of Goods and Services	AID 1420-54E
6.	Ineligible and Restricted Goods and Services	AID 1420-54E
7.	Subagreements	AID 1420-54F
8.	Local Cost Financing with U.S. Dollars	AID 1420-54G
9.	Publications	AID 1420-54H
10.	Patent Rights	AID 1420-54I
11.	Regulations Governing Employees	AID 1420-54J
12.	Participant Training	AID 1420-54K
13.	Voluntary Population Planning	AID 1420-54L
14.	Protection of the Individual as a Research Subject	AID 1420-54M
15.	Negotiated Overhead Rates—Provisional	AID 1420-54N
16.	Government Furnished Excess Personal Property	AID 1420-54O
17.	Title To and Use of Property (Grantee Title)	AID 1420-54P
18.	Title To and Care of Property (U.S. Government)	AID 1420-54Q
19.	Title To and Care of Property (Cooperating Country Title)	AID 1420-54R
20.	Cost Sharing	AID 1420-54S

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PAYMENT—PERIODIC ADVANCE (NOVEMBER 1984)

(This provision is applicable when (1) the grantee has an acceptable accounting system (2) the grantee has the ability to maintain procedures that will minimize the time elapsing between the transfer of funds and the disbursement thereof, and (3) the grantee's financial management system meets the standards for fund control and accountability required under the standard provision of this agreement entitled "Accounting, Audit and Records".)

(a) AID funds shall not be commingled with other grantee owned or controlled funds: The grantee shall deposit all AID cash advances in a separate bank account and shall make all disbursements for goods and services from this account.

(b) Each quarter, after the initial cash advance, the grantee shall submit to the AID Controller, identified in the schedule, voucher SF 1034 (original) and SF 1034-A (three copies), entitled "Public Voucher for Purchases and Services Other Than Personal", copies of which are attached.

(c) Each Voucher shall be identified by the appropriate grant number and shall be accompanied by an original and three copies of a report in the following format:

FEDERAL CASH ADVANCE STATUS REPORT
(Report Control No. W-245)

A. Period covered by this report:
FROM (Month, day, year) _____
TO (Month, day, year) _____
Period covered by the next report
FROM (Month, day, year) _____
TO (Month, day, year) _____

B. Cash Advance Use and Needs:

1. Cash advance on hand at the beginning of this reporting period ..... $ _____
2. U.S. Treasury check advance(s) received during this reporting period .. $ _____
3. Interest earned on cash advance during this reporting period ..... $ _____
4. GROSS cash advance available during this reporting period (Lines 1, 2, & 3) ..... $ _____
5. LESS, interest remitted to AID during this reporting period ..... $ _____
6. NET cash advance available during this reporting period (Line 4 minus Line 5) ..... $ _____
7. Total disbursements during this reporting period, including subadvances (see footnote 1) ..... $ _____
8. Amount of cash advances available at the end of this reporting period (Line 6 minus Line 7)..... $ _____
9. Projected disbursements, including subadvances, for the next reporting period (see footnote 2) ..... $ _____
10. Additional cash advance requested for the next reporting period (Line 9 minus Line 8)..... $ _____
11. Total interest earned on cash advance from the start of the grant to the end of this reporting period, but not remitted to AID ..... $ _____
12. Total cash advances to subgrantees, if any, as of the end of this reporting period ..... $ _____

FOOTNOTES:
1. The grantee shall submit a cumulative detailed report of disbursements by BUDGET Line item quarterly.
2. The grantee shall attach a Summary, by BUDGET line item, of its projected disbursements for the next reporting period.

_____

C. Certification:

The undersigned hereby certifies: (1) that the amount in paragraph B.9 above represents the best estimate of funds needed for the disbursements to be incurred over the period described, (2) that appropriate refund or credit to the grant will be made in the event of disallowance in accordance with the terms of the grant, (3) that appropriate refund or credit to the grant will be made in the event funds are not expended, and (4) that any interest accrued on the funds made available herein will be refunded to AID.

BY _____
DATE _____ TITLE _____

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PAYMENT - COST REIMBURSEMENT
(NOVEMBER 1984)

(This provision is applicable to grants for construction or to grants not qualified to receive periodic advances.)

(a) The grantee shall submit to the AID Controller an original and 3 copies of SF 1034, "Public Voucher for Purchases and Services Other Than Personal" and SF 1034A, Continuation of SF 1034, on a monthly basis and in no event no later than on a quarterly basis. Each voucher shall be identified by the grant number and shall state the total costs for which reimbursement is being requested.

(b) Copies of SF 1034 and SF 1034A are attached.

AIR TRAVEL AND TRANSPORTATION (NOVEMBER 1984)

(This provision is applicable when any costs for air travel or transportation are included in the budget.)

(a) The grantee is required to present to the project officer for written approval an itinerary for each planned international trip financed by this grant, which shows the name of the traveler, purpose of the trip, origin/destination (and intervening stops), and dates of travel, as far in advance of the proposed travel as possible, but in no event less than three weeks before travel is planned to commence. At least one week prior to commencement of approved international travel, the grantee shall notify the cognizant mission, with a copy to the project officer, of planned travel, identifying the travelers and the dates and times of arrival.

(b) Travel to certain countries shall, at AID's option, be funded from U.S.-owned local currency. When AID intends to exercise this option, AID will, after receipt of advice of intent to travel required above, either issue a Government Transportation Request (GTR) which the grantee may exchange for tickets, or AID will issue the tickets directly. Use of such U.S.-owned currencies will constitute a dollar charge to this grant.

(c) *All* air travel and shipments under this grant are required to be made on United States flag air carriers to the extent service by such carriers is available. A U.S. flag air carrier is defined as an air carrier which has a certificate of public convenience and necessity issued by the U.S. Civil Aeronautics Board authorizing operations between the United States and/or its territories and one or more foreign countries.

(d) Use of foreign air carrier service may be deemed necessary if a U.S. flag air carrier cannot provide the foreign air transportation needed, or if use of such service will not accomplish the agency's mission. Travel and transportation on non-free world air carriers are not reimburseable under this grant.

(e) U.S. flag air carrier service is considered available even though:

(1) Comparable or a different kind of service can be provided at less cost by a foreign air carrier;

(2) Foreign air carrier service is preferred by or is more convenient for the agency or traveler; or

(3) Service by a foreign air carrier can be paid for in excess foreign currency, unless U.S. flag air carriers decline to accept excess or near excess foreign currencies for transportation payable only out of such monies.

(f) Except as provided in paragraph (b) of this section, U.S. flag air carrier service must be used for all Government-financed commercial foreign air travel if service provided by such carriers is available. In determining availability of a U.S. flag air carrier, the following scheduling principles should be followed unless their application results in the last or first leg of travel to or from the United States being performed by a foreign air carrier:

(1) U.S. flag air carrier service available at point of origin should be used to destination or in the absence of direct or through service to the farthest interchange point on a usually traveled route;

(2) Where an origin or interchange point is not served by U.S. flag air carrier, foreign air carrier service should be used only to the nearest interchange point on a usually traveled route to connect with U.S. flag air carrier service; or

(3) Where a U.S. flag air carrier involuntarily reroutes the traveler via a foreign air carrier the foreign air carrier may be used notwithstanding the availability of alternative U.S. flag air carrier service.

(g) For travel between a gateway airport in the United States (the last U.S. airport from which the traveler's flight departs or the first U.S. airport at which the traveler's flight arrives) and a gateway airport abroad (that airport from which the traveler last embarks enroute to the U.S. or at which the traveler first debarks incident to travel from the U.S.) passenger service by U.S. flag air carrier will not be considered available:

(1) Where the gateway airport abroad is the traveler's origin or destination airport, and the use of U.S. flag air carrier service would extend the time in a travel status, including delay at origin and accelerated arrival at destination, by at least 24 hours more than travel by foreign air carrier:

(2) Where the gateway airport abroad is an interchange point, and the use of U.S. flag air carrier service would require the traveler to wait six hours or more to make connections at that point, or delayed departure from or accelerated arrival at the gateway airport in the United States would extend the time in a travel status by at least six hours more than travel by foreign air carrier.

(h) For travel between two points outside the United States the rules in paragraphs (d) through (f) of this section will be applicable, but passenger service by U.S. flag air carrier will not be considered to be reasonably available:

(1) If travel by foreign air carrier would eliminate two or more aircraft changes enroute;

(2) Where one of the two points abroad is the gateway airport (as defined in paragraph (g) of this section) enroute to or from the United States, if the use of a U.S. flag air carrier would extend the time in a travel status by at least six hours more than travel by foreign

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air carrier including accelerated arrival at the overseas destination or delayed departure from the overseas origin as well as delay at the gateway airport or other interchange point abroad; or

(3) Where the travel is not part of a trip to or from the United States, if the use of a U.S. flag air carrier would extend the time in a travel status by at least six hours more than travel by foreign air carrier including delay at origin, delay enroute and accelerated arrival at destination.

(i) When travel under either paragraph (g) or (h) of this section involves three hours or less between origin and destination by a foreign air carrier, U.S. flag air carrier service will not be considered available when it involves twice such travel time or more.

(j) Nothing in the above guidelines shall preclude and no penalty shall attend the use of a foreign air carrier which provides transportation under an air transport agreement between the United States and a foreign government, the terms of which are consistent with the international aviation policy goals set forth at 49 U.S.C. 1502 (b) and provide reciprocal rights and benefits.

(k) Where U.S. Government funds are used to reimburse the grantee's use of other than U.S. flag air carriers for international transportation, the grantee will include a certification on vouchers involving such transportation which is essentially as follows:

CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS

I hereby certify that the transportation service for personnel (and their personal effects) or property by certificated air carrier was unavailable for the following reason(s): state appropriate reason(s) as set forth above).

(l) *International Travel*

(1) As used herein, the term "international travel" includes travel to all countries other than travel within the home country of the grantee.

(2) The grantee will be reimbursed for travel and the reasonable cost of subsistence, post differentials and other allowances paid to employees in an international travel status in accordance with the grantee's established policies and practices which are uniformly applied to federally financed and other activities of the grantee. The standard for determining the reasonableness of reimbursement for overseas allowance is the Standardized Regulations (Government Civilians, Foreign Areas), published by the U.S. Department of State, as from time to time amended. The most current subsistence, post differentials, and other allowances may be obtained from the grant officer.

(m) This provision will be included in all subagreements and contracts which require air travel and transportation under this grant.

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OCEAN SHIPMENT OF GOODS (NOVEMBER 1984)

(This provision is applicable when goods purchased with funds provided under this grant are transported to cooperating countries on ocean vessels.)

(a) A least 50% of the gross tonnage of all goods purchased under this grant and transported to the cooperating countries shall be made on privately owned U.S. flag commercial ocean vessels, to the extent such vessels are available at fair and reasonable rates for such vessels.

(b) At least 50% of the gross freight revenue generated by shipments of goods purchased under this grant and transported to the cooperating countries on dry cargo liners shall be paid to or for the benefit of privately owned U.S. flag commercial ocean vessels to the extent such vessels are available at fair and reasonable rates for such vessels.

(c) When U.S. flag vessels are not available, or their use would result in a significant delay, the grantee may request a determination of non-availability from the AID Transportation Support Division, Office of Commodity Management, Washington, D.C. 20523, giving the basis for the request which will relieve the grantee of the requirement to use U.S. flag vessels for the amount of tonnage included in the determination. Shipments made on non-free world ocean vessels are not reimburseable under this grant.

(d) Vouchers submitted for reimbursement which include ocean shipment costs shall contain a certification essentially as follows:

"I hereby certify that a copy of each ocean bill of lading concerned has been submitted to the U.S. Department of Transportation, Maritime Administration, Division of National Cargo, 400 7th Street, S.W., Washington, D.C. 20590, and that such bills of lading state all of the carrier's charges including the basis for calculation such as weight or cubic measurements."

PROCUREMENT OF GOODS AND SERVICES (NOVEMBER 1984)

(This provision is applicable when goods or services are procured under the grant.)

The grantee may use its own procurement policies and practices for the procurement of goods and services under this grant, provided they conform to all of AID's requirements listed below and the standard provision entitled "Ineligible and Restricted Goods and Services":

(a) General Requirements:

(1) The recipient shall maintain a code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the awarding and administration of contracts using AID funds. No employee, officer or agent shall participate in the selection, award or administration of a contract in which AID funds are used, where, to his/her knowledge, he/she or his/her immediate family, partners, or organization in which he/she or his/her immediate family or partners has a financial interest or with whom he/she is negotiating or has any arrangement concerning prospective employment. The recipients' officers, employees or agents shall neither solicit nor accept gratuities, favors or anything of monetary value from contractors or potential contractors. Such standards shall provide for disciplinary actions to be applied for violations of such standards by the recipients' officers, employees or agents.

(2) All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient should be alert to organizational conflicts of interest or noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals should be excluded from competing for such procurements. Awards shall be made to the bidder/offeror whose bid/offer is responsive/responsible to the solicitation and is most advantageous to the recipient, price and other factors considered. Solicitations shall clearly set forth all requirements that the bidder/offeror must fulfill in order to be evaluated by the recipient. Any and all bids/offers may be rejected when it is in the recipient's interest to do so.

(3) All grantees shall establish procurement procedures that provide for, at a minimum, the following procedural requirements:

(i) Proposed procurement actions shall follow a procedure to assure the avoidance of purchasing unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical practical procurement. Such an analysis shall not be required for motor vehicles.

(ii) Solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product or service to be procured. Such a description shall not, in competitive procurements, contain features which unduly restrict competition. "Brand-name or equal" descriptions may be used as a means to define the performance or other salient requirements of a procurement and when so used the specific features of the named brand which must be met by bidders/offerors shall be clearly specified.

(iii) Positive efforts shall be made by the recipients to utilize small business and minority-owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts utilizing AID funds. To permit AID, in accordance with the small business provisions of the Foreign Assistance Act of 1961, as amended, to give United States small business firms an opportunity to participate in supplying commodities and services procured under this grant, the grantee shall to the maximum extent possible provide the following information to the Office of Small Disadvantaged Business Utilization, AID/Washington, D.C. 20523, at least 45 days prior (except where a shorter time is requested of and granted by the Office of Small and Disadvantaged Business Utilization) to placing any order or contract in excess of $25,000:

(A) Brief general description and quantity of goods or services;

(B) Closing date for receiving quotations, proposals, or bids; and

(C) Address where invitations or specifications can be obtained.

(iv) The type of procuring instruments used, e.g. fixed price contracts, cost reimbursable contracts, purchase orders, incentive contracts, shall be determined by the recipient but must be appropriate for the particular procurement and for promoting the best interest of the program involved. The "cost-plus-a-percentage-of-cost" method of contracting shall not be used.

(v) Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

(vi) All proposed sole source contracts or where only one bid or proposal is received in which the aggregate

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expenditure is expected to exceed $5,000 shall be subject to prior approval by an appropriate official within the grantee's organization.

(vii) Some form of price or cost analysis should be made in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

(viii) Procurement records and files for purchases in excess of $10,000 shall include the following:

(A) Basis for contractor selection;

(B) Justification for lack of competition when competitive bids or offers are not obtained;

(C) Basis for award cost or price.

A system for contract administration shall be maintained to ensure contractor conformance with terms, conditions and specifications of the contract, and to ensure adequate and timely followup of all purchases.

(b) Each contract shall contain the following contract provisions as well as any provision within this grant which requires such inclusion of that provision. Whenever a provision is required to be inserted in a contract under this grant, the grantee shall insert a statement in the contract that in all instances where the U.S. Government is mentioned the grantee's name shall be substituted.

(1) Contracts in excess of $10,000 shall contain contractual provisions or conditions that will allow for administrative, contractual or legal remedies in instances in which contractors violate or breach contract terms, and provide for such remedial actions as may be appropriate.

(2) All contracts in excess of $10,000 shall contain suitable provisions for termination by the recipient including the manner by which termination will be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

(3) In all contracts for construction or facility improvement awarded for more than $100,000, recipients shall observe generally accepted bonding requirements.

(4) Contracts, the principal purpose of which is to create, develop or improve products, processes or methods; or for exploration into fields that directly concern public health, safety or welfare; or contracts in the fields of science or technology in which there has been little significant experience outside of work funded by Federal assistance, shall contain a notice to the effect that matters regarding rights to inventions and materials generated under the contract are subject to the regulations included in these grant provisions. The contractor shall be advised as to the source of additional information regarding these matters.

(5) All negotiated contracts over $10,000 awarded by recipients shall include a provision to the effect that the recipient, AID, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to the specific program for the purpose of making audits, examinations, excerpts and transcriptions.

INELIGIBLE AND RESTRICTED GOODS AND SERVICES (NOVEMBER 1984)

(This provision is applicable when goods or services are procured under the grant.)

(a) *Ineligible and Restricted Goods and Services:* If AID determines that the grantee has procured any of the restricted or ineligible goods and services specified below, or has procured goods and services from unauthorized sources, and has received reimbursement for such purpose without the prior written authorization of the grant officer, the grantee agrees to refund to AID the entire amount of the reimbursement.

(1) *Ineligible Goods and Services.* Under no circumstances shall the grantee procure any of the following under this grant:

(i) Military equipment,

(ii) Surveillance equipment,

(iii) Commodities and services for support of police or other law enforcement activities,

(iv) Abortion equipment and services,

(v) Luxury goods and gambling equipment, or

(vi) Weather modification equipment.

(2) *Ineligible Suppliers.* Funds provided under this grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing" (22 CFR 208). The grantee agrees to review said list prior to undertaking any procurement under this grant. AID will provide the grantee with this list.

(3) *Restricted Goods.* The grantee shall not procure any of the following goods and services without the prior written authorization of the grant officer:

(i) Agricultural commodities,

(ii) Motor vehicles,

(iii) Pharmaceuticals,

(iv) Pesticides,

(v) Rubber compounding chemicals and plasticizers,

(vi) Used equipment,

(vii) U.S. Government-owned excess property, or

(viii) Fertilizer.

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(b) *Source, Origin, and Nationality:* The eligibility of the source, origin, and nationality of the goods and services is divided into the following categories of under and over $250,000 for the total procurement element during the life of the grant. The total procurement element includes procurement of all goods (e.g. equipment, materials, supplies) and services. Guidance on the eligibility of specific goods or services may be obtained from the grant officer. AID policies on source, origin, and nationality are contained in Chapters 4 and 5 of AID Handbook 1, Supplement B, (Procurement Policies).

(1) When the total procurement element during the life of this grant is valued at $250,000 or less, the following rules apply:

(i) All goods and services, the costs of which are to be reimbursed under this grant and which will be financed with United States dollars, shall be purchased in and shipped from only "Special Free World" countries (i.e., AID Geographic Code 935) in accordance with the following order of preference:

(A) The United States (AID Geographic code 000),

(B) The Cooperating Country,

(C) "Selected Free World" countries (AID Geographic Code 941),

(D) "Special Free World" countries (AID Geographic Code 935)."

(ii) Application of Order of Preference: When the grantee procures goods and services from other than U.S. sources, under the order of preference in paragraph b(1) above, the grantee shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the grantee's documentation:

(A) The procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources,

(B) The price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source,

(C) Impelling local political considerations precluded consideration of U.S. sources,

(D) The goods or services were not available from U.S. sources, or

(E) Procurement of locally available goods and services, as opposed to procurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance program under the grant.

(2) When the total procurement element exceeds $250,000, the following rule applies: Except as may be specifically approved or directed in advance by the grant officer, all goods and services, which will be reimbursed under this grant and financed with United States dollars, shall be procured in and shipped from the United States (Code 000) and from any other countries within the authorized geographic code as specified in the Schedule of this grant.

(c) *Marine Insurance:* The eligibility of marine insurance is determined by the country in which it is placed. Insurance is placed in a country if payment of the insurance policy is issued by an insurance company located in that country. Eligible countries for placement are governed by the authorized geographic code, except that if Code 941 is authorized, the Cooperating Country is also eligible. Section 604(d) of the Foreign Assistance Act requires that if a recipient country discriminates by statute, decree, rule, or practice with respect to AID-financed procurement against any marine insurance company authorized to do business in the United States, then any AID-financed commodity shipped to that country shall be insured against marine risk and the insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(d) Ocean and air transportation shall be in accordance with the applicable provisions contained within this grant.

e. *Printed or Audio-Visual Teaching Materials:* If the effective use of printed or audio-visual teaching materials depends upon their being in the local language and if such materials are intended for technical assistance projects or activities financed by AID in whole or in part and if other funds including U.S.-owned or U.S.-controlled local currencies are not readily available to finance the procurement of such materials, local language versions may be procured from the following sources, in order of preference:

(1) Code 000, United States.

(2) The Cooperating Country.

(3) Code 941, Selected Free World.

(4) Code 899, Free World.

(f) *Special Restriction on the Procurement of Construction or Engineering Services:* Section 604(g) of the Foreign Assistance Act provides that AID funds may not be used for "procurement of construction or engineering services from advanced developing countries, eligible under Geographic Code 941, which have attained a competitive capability in international markets for construction services or engineering services." In order to insure eligibility of a Code 941 contractor for construction or engineering services, the grantee shall obtain the grant officer's prior approval for any such contract.

SUBAGREEMENTS (NOVEMBER 1984)

(This provision is applicable when subgrants or cooperative agreements are financed under the grant.)

All subagreements shall as a minimum contain the following provisions as well as any that are specifically required by any othe provision in this grant. Whenever a provision within this grant is required to be inserted in a subagreement, the grantee shall insert a statement in the subagreement that in all instances where the U.S. Government is mentioned, the grantee's name will be substituted.

(a) Subagreements in excess of $10,000 shall contain provisions or conditions that will allow for administrative or legal remedies in instances where subrecipients violate subagreement terms and provide for such remedial action as may be appropriate.

(b) All subagreements in excess of $10,000 shall contain suitable provisions for termination by the recipient including the manner by which the termination will be effected and the basis for settlement. In addition, such subagreements shall describe conditions under which the subagreement may be terminated for default as well as conditions where the subagreement may be terminated because of circumstances beyond the control of the subrecipient.

(c) Subagreements, the principal purpose of which is to create, develop or improve products, processes or methods; or for exploration into fields that directly concern public health, safety or welfare; or subagreements in the field of science or technology in which there has been little significant experience outside of work funded by Federal assistance, shall contain a notice to the effect that matters regarding rights to inventions and materials generated under the subagreement are subject to the regulations contained in the provisions of this grant. The subrecipient shall be advised as to the source of additional information regarding these matters.

(d) All subagreements over $10,000 issued by recipients shall include a provision to the effect that the recipient, AID, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the subrecipient which are directly pertinent to the specific program for the purpose of making audits, examinations, excerpts and transcriptions.

LOCAL COST FINANCING WITH U.S. DOLLARS (NOVEMBER 1984)

(This Provision is applicable when local financing is authorized under the grant and must be used in conjunction with the provisions entitled "Procurement of Goods and Services" and "Ineligible and Restricted Goods and Services".)

(a) Local cost financing is the use of appropriated U.S. dollars to finance the procurement of goods and services paid for with local currency in the cooperating country for furtherance of grant purposes. Local cost financing must be specifically authorized in the Schedule of the grant. The amount of U.S. dollars which may be used must be specified in the authorization, together with any special restrictions on their use.

(b) Procurement of goods and services under local cost financing is subject to the restrictions listed in the grant provisions entitled "Procurement of Goods and Services" and "Ineligible and Restricted Goods and Services."

(c) Authorization of local cost financing makes the cooperating country, in addition to the United States and any other country included in the authorized geographic code for the project, an eligible source for the purchase of goods or services in the cooperating country. Goods or services purchased under local cost financing must be located in the cooperating country at the time they are purchased; they cannot be imported specifically for the project being implemented by this grant. The supplier from which goods or services are purchased under local cost financing must also be in the cooperating country. Suppliers of goods or services under local cost financing must meet the nationality eligibility tests prescribed in Chapter 5 of AID Handbook 1, Supplement B.

(d) Unless otherwise specifically authorized, the policies in Chapter 18 of AID Handbook 1, Supplement B are applicable to all local cost financing.

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PUBLICATIONS (NOVEMBER 1984)

(This provision is applicable when publications are financed under the grant.)

(a) If it is the grantee's intention to identify AID's contribution to any publication resulting from this grant, the grantee shall consult with AID on the nature of the acknowledgement prior to publication.

(b) The grantee shall provide the AID project officer with one copy of all published works developed under this grant and with lists of other written work produced under the grant.

(c) In the event grant funds are used to underwrite the cost of publishing, in lieu of the publisher assuming this cost as is the normal practice, any profits or royalties up to the amount of such cost shall be credited to the grant.

(d) Except as otherwise provided in the terms and conditions of the grant, the author or the recipient is free to copyright any books, publications, or other copyrightable materials developed in the course of or under this grant, but AID reserves a royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use the work for Government purposes.

PATENT RIGHTS (NOVEMBER 1984)

(This provision is applicable whenever patentable processes or practices are financed by the grant).

(a) *Definitions.*

(1) "Invention" means any invention or discovery which is or may be patentable or otherwise protectable under Title 35 of the United States Code.

(2) "Subject Invention", means any invention of the recipient conceived or first actually reduced to practice in the performance of work under this agreement.

(3) "Practical Application" means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or Government regulations, available to the public on reasonable terms.

(4) "Made" when use in relation to any invention means the conception or first actual reduction to practice of such invention.

(5) "Small Business Firm" means a small business concern which meets the size standards for small business concerns involved in Government procurement and subcontracting at 13 CFR 121.3-8 and 13 CFR 121.3-12, respectively.

(6) "Nonprofit Organization" means a university or other institution of higher education or an organization which is not organized for profit as described in the laws of the country in which it was organized.

(b) *Allocation of Principal Rights.*

The recipient may retain the entire right, title, and interest throughout the world to each subject invention subject to the provisions of this clause and 35 U.S.C. 203. With respect to any subject invention in which the recipient retains title, the Federal Government shall have a non-exclusive, non-transferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the subject invention throughout the world.

(c) *Invention Disclosure, Election of Title and Filing of Patent Applications by Recipient.*

(1) The recipient shall disclose each subject invention to AID within two months after the inventor discloses it in writing to recipient personnel responsible for patent matters. The disclosure to AID shall be in the form of a written report and shall identify the agreement under which the invention was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding, to the extent known at the time of the disclosure, of the nature, purpose, operation, and physical, chemical, biological or electrical characteristics of the invention. The disclosure shall also identify any publication, on sale or public use of the invention and whether a manuscript describing the invention has been submitted for publication and if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to AID the recipient shall promptly notify AID of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the recipient.

(2) The recipient shall elect in writing whether or not to retain title to any such invention by notifying AID within twelve months of disclosure to the recipient, provided that in any case where publication, on sale, or public use has initiated the one-year statutory period wherein valid patent protection can still be obtained in the United States, the period of election of title may be shortened by AID to a date that is no more than 60 days prior to the end of the statutory period.

(3) The recipient shall file its initial patent application on an elected invention within two years after election or, if earlier, prior to the end of any statutory period wherein valid patent protection can be obtained in the United States after a publication, on sale, or public use. The recipient shall file patent application in additional countries within either ten months of the corresponding initial patent application or six months from the date permission is granted by the Commissioner of Patents and Trademarks to file foreign patent application where such filing has been prohibited by a Secrecy Order.

(4) Requests for extension of the time for disclosure to AID, election, and filing may, at the discretion of AID, be granted.

(d) *Conditions When the Government May Obtain Title.*

The recipient shall convey to AID upon written request, title to any subject invention:

(1) If the recipient fails to disclose or elect the subject invention within the times specified in c. above, or elects not to retain title. AID may only request title within sixty days after learning of the recipient's failure to report or elect within the specified times.

(2) In those countries in which the recipient fails to file patent applications within the times specified in c. above, provided, however, that if the recipient has filed a patent application in a country after the times specified in c., above, but prior to its receipt of the written request of AID the recipient shall continue to retain title in that country.

(3) In any country in which the recipient decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in reexamination or opposition proceeding on a patent on a subject invention.

(e) *Minimum Rights to Recipient.*

(1) The recipient shall retain a nonexclusive, royalty-free license throughout the world in each subject invention to which the Government obtains title except if the

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recipient fails to disclose the subject invention within the times specified in c., above. The recipient's license extends to its subsidiaries and affiliates, if any, within the corporate structure of which the recipient is a party and includes the right to grant sublicenses of the same scope to the extent the recipient was legally obligated to do so at the time the agreement was awarded. The license is transferable only with the approval of AID except when transferred to the successor of that party of the recipient's business to which the invention pertains.

(2) The recipient's license may be revoked or modified by AID to the extent necessary to achieve expeditious practical application of the subject invention pursuant to an application for an exclusive license submitted in accordance with applicable provisions in the Federal Property Management Regulations and agency licensing regulations (if any). This license shall not be revoked in that field of use or the geographical areas in which the recipient has achieved practical application and continues to make the benefits of the practical application and continues to make the benefits of the invention reasonably accessible to the public. The license in any foreign country may be revoked or modified at the discretion of AID to the extent the recipient, its licensees, or its subsidiaries or affiliates have failed to achieve practical application.

(3) Before revocation or modification of the license, AID shall furnish the recipient written notice of its intention to revoke or modify the license, and the recipient shall be allowed thirty days (or such other time as may be authorized by AID for good cause shown by the recipient) after the notice to show cause why the license should not be revoked or modified. The recipient has the right to appeal, in accordance with applicable agency licensing regulations (if any) and the Federal Property Management Regulations concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of its license.

(f) *Recipient Action to Protect the Government's Interest.*

(1) The recipient agrees to execute or to have executed and promptly deliver to AID all instruments necessary to (i) establish or conform the rights the Government has throughout the world in those subject inventions to which the recipient elects to retain title, and (ii) convey title to AID when requested under paragraph d. above, and to enable the Government to obtain patent protection throughout the world in that subject invention.

(2) The recipient agrees to require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in a format suggested by the recipient each subject invention made under agreement in order that the recipient can comply with the disclosure provisions of paragraph c. above, and to execute all papers necessary to file patent applications on subject inventions and to establish the Government' rights in the subject inventions. This disclosure format should require, as a minimum, the information required by c. (1) above. The recipient shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting inventions in sufficient time to permit the filing of patent application prior to U.S. or foreign statutory bars.

(3) The recipient shall notify AID of any decision not to continue the prosecution of a patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than 30 days before the expiration of the response period required by the relevant patent office.

(4) The recipient agrees to include, within the specification of any United States patent application and any patent issuing thereon covering a subject invention, the following statement: "This invention was made with Government support under (identify the agreement awarded by AID). The Government has certain rights in this invention."

(g) *Subagreements and Contracts.*

The recipient shall include this clause suitably modified to identify the parties, in all subagreements and contracts, regardless of tier, for experimental, developmental or research work to be performed by a small business firm or nonprofit organization. The subrecipient or contractor shall retain all rights provided for the recipient in this clause, and the recipient shall not, as part of the consideration for awarding the contract or subagreement obtain rights in the contractor's or subrecipient's subject inventions.

(h) *Reporting Utilization of Subject Inventions.*

The recipient agrees to submit on request periodic reports no more frequently than annually on the utilization of a subject invention or on efforts at obtaining such utilization that are being made by the recipient or its licensees or assignees. Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the recipient, and such other data and information as AID may reasonably specify. The recipient also agrees to provide additional reports as may be requested by AID in connection with any march-in proceedings undertaken by AID in accordance with paragraph j. of this provision. To the extent data or information supplied under this section is considered by the recipient, its licensee or assignee to be privileged and confidential and is so marked, AID agrees that, to the extent permitted by law, it shall not disclose such information to persons outside the Government.

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(i) *Preference for United States Industry.*

Notwithstanding any other provision of this clause, the recipient agrees that neither it nor any assignee will grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention shall be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by AID upon a showing by the recipient or its assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances manufacture in the United States is not commercially feasible.

(j) *March-in Rights*

The recipient agrees that with respect to any subject invention in which it has acquired title, AID has the right in accordance with the procedures in OMB Circular A-124 to require the recipient, an assignee or exclusive licensee of a subject invention to grant a non-exclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the recipient, assignee, or exclusive licensee refuses such a request, AID has the right to grant such a license itself if AID determines that:

(1) Such action is necessary because the recipient or assignee has not taken or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

(2) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the recipient, assignee, or their licensees;

(3) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the recipient, assignee, or licensees; or

(4) Such action is necessary because the agreement required by paragraph i. of this clause has not been obtained or waived or because a license of the exclusive right to use or sell any subject invention in the United States is in breach of such agreement.

(k) *Special Provisions for Agreements with Nonprofit Organizations.*

If the recipient is a nonprofit organization, it agrees that:

(1) Rights to a subject invention may not be assigned without the approval of AID, except where such assignment is made to an organization which has as one of its primary functions the management of inventions and which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the recipient.

(2) The recipient may not grant exclusive licenses under the United States patents or patent applications in subject inventions to person other than small business firms for a period in excess of the earlier of:

(i) Five years from first commercial sale or use of the invention; or

(ii) Eights years from the date of the exclusive license excepting that time before regulatory agencies necessary to obtain premarket clearance, unless on a case-by-case basis, AID approves a longer exclusive license. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention.

(3) The recipient shall share royalties collected on a subject invention with the inventor; and

(4) The balance of any royalties or income earned by the recipient with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, shall be utilized for the support of scientific research or education.

(l) *Communications.*

Communications concerning this provision shall be addressed to the grant officer at the address shown on the face of this agreement.

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REGULATIONS GOVERNING EMPLOYEES (NOVEMBER 1984)

(The following applies to the grantees employees who are not citizens of the cooperating country.)

(a) The grantee's employees shall maintain private status and may not rely on local U.S. Government offices or facilities for support while under this grant.

(b) The sale of personal property or automobiles by grantee employees and their dependents in the foreign country to which they are assigned shall be subject to the same limitations and prohibitions which apply to direct-hire AID personnel employed by the Mission except as this may conflict with host government regulations.

(c) Other than work to be performed under this grant for which an employee or consultant is assigned by the grantee, no employee or consultant of the grantee shall engage directly or indirectly, either in the individual's own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which the individual is assigned, nor shall the individual make loans or investments to or in any business, profession or occupation in the foreign countries to which the individual is assigned.

(d) The grantee's employees, while in a foreign country, are expected to show respect for its conventions, customs, and institutions, to abide by its applicable laws and regulations, and not to interfere in its internal political affairs.

(e) In the event the conduct of any grantee employee is not accordance with the preceeding paragraphs, the grantee's chief of party shall consult with the AID Mission Director and the employee involved and shall recommend to the grantee a course of action with regard to such employee.

(f) The parties recognize the rights of the U.S. Ambassador to direct the removal from a country of any U.S. citizen or the discharge from this grant of any third country national when, in the discretion of the Ambassador, the interests of the United States so require.

(g) If it is determined, under either (e) or (f) above, that the services of such employee shall be terminated, the grantee shall use its best efforts to cause the return of such employee to the United States, or point of origin, as appropriate.

PARTICIPANT TRAINING (NOVEMBER 1984)

(This provision is applicable when any participant training is financed under the grant.)

(a) Definitions:

(1) Participant training is the training of any non-U.S. individual outside of his or her home country using AID funds or under AID sponsorship.

(2) A participant is any non-U.S. individual being trained under this grant outside of his or her home country.

(b) Application of Handbook 10:

Participant training under this grant is to be conducted according to the policies established in AID Handbook 10, *Participant Training*, except to the extent that specific exception to Handbook 10 have been provided in this grant with the concurrence of the Office of International Training. (Handbook 10 may be obtained by submitting a request to the grant officer.) The following provisions summarized from Handbook 10, however, may not be excluded from any grant.

(c) Participant Training Information System:

All grantees shall ensure that participants trained in the United States or in a third country are included in the Agency's Participant Training Information System.

For participants trained in the United States, data is submitted by means of the form AID 1381-4, "Participant Data Form", simultaneously with enrollment in the Health and Accident Coverage Program (see Section (f) below). For participants trained in third countries, grantees shall submit to the grant officer only the top white sheet of the Participant Data Form (and blue copies if subsequent changes in the participant's training program are made). Copies of the Participant Data Form may be obtained from the grant officer. The grant officer will submit the completed forms to the Office of International Training (S&T/IT), Washington, D.C. 20523.

(d) Visa Requirements For Training Within The United States

(1) Under the authority of Section 635(f) of the Foreign Assistance Act, AID-sponsored participants are admitted to the United States under the Department of State/USIA Exchange Visitor Program and are issued J-1 visas. The program identification number is G-2-0263.

(2) J-1 visas are issued by the U.S. Embassy or consulate for AID-sponsored participants upon submission by the participant of form IAP-66A which may be obtained only from the AID Mission.

(3) Holders of J-1 visas are subject to the Immigration and Nationality Act, as amended, and may not apply for an immigrant or a nonimmigrant visa until 2 years' residency is completed in their home country, after completion of training.

(4) Participant passports and visas should normally be valid for six months beyond the duration of the proposed program to allow for program readjustments if necessary. This may not be regarded as an opportunity to encourage program extensions.

(e) Maintenance and Other Allowances:

Grantees must observe the maintenance and other allowances for AID-sponsored participants in the United States and third countries as set forth in Handbook 10. No exceptions or variations are permissible except with the advance concurrence of the Office of International Training.

(f) Health and Accident Coverage (HAC) Program For Training Within The United States

The grantee shall enroll all participants training in the United States in AID's HAC Program.

(1) The HAC Program enables the participant, or the provider of medical services, to submit bills for medical costs resulting from illness and accident to the HAC Claims Office which pays all reasonable and necessary medical charges for covered services not otherwise covered by other insurance programs (see paragraph 5 below), in accordance with the standard coverage established by AID under the HAC Program.

(2) The grantee shall, as early as possible and no later than the initiation of travel to the United States by each participant financed by AID under this grant, fill out form AID 1381-4 entitled "Participant Data Form" and mail it to the grant officer, who shall transmit it to the addressees indicated on the back of the form. The grantee can obtain a supply of these forms and instructions for completing them from the grant officer.

(3) Enrollment fees shall be submitted, thirty days prior to the beginning of each new enrollment period. The current enrollment fee amount shall be obtained from the grant officer. Payments will be made via check made payable to AID and submitted to:

Agency for International Development
Office of Financial Development
Central Accounting Division-Cashier
(FM/CAD)
Washington, D.C. 20523

(i) The enrollment fee shall be accompanied by a letter which lists the names of the enrollees (identical to that on the Participant Data Form) period of coverage, fee amount paid, grant number, and the U.S. Government appropriation number as shown on the grant cover letter.

(ii) The enrollment fees shall be calculated on the basis of fixed rates per participant per each 30 day period. The enrollment fees may not be prorated for fractional periods of less than 30 days and should cover the current training period for which funds are obligated under the grant.

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(4) The grantee shall assure that enrollment begins immediately upon the participant's departure for the United States for the purpose of participating in a training program financed or sponsored by AID, and that enrollment continues in full force and effect until the participant returns to his or her country of origin or is released from AID's responsibility, whichever occurs first.

(5) The grantee shall provide each participant with a copy of the HAC brochure, copies of which are available from the grant officer.

(6) If the grantee has a *mandatory*, nonwaivable health and accident insurance program for participants, the costs of such insurance will be allowable under this grant. Any claims eligible under such insurance will *not* be payable under AID's HAC plan or under this grant. However, even though the participant is covered by the grantee's mandatory, nonwaivable health and accident insurance program, the participant must be enrolled in AID's HAC Program. In addition, a copy of the mandatory insurance policy must be forwarded to the grant officer, who will forward it to the HAC Claims Office.

(7) Medical costs not covered by the grantee's health service program, or mandatory, nonwaivable health and accident insurance program, or AID's HAC Program shall not be reimbursable under this grant unless specific written approval from the grant officer has been obtained.

(g) Participant Counseling For Training Within The United States.

Problems involving participants such as serious physical or emotional illness, accident or injury, arrest, death, the voluntary or involuntary early termination of a program, and the refusal of a participant to return to the home country upon completion of the program should be referred to the AID Participant Counselor at the Office of International Training.

The Counselor can be reached by calling the Office of International Training during workdays and the AID Duty Officer (202-632-1512) at other times. In referring cases, give the Counselor the name, country, and current location of the participant as well as a brief description of the problem with names and telephone numbers of hospitals, physicians, attorneys, etc. following verbal referral, the participant's name, home address, and next of kin, and location of training should be sent to the grant officer, who will transmit the information to the S&T/IT Counselor.

(h) Orientation:

In addition to the above mandatory requirements for all participants, grantees are strongly encouraged to provide, in collaboration with the Mission training officer, predeparture orientation (see Chapter 13 of Handbook 10) and orientation in Washington at the Washington International Center (See Chapter 18D of Handbook 10). The latter orientation program also provides the opportunity to arrange for home hospitality in Washington and elsewhere in the United States through liaison with the National Council for International Visitors (NCIV). If the Washington orientation is determined not to be feasible, arrangements for home hospitality can be arranged in most U.S. cities if a request for such is directed to the grant officer, who will transmit the request to NCIV through S&T/IT.

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VOLUNTARY POPULATION PLANNING (NOVEMBER 1984)

(This provision is applicable to all grants involving any aspect of voluntary population planning activities.)

(a) *Voluntary Participation*

The grantee agrees to take any steps necessary to ensure that funds made available under this grant will not be used to coerce any individual to practice methods of family planning inconsistent with such individual's moral, philosophical, or religious beliefs. Further, the grantee agrees to conduct its activities in a manner which safeguards the rights, health and welfare of all individuals who take part in the program.

(b) *Prohibition on Abortion-Related Activites*

(1) No funds made available under this grant will be used to finance, support, or be attributed to the following activities: (a) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (b) special fees or incentives to women to coerce or motivate them to have abortions; (c) payments to persons to perform abortions or to solicit persons to undergo abortions; (d) information, education, training, or communication programs that seek to promote abortion as a method of family planning; and (e) lobbying for abortion.

(2) No funds made available under this grant will be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a means of family planning. Epidemiologic or descriptive research to assess the incidence, extent or consequences of abortion is not precluded.

(c) *Voluntary Participation Requirements For Sterilization Programs*

(1) None of the funds made available under this grant shall be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to practice sterilization.

(2) The grantee shall ensure that any surgical sterilization procedures supported in whole or in part by funds from this grant are performed only after the individual has voluntarily gone to the treatment facility and has given informed consent to the sterilization procedure. Informed consent means the voluntary, knowing assent from the individual after being advised of the surgical procedures to be followed, the attendant discomforts and risks, the benefits to be expected, the availability of alternative methods of family planning, the purpose of the operation and its irreversibility, and the option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress, or other forms of coercion or misrepresentation.

(3) Further, the grantee shall document the patient's informed consent by (a) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (b) when a patient is unable to read adequately a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient, and that the patient thereafter consented to the performance of the operation. The receipt of the oral explantation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall be of the same sex and speak the same language as the patient.

(4) Copies of informed consent forms and certification documents for each voluntary sterilization procedure must be retained by the grantee for a period of three years after performance of the sterilization procedure.

(d) The grantee shall insert this provision in all subsequent subgrants and contracts involving family planning or population activities which will be supported in whole or part from funds under this grant.

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NEGOTIATED OVERHEAD RATES—PROVISIONAL (NOVEMBER 1984)

(This provision is applicable to all recipients who have an established provisional overhead rate.)

(a) An overhead rate shall be established for each of the grantee's accounting periods during the term of this grant. Pending establishment of a final rate, provisional overhead payments shall be at the rate(s), on the base(s), and for the period(s) shown in the Schedule of this grant.

(b) The grantee, not later than 6 months after the close of each of its accounting periods during the term of this grant, shall submit to the grant officer a proposed final rate(s) for the period, together with supporting cost data. Negotiation of final overhead rate(s) by the grantee and the grant officer shall be undertaken as promptly as practicable after receipt of the grantee's proposal.

(c) The results of each negotiation shall be set forth in an amendment to the grant and shall specify (1) the agreed upon final rate(s), (2) the base(s) to which the rate(s) apply, and (3) the period for which the rates apply. The overhead rate amendment shall not change any monetary ceiling, grant obligation, or specific cost allowance or disallowance provided for in this grant.

(d) To prevent substantial over or under payment, the provisional or billing rates may, at the request of either party, be revised by mutual agreement, either retroactively or prospectively. Any such revision of negotiated provisional rates provided in this provision shall be set forth in an amendment to this grant.

(e) Any failure by the parties to agree on any final rate(s) under this provision shall be considered a dispute within the meaning of the standard provision of the grant, entitled "Disputes".

GOVERNMENT FURNISHED EXCESS PERSONAL PROPERTY (NOVEMBER 1981)

(This provision applies when personal property is furnished under the grant.)

The policies and procedures of *Handbook 16*, "Excess Property," and the appropriate provisions of 41 CFR 101-43 apply to the Government furnished excess property under this grant.

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TITLE TO AND USE OF PROPERTY (GRANTEE TITLE) (NOVEMBER 1984)

(This provision is applicable when the Government vests title in the grantee only.)

Title to all property financed under this grant shall vest in the grantee, subject to the following conditions:

(a) The grantee shall not charge for any depreciation, amortization, or use of any property, title to which remains in the grantee under this provision under this grant or any other U.S. Government grant, subagreement, contract, or subcontract.

(b) The grantee agrees to use and maintain the property for the purposes of the grant in accordance with the requirements of paragraph 17 of Chapter 1 of Handbook 13.

(c) With respect to nonexpendable property having an acquisition cost of $1,000 or more, title to which vests in the grantee, the grantee agrees to report such items to the grant officer from time to time as they are acquired and to maintain a control system which will permit their ready identification and location.

TITLE TO AND CARE OF PROPERTY (U.S. GOVERNMENT) (NOVEMBER 1984)

(This provision is applicable when title to property is vested in the U.S. Government.)

(a) Property, title to which vests in the Government under this grant, whether furnished by the Government or acquired by the grantee, is subject to this provision and is hereinafter collectively referred to as "Government property." Title to Government property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government property, or any part thereof, be or become a fixture or lose its identity as personality by reason of affixation to any realty.

(b) *Use of Government Property*

Government property shall, unless otherwise provided herein or approved by the grant officer, be used only for the performance of this grant.

(c) *Control, Maintenance and Repair of Government Property*

The grantee shall maintain and administer in accordance with sound business practice a program for the maintenance, repair, protection, and preservation; of Government property so as to assure its full availability and usefulness for the performance of this grant. The grantee shall take all reasonable steps to comply with all appropriate directions or instructions which the grant officer may prescribe as reasonably necessary for the protection of the Government property.

The grantee shall submit, for review and written approval of the grant officer, a records system for property control and a program for orderly maintenance of Government property; however, if the grantee's property control and maintenance system has been reviewed and approved by another Federal department or agency pursuant to Attachment N of OMB Circular No. A-110 (see paragraph 1T of Chapter 1, Handbook 13), the grantee shall furnish the grant officer proof of such approval in lieu of another approval submission.

(1) *Property Control*

The property control system shall include but not be limited to the following:

(i) Identification of each item of Government property acquired or furnished under the grant by a serially controlled identification number and by description of item. Each item must be clearly marked "Property of U.S. Government."

(ii) The price of each item of property acquired or furnished under this grant.

(iii) The location of each item of property acquired or furnished under this grant.

(iv) A record of any usable components which are permanently removed from items of Government property as a result of modification or otherwise.

(v) A record of disposition of each item acquired or furnished under the grant.

(vi) Date of order and receipt of any item acquired or furnished under the grant.

The official property control records shall be kept in such condition that at any stage of completion of the work under this grant, the status of property acquired or furnished under this grant may be readily ascertained. A report of current status of all items of property acquired or furnished under the grant shall be submitted yearly concurrently with the annual report.

(2) *Maintenance Program*

The grantee's maintenance program shall be consistent with sound business practice, the terms of the grant, and provide for:

(i) disclosure of need for and the performance of preventive maintenance,

(ii) disclosure and reporting of need for capital type rehabilitation, and

(iii) recording of work accomplished under the program.

(A) Preventive maintenance—Preventive maintenance is maintenance generally performed on a regularly scheduled basis to prevent the occurrence of defects and to detect and correct minor defects before they result in serious consequences.

(B) Records of maintenance—The grantee's maintenance program shall provide for records sufficient to disclose the maintenance actions preformed and deficiencies discovered as a result of inspections.

A report of status of maintenance of Government property shall be submitted annually concurrently with the annual report.

(d) *Risk of Loss*

(1) The grantee shall not be liable for any loss of or damage to the Government property, or for expenses incidental to such loss or damage except that the grantee shall be responsible for any such loss or damage (including expenses incidental thereto):

(i) Which results from willful misconduct or lack of good faith on the part of any of the grantee's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who have supervision or direction of all or substantially all of the grantee's business, or all or substantially all of the grantee's operation at any one plant, laboratory, or separate location in which this grant is being performed;

(ii) Which results from a failure on the part of the grantee, due to the willful misconduct or lack of good faith

on the part of any of its directors, officers, or other representatives mentioned in (i) above:

(A) to maintain and administer, in accordance with sound business practice, the program for maintenance, repair, protection, and preservation of Government property as required by (i) above, or

(B) to take all reasonable steps to comply with any appropriate written directions of the grant officer under (c) above;

(iii) For which the grantee is otherwise responsible under the express terms designated in the Schedule of this grant;

(iv) Which results from a risk expressly required to be insured under some other provision of this grant, but only to the extent of the insurance so required to be procured and maintained, or to the extent of insurance actually procured and maintained, whichever is greater; or

(v) Which results from a risk which is in fact covered by insurance or for which the grantee is otherwise reimbursed, but only to the extent of such insurance or reimbursement;

Provided, that, if more than one of the above exceptions shall be applicable in any case, the grantee's liability under any one exception shall not be limited by any other exception.

(2) the grantee shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance, or any provision for a reserve, covering the risk of loss of or damage to the Government property, except to the extent to the Government may have required the grantee to carry such insurance under any other provision of this grant.

(3) Upon the happening of loss or destruction of or damage to the Government property, the grantee shall notify the grant officer thereof, shall take all reasonable steps to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the Government property in the best possible order, and furnish to the grant officer a statement of:

(i) The lost, destroyed, and damaged Government property;

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance, if any, covering any part of or interest in such commingled property.

The grantee shall make repairs and renovations of the damaged Government property or take such other action as the grant officer directs.

(4) In the event the grantee is indemnified, reimbursed, or otherwise compensated for any loss or destruction of or damage to the Government property, it shall use the proceeds to repair, renovate or replace the Government property involved, or shall credit such proceeds against the cost of the work covered by the grant, or shall otherwise reimburse the Government, as directed by the grant officer. The grantee shall do nothing to prejudice the Government's right to recover against third parties for any such loss, destruction, or damage, and upon the request of the grant officer, shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including assistance in the prosecution of suits and the execution of instruments or assignments in favor of the Government) in obtaining recovery.

(e) *Access*

The Government, and any persons designated by it, shall at all reasonable times have access to the premises wherein any Government property is located, for the purpose of inspecting the Government property.

(f) *Final Accounting and Disposition of Government Property*

Upon completion of this grant, or at such earlier dates, as may by fixed by the grant officer, the grantee shall submit, in a form acceptable to the grant officer, inventory schedules covering all items of Government property not consumed in the performance of this grant or not theretofore delivered to the Government, and shall prepare, deliver, or make such other disposal of the Government property as may be directed or authorized by the grant officer.

(g) *Communications*

All communications issued pursuant to this provision shall be in writing.

TITLE TO AND CARE OF PROPERTY
(COOPERATING COUNTRY TITLE)
(NOVEMBER 1984)

(This provision is applicable to property titled in the name of the cooperating country or such public or private agency as the cooperating country government may designate.)

(a) Except as modified by the Schedule of this grant, title to all equipment, materials and supplies, the cost of which is reimbursable to the grantee by AID or by the cooperating country, shall at all times be in the name of the cooperating country or such public or private agency as the cooperating Government may designate, unless title to specified types or classes of equipment is reserved to AID under provisions set forth in the Schedule of this grant; but all such property shall be under the custody and control of grantee until the owner of title directs otherwise or completion of work under this grant or its termination, at which time custody and control shall be turned over to the owner of title or disposed of in accordance with its instructions. All performance guarantees and warranties obtained from suppliers shall be taken in the name of the title owner.

(b) The grantee shall prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program. The grantee shall be guided by the requirements of paragraph 1T of Chapter 1, *Handbook 13*.

(c) Within 90 days after completion of this grant, or at such other date as may be fixed by the grant officer, the grantee shall submit an inventory schedule covering all items of equipment, materials and supplies under the grantee's custody, title to which is in the cooperating country of public or private agency designated by the cooperating country, which have not been consumed in the performance of this grant. The grantee shall also indicate what disposition has been made of such property.

COST SHARING (NOVEMBER 1984)

(This provision is applicable when the recipient is either voluntarily cost sharing or is required to provide a matching share.)

(a) For each year (or funding period) under this grant, the grantee agrees to expend from non-Federal funds an amount at least equal to the percentage of the total expenditures under this grant specified in the schedule of the grant. The schedule of this grant may also contain restrictions on the application of cost sharing/matching funds. The schedule takes precedence over the terms of this provision.

(b) Eligibility of non-Federal funds applied to satisfy cost sharing/matching requirements under this grant are set forth below:

(1) Charges incurred by the grantee as project costs: Not all charges require cash outlays by the grantee during the project period; examples are depreciation and use charges for buildings and equipment.

(2) Project costs financed with cash contributed or donated to the grantee by other non-Federal public agencies and institutions, and private organizations and individuals, and

(3) Project costs represented by services and real and personal property, or use thereof, donated by other non-Federal public agencies and institutions, and private organizations and individuals.

(c) All contributions, both cash and in-kind, shall be accepted as part of the grantee's cost sharing and matching when such contributions meet all of the following criteria:

(1) Are verifiable from the grantee's records;

(2) Are not included as contributions for any other Federally assisted program;

(3) Are necessary and reasonable for proper and efficient accomplishment of project objectives;

(4) Are types of charges that would be allowable under the applicable Federal cost principles;

(5) Are not paid by the Federal Government under another grant or agreement (unless the grant or agreement is authorized by Federal law to be used for cost sharing or matching);

(6) Are provided for in the approved budget when required by AID; and

(7) Conform to other provisions of this paragraph.

(d) Values for grantee in-kind contributions will be established in accordance with the applicable Federal cost principles.

(e) Specific procedures for the grantee in establishing the value of in-kind contributions from non-Federal third parties are set forth below:

(1) *Valuation of volunteer services.* Volunteer services may be furnished by professional and technical personnel, consultants, and other skilled and unskilled labor. Volunteer services may be counted as cost sharing or matching if the service is an integral and necessary part of an approved program.

(i) *Rates for volunteer services.* Rates for volunteers should be consistent with those paid for similar work in the grantee's organization. In those instances in which the required skills are not found in the grantee's organization, rates should be consistent with those paid for similar work in the labor market in which the grantee competes for the kind of services involved.

(ii) *Volunteers employed by other organizations.* When an employer other than the grantee furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (exclusive of fringe benefits and overhead costs) provided these services are of the same skill for which the employee is normally paid.

(2) *Valuation of donated expendable personal property.* Donated expendable personal property includes such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to expendable personal property included in the cost/matching share should be reasonable and should not exceed the market value of the property at the time of the donation.

(3) *Valuation of donated nonexpendable personal property, buildings, and land or use thereof.*

(i) The method used for charging cost sharing or matching for donated nonexpendable personal property, buildings and land may differ according to the purpose of the grant as follows:

(A) If the purpose of the grant is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.

(B) If the purpose of the grant is to support activities that require the use of equipment, buildings, or land, depreciation or use charges for equipment and buildings may be made. The full value of equipment or other capital assets and fair rental charges for land may be allowed provided that AID has approved the charges.

(ii) The value of donated property will be determined in accordance with the usual accounting policies of the grantee with the following qualifications:

(A) *Land and buildings.* The value of donated land and buildings may not exceed its fair market value, at the time of donation to the grantee as established by an independent appraiser; and certified by a responsible official of the grantee.

(B) *Nonexpendable personal property.* The value

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of donated nonexpendable personal property shall not exceed the fair market value of equipment and property of the same age and condition at the time of donation.

(C) *Use of space.* The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately owned building in the same locality.

(D) *Borrowed equipment.* The value of borrowed equipment shall not exceed its fair rental value.

(f) The following requirements pertain to the grantee's supporting records for in-kind contributions from non-Federal third parties.

(1) Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the grantee for its employees.

(2) The basis for determining the valuation for personal services, material, equipment, buildings and land must be documented.

(g) Individual expenditures do not have to be shared or matched provided that the total expenditures incurred during the year (or funding period) are shared or matched in accordance with the agreed upon percentage set forth in the schedule of the grant.

(h) If at the end of any year (or funding period) hereunder, the grantee has expended an amount of non-Federal funds less than the agreed upon percentage of total expenditures, the difference may be applied to reduce the amount of AID funding the following year (or funding period), or, if this grant has expired or been terminated, the difference shall be refunded to AID.

(i) Failure to meet the cost sharing/matching requirements set forth in paragraph (a) above shall be considered sufficient reasons for termination of this grant for cause in accordance with paragraph (a) entitled "For Cause" of the standard provision of this grant entitled "Termination."

(j) The restrictions on the use of AID grant funds hereunder set forth in the standard provisions of this grant are applicable to expenditures incurred with AID funds provided under this grant. The grantee will account for the AID funds in accordance with the standard provision of this grant entitled "Accounting, Audit and Records".

(k) Nonwithstanding paragraph (b) of the standard provision of this grant entitled "Refunds", the parties agree that in the event of any disallowance of expenditures from AID grant funds provided hereunder, the grantee may substitute expenditures made with funds provided from non-Federal sources provided they are otherwise eligible in accordance with paragraph (b) of this provision.

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