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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE
FOR EAST AND SOUTHERN AFRICA (REDSO /ESA)

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30 September, 1994

Professor Njuguna Ng'ethe
The Institute for Policy Analysis and Research
P.O. Box 51373
Nairobi

Subject: Cooperative Agreement No. 623-0266-A-00-4145-00

Dear Professor Ng'ethe,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977, the United States Agency for International Development (hereinafter referred to as "USAID," "USAID/Kenya" or "Grantor") hereby grants to the Institute for Policy Analysis and Research (hereinafter referred to as "IPAR," "Recipient" or "Grantee") the sum of four hundred thousand dollars (\$400,000) to provide support for the activities more specifically described in the schedule of this Cooperative Agreement and Attachment 2, entitled "Program Description".

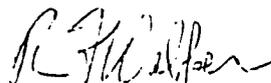
This Agreement is effective and obligation is made as of the date of this letter. Funds obligated hereunder are available for project expenditures for the period from the date of this letter through approximately July 31, 1999 as shown in the Illustrative Budget attached.

The total estimated cost of this Agreement is US\$1,500,000 (One Million Five Hundred Thousand United States Dollars) for the Agreement period. US\$400,000 is hereby obligated, additional funding up to the amount of US\$1,100,000 (One Million One Hundred Thousand United States Dollars) will be provided to IPAR in support of this project under this Cooperative Agreement subject to availability of funds.

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

Please sign the original and four (4) copies of this letter to acknowledge your acceptance of this Cooperative Agreement and return the original and three (3) copies to the Office of Projects, USAID/Kenya.

Sincerely,



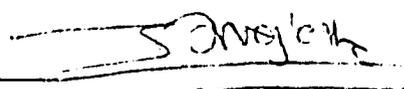
Richard F. Webber
Agreement Officer

Attachments:

1. Schedule
Annex I (Budget)
Annex II (Geographic Codes)
2. Program Description
3. Standard Provisions
4. Cash Advance Guidance
Sample Advance Request Form
Sample Expenditure Report
SF-1034

ACKNOWLEDGED:

Institute of Policy Research

By: Professor Njuguna Ngichu 

Title: Interim Executive Director I.P.I.R.

Date: October 4 1994

Fiscal Data

PIO/T No. 615-0266-3-40088

APP: 72-114/51014

BPC: GSS4-94-21615-KG13

Total Estimated Amount: \$1,500,000

Total Obligated Amount: \$400,000

Project No. 615-0266

AID Project Office: USAID/Kenya/Project Office

SCHEDULE

I. Purposes of Agreement

The purpose of this Agreement is to provide support for the establishment of an autonomous, Kenyan institute for policy analysis, as more fully described in Attachment 2 of this agreement, entitled "Program Description".

II. Period of Agreement

The effective date of this Agreement is September 30, 1994 and the estimated completion date is July 31, 1999.

Funds obligated hereunder are available for program expenditures for the estimated period from the date of the covering letter to January 15, 1996 as shown in column 2 of the Grant Budget, attached as Annex I.

III. Amount of Agreement and Payment

1. The total estimated amount obligated to Recipient for the period designated in Section II is \$400,000. Additional funds in the amount of US\$1,100,000 will be made available during the project life, subject to availability of funds.
2. 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".

IV. Substantial Involvement Understandings

It is anticipated that performance of the activities under the Agreement as described in the Program Description will require substantial involvement by USAID/Kenya. Technical advice will be provided by USAID/Kenya, Office of Projects. Approvals required by paragraphs a-e below will be provided by USAID/Kenya, Chief of the Office of Projects through Cooperative Agreement Implementation Letters sent to the Recipient. USAID Kenya's substantive involvement will include, but not be limited to:

- a) Review and approval of the qualifications and scope(s) of work for all personnel prior to their employment or reassignment whose salaries are financed by USAID funds, including the following positions, but not limited to:
 - Executive Director
 - Program Director
 - Finance and Administrative Director;
- b) Review and approval of the design, modalities, and scope(s) of research/policy analysis training conducted by the Recipient;
- c) Review and approval of the selection criteria for interns and visiting fellows;
- d) Review and approval of semi-annual work plans and activities, including topics for research and inquiry funded by USAID/Kenya;
- e) Review of any capital expenditures in accordance with stanard provisions and Section XIII of this agreement.

Other substantial involvement by USAID will occur through a Project Advisory Committee whose membership shall be comprised as follows:

- (1) IPAR Executive Director
- (2) Program Staff Director
- (3) Finance and Administrative Manager
- (4) USAID Representative(s)

The Project Advisory Committee will coordinate policy matters, monitor and evaluate performance -- both programmatic and financial -- and address problems which may arise in the implementation of the project. This Committee shall meet on a monthly basis.

V. Reporting

The Recipient will be expected to establish and maintain a monitoring system for USAID-financed activities. A management information system will be maintained by IPAR which tracks specific research projects undertaken and their impact in advancing the overall project goals. Such a system should also be capable of identifying potential problems in implementation.

During the life of the Agreement, IPAR will submit to USAID/Kenya the following reports within thirty days of the end of the relevant reporting period:

A. Technical Reporting

A quarterly report will be submitted on project progress and on problems encountered to date in the achievement of project objectives. The reports will include a general assessment of progress and problems to date, a narrative statement of IPAR's programmatic strategy, including descriptions of research endeavors undertaken, distribution of published reports, any for-pay consultancy research performed, types of training offered to interns and visiting fellows, and IPAR's plan for the next quarter. In addition, on a semi-annual basis, technical reporting will include information relevant to IPAR's progress in measuring performance/achievement with reference to IPAR's objectives, as delineated in Chapter III of the proposal submitted to USAID/Kenya by IPAR. The first quarterly report will be due three months after the signing of this Agreement.

B. Financial Reporting

On a monthly basis IPAR is required to submit financial reports. These reports will include the following:

1. Financial voucher reports required by Optional Standard Provision No. 1, entitled "Payment - Periodic Advances" of this Cooperative Agreement, which is modified to provide for monthly reporting in lieu of quarterly reporting. These vouchers will be submitted monthly to the Office of the Controller, USAID/Kenya, P.O. Box 30261, Nairobi.

2. A consolidated report of expenditures funded by the Cooperative Agreement, attached to the monthly voucher (as per Paragraph V.B.1. above), to be submitted to the USAID/Kenya Controller with a copy to the USAID/Kenya Office of Projects, which shows by budget line item:
 - a. amount budgeted per the financial plan;
 - b. amount expended for the monthly period under consideration;
 - c. total cumulative amount expended; and
 - d. estimated expenditure of funds for the next month.

Such reports will also provide clear details on the Recipient's contributions (cash and in-kind) to the project.

If necessary, the Recipient may consult with the Office of the Controller concerning further details for submitting all financial reports. Further reporting requirements, if any, will be communicated to the Recipient by letter.

C. Special Reporting

Between the required quarterly reporting dates, events may occur which have significant impact on the program. In such instances, Recipient will immediately inform USAID in writing. Such events may include, but are not limited to:

1. Problems, delays, or unanticipated constraints which will materially affect Recipient's ability to attain program objectives;
2. Favorable developments or events which enable projected time schedules to be met earlier than anticipated or a broader range of work undertaken;

3. A performance review conducted by Recipient which discloses the need for a change in budget estimates, in accordance with the criteria established in the Standard Provision of this Cooperative Agreement entitled, "Revision of Grant Budget". In such a case, the report should be accompanied by a request for budget revision, submitted to both the Agreement Officer and the Office of Projects, USAID/Kenya.

D. Final Report

IPAR is required to submit a final progress and financial report which will include a comprehensive review and discussion of project activities, achievements, and lessons learned. This report will be due thirty days after the estimated expiration date of the Cooperative Agreement.

E. Evaluation

Two external evaluations of the entire project will be conducted during the duration of the project. The first evaluation will be conducted during the tenth quarter of the project, the second evaluation during the nineteenth (final) quarter of the project. Two months prior to each evaluation, IPAR will provide a scope of work to USAID/Kenya for review and comments. USAID reserves the right to participate in both evaluations. IPAR will submit three copies of each evaluation report to USAID within 30 days of report completion.

VI. Financial Plan

- a. The budget for this Cooperative Agreement covering the period from the effective date of the Agreement through July 31, 1999 is set forth in Annex I to this attachment. Any revisions to this plan shall be made in accordance with the Mandatory Standard Provision No. 4 of this Agreement entitled "Revision of Grant Budget". The Recipient is fully responsible for financial management and accountability in the utilization of funds provided by this agreement.

- b. The Recipient may not exceed the total estimated amount or the obligated amount, whichever is less. (See Section III above.) Either party (Recipient or Grantor) may, with written notice, adjust line item amounts as may be reasonably necessary to achieve program objectives. The aggregate amount of such adjustments shall not exceed 15% of the total project budget.
- c. Inclusion of any cost in the budget of this Grant does not obviate the requirement for prior approval by the Grant Officer of cost items designated as requiring prior approval by the applicable cost principles (see Standard Provision of the Grant set forth in Attachment 3 entitled "Allowable Costs") and other terms and conditions of this Grant, unless specifically stated below.

VII. Management Assessment

A management assessment, including financial capability has not yet been performed. IPAR has hired a consultant who is currently working to create a management structure satisfactory to USAID/Kenya. Disbursement of funds is conditional on IPAR meeting USAID/Kenya's management standards upon completion of a management assessment by USAID/Kenya's Office of the Controller.

VIII. Registration

IPAR is registered under the Companies Act in April 1994, pursuant to the laws of the Government of Kenya. IPAR is not registered with USAID/Kenya but is in the process of completing the requirements for registration. Disbursement of funds is not dependent upon IPAR's registration with USAID/Kenya.

IX. Special Provisions

Conditions Precedent to Disbursement

No funds shall be disbursed to IPAR until a USAID/Kenya management assessment team has verified that IPAR meets USAID/Kenya's standards for management and financial capability, which includes financial management.

If, upon completion of USAID's management assessment, IPAR fails to meet USAID's management standards, USAID is under no obligation to reimburse IPAR for any expenses incurred prior to the determination of management capacity.

X. Authorized Source and Origin for Goods and Services

In addition to other applicable provisions of this Grant, the Grantee shall comply with paragraph (b)(1) of the Standard Provision of this Grant entitled "AID Eligibility Rules for Goods and Services", concerning total procurement value of less than \$250,000 under this Grant and DFA procurement regardless of amount, except that said paragraph does not apply to the restricted goods listed in paragraph (1)(3) of said Standard Provision, which must be specifically approved by the Grant Officer in all cases. Paragraph (b)(2) of said Standard Provision does not apply.

The authorized Geographic Code for this Grant is 935.

XI. INDIRECT COST RATES

Not applicable

XII. COST PRINCIPLES

For the purposes of this Cooperative Agreement, references to the cost principles of OMB Circular A-21 or OMB Circular A-122 include the A.I.D. implementation of such cost principles, as set forth in Subparts 731.371(a) or 731.772(a), respectively, of the A.I.D. Acquisition Regulation (48 CFR Chapter 7).

XIII. EQUIPMENT AND OTHER CAPITAL EXPENDITURES

Pursuant to Section D.3. above and the Standard Provisions of this Grant entitled "Allowable Costs," and "Revision of Grant Budget", and by extension, Section 13 of Attachment B to OMB Circular A-122, **the Grantee must obtain USAID Grant Officer approval** for the purchase of general purpose equipment (i.e., an article of nonexpendable tangible personal property which is usable for other than research, medical, scientific or technical activities, whether or not special modifications are needed to make them suitable for a particular purpose [e.g., office equipment and furnishings,

air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment], having a useful life of more than two years and an acquisition cost of \$500 or more per unit); purchase of special purpose equipment (i.e., an article of nonexpendable tangible personal property, which is used only for research, medical, scientific, or technical activities [e.g., microscopes, x-ray machines, surgical instruments, and spectrometers], and which has a useful life of more than two years and an acquisition cost of \$1,000 or more per unit).

Such approval does not obviate the requirements of the Standard Provisions of this Grant entitled "Procurement of Goods and Services", "AID Eligibility Rules for Goods and Services", "Local Cost Financing", and any other provisions, rules, regulations, and policies which may apply. Any applications for procurement waivers will be submitted by the Grantee as necessary and in accordance with AID procurement rules, regulations and procedures.

The Agreement Officer does hereby provide such approval for the following (which shall not be construed as authorization to exceed the total estimated amount or the obligated amount of this Grant, whichever is less [see Section C. above]):

Procurements to be approved on a case-by case basis as required by the provisions above.

XIV. Closeout Procedures

1. The following definitions shall apply for the purpose of this section:

- a. Closeout. The closeout of an Agreement is the process by which AID determines that all applicable administrative actions and all required work of the Grant have been completed by the Recipient and AID.
- b. Date of Completion. The date of completion is the date on which the work under the Agreement is completed or the date on the award document, or any supplement or amendment thereto, on which AID sponsorship ends.
- c. Disallowed Costs. Disallowed costs are those charges to an Agreement that AID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions

contained in the Agreement.

2. AID closeout procedures include the following requirements:

- a. Upon request, AID shall make prompt payments to a Recipient for allowable reimbursable costs under the Agreement being closed out.
- b. The Recipient shall immediately refund any balance or unobligated (unencumbered) cash that AID has advanced or paid and that is not authorized to be retained by the Grantee for use in other grants or agreements.
- c. AID shall obtain from the Recipient within 90 calendar days after the date of completion of the Recipient all financial, performance, and other reports required as a condition of the Agreement. AID may grant extensions when requested by the Grantee.
- d. When authorized by the Agreement, AID shall make a settlement for any upward or downward adjustments to AID's share of costs after these reports are received.
- e. The Agreementee shall account for any property acquired with AID funds, or received from the Government, in accordance with the provisions of Chapter 1, paragraph T, of AID Handbook 13.
- f. In the event a final audit has not been performed prior to the closeout of the Grant, AID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit.

XV. Procurement, Travel, and Personnel Policies

Agreement Officer approval is hereby granted for the Recipient to use its own procurement, travel, and personnel policies, insofar as they do not abrogate the policies and procedures enumerated in Attachments 1-3 of this Agreement.

XVI. STANDARD PROVISIONS

The Standard Provisions set forth as Attachment 3 of this Grant consist of the Mandatory Standard Provisions, and the Optional Standard Provisions, denoted by an "X" if applicable, which are attached hereto and made a part of this Grant.

XVII. COST SHARING/MATCHING

IPAR will contribute, in cash or in kind, a minimum of 33% of the total project cost. See attachment II and the budget for further details. Tracking of the cost-sharing will be conducted by the USAID project officer.

XVIII. Title to Property

Title to all property financed by USAID under this cooperative agreement shall rest with the Grantee in accordance with provisions set forth in Optional Standard Provision 21, entitled "Title to Use of Property (Grantee Title)" in Attachment 3.

XVIII. Resolution of Conflicts

- A. Should there be any conflict between this Cooperative Agreement and the proposal submitted to USAID by IPAR, this Cooperative Agreement, its Attachments and Standard Provisions shall take precedence over the IPAR proposal.
- B. Should there be any conflict among the Attachments to the Cooperative Agreement, they shall be resolved by applying the following descending order of precedence:
 - (1) Attachment I - Schedule
 - (2) Attachment III - Standard Provisions
 - (3) Attachment II - Program Description

ILLUSTRATIVE BUDGET

Cost Element	USAID Contribution			IPAR Contribution	
	Obligated Amount From Sept. 30, 1994 to Jan. 15, 1996	Estimate Additional From Jan. 15, 1996 to July 31, 1999	Total Estimated From Sept. 30, 1994 to July 31, 1999	From Sept. 30, 1994 to July 31, 1999	Project Total
1. Inst. Support	140,000	610,000	750,000	69,000	819,000
2. Policy Analysis (STTA)	100,000	210,000	310,000	80,000	390,000
3. Studies (STTA)	120,000	190,000	310,000	80,000	390,000
4. Seminars and Workshops	20,000	40,000	60,000	0	60,000
5. Accountancy Services	10,000	20,000	30,000	0	30,000
6. Audit/Evaluation	10,000	30,000	40,000	0	40,000
7. Other Costs	0	0	0	700,000	700,000
TOTAL	400,000	1,100,000	1,500,000	929,000	2,429,000

RELEVANT A.I.D. GEOGRAPHIC CODES

000 UNITED STATES

899 FREE WORLD*

Any area or country in the Free World*, excluding the cooperating country itself.

935 SPECIAL FREE WORLD

Any area or country in the Free World*, including the cooperating country itself.

941 SELECTED FREE WORLD

Any independent country in the Free World*, excluding the cooperating country itself and the following:

<u>Europe</u>		<u>Other</u>	
Albania	Lithuania	Angola	Kyrgyzstan
Andorra	Luxembourg	Australia	Mongolia
Armenia	Malta	Bahamas	New Zealand
Austria	Moldovia	Bahrain	Qatar
Azerbaijan	Monaco	Canada	Saudi Arabia
Belgium	Netherlands	Cyprus	Singapore
Bulgaria	Norway	Gabon	South Africa
Byelarus	Poland	Greece	Taiwan
Czechoslovakia	Portugal	Hong Kong	Tajikistan
Denmark	Romania	Iceland	Turkmenistan
Estonia	Russia	Japan	United Arab
Finland	San Marino	Kazakhstan	Emirates
France	Spain	Kuwait	Uzbekistan
Georgia	Sweden		
Germany	Switzerland		
Hungary	Ukraine		
Ireland	United Kingdom		
Italy	Vatican City		
Latvia	Yugoslavia		
Liechtenstein			

*"Free World" excludes the following areas or countries:

Afghanistan, Cambodia, Cuba, Iran, Iraq, Laos, Libya, North Korea, People's Republic of China, Syria, and Viet Nam.

PROGRAM DESCRIPTION

This assistance is being provided as part of USAID/Kenya's Strengthening Democracy and Governance in Kenya Project. The purpose of this project is to strengthen and provide support to key institutions that promote accountability, the rule of law, and governance.

A. Background

In December 1992, for the first time in twenty-six years, Kenya experienced a multi-party parliamentary election. While fundamental freedoms prerequisite to democracies are still curtailed, political opposition now has a stronger voice than existed in the past decade. Kenya is at a critical moment in the transition to genuine democracy. Recognizing this, USAID/Kenya has undertaken the Strengthening Democracy and Governance in Kenya Project (615-0266).

The establishment of an autonomous, non-partisan, Kenyan institute for policy research and analysis will facilitate the strengthening of democracy and governance in Kenya. One of the greatest challenges facing Kenya is sustaining commitment to political pluralism. Such a commitment will, at minimum, entail acceptance of legitimate opposition and government accountability.

Opposition and accountability are both dependent on information. Neither the Kenyan electorate nor its parliament can make well-informed decisions if the research, analysis and dissemination of policy information continues to remain almost exclusively in the hands of the government. Non-governmental sources of policy information are a standard component of democracies with high levels of functioning, serving to stimulate policy debate, reform, and to hold the government accountable for inaccurate or distorted information.

B. Objectives

The objective of this Cooperative Agreement is to provide support in the establishment of an autonomous, indigenous institute for medium and long-term policy research and analysis, the Institute for Policy Analysis and Research (IPAR). IPAR will enhance the understanding of Kenyan policy decision makers and scholars regarding national, regional, and international issues impacting development in Kenya. IPAR will develop and maintain linkages on policy issues with government agencies, universities, and other research

institutes, NGOs, and the private sector, serving to facilitate and energize the policy debate and, consequently, to generate more informed policy responses. IPAR will also build national policy analysis capacity by providing training to scholars, research officers in relevant government ministries, and to the public and private sectors.

C. Detailed Description of Program

IPAR will engage in non-partisan, interdisciplinary policy analysis which will provide consistent, independent evaluations of emergent public issues. Its research will be disseminated to a broad range of sectors in order to stimulate informed public debate on policy responses to the challenges which face Kenya in view of factors such as political pluralism, regional integration, international competition, global restructuring, increasing population pressures, agricultural stagnation, and environmental degradation.

With USAID funding provided under this Cooperative Agreement, IPAR will:

1. Create a detailed 5-year overall research plan, establish research programs to address specific policy issues, and produce a brochure publicizing its research programs;
2. Examine the gap between policy reforms and implementation of those reforms, and publish findings in a series of IPAR Discussion Papers;
3. Conduct studies of various policy issues and produce publications iterating findings;
4. Establish links with national and international policy research institutions;
5. Establish liaison mechanisms with government ministries, the private sector, and non-governmental organizations;
6. Conduct research briefings for government ministries, private sector personnel and non-governmental organizations.
7. Create an internship program and a fellowship program to provide advanced training in policy analysis;

8. Conduct policy seminars and workshops for government ministries, private sector personnel, and non-governmental organizations;
9. Conduct both in-house and external training on data analysis;
10. Establish a policy library;
11. Commence fundraising and income-generating activities to enable IPAR to become self-sustaining.

D. Funding:

USAID funding provided under this Cooperative Agreement covers the period of the effective date of the Agreement (date of covering letter) to January 15, 1996. Funds totalling US\$400,000 will be obligated under the Strengthening Democracy and Governance in Kenya Project (615-0266). USAID shall not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.

IPAR will contribute, in cash or in kind, a minimum of 33% of the total project cost. The total project cost for the period covered by this Cooperative Agreement is estimated at US\$2,429,000. IPAR's contribution to the project is estimated at US\$929,000.

This project shall be incrementally funded. Funding for the period January 16, 1996 to July 31, 1999 shall be contingent on USAID/Kenya's availability of funds. No commitments extending beyond July 31, 1999 are made by this Cooperative Agreement.

E. Further Program Details

A more complete project description is contained in the proposal submitted to USAID by IPAR, available in the Office of Projects, USAID/Kenya. However, if any provisions of the Cooperative Agreement conflict with those of the final proposal (including revisions, if any), the Cooperative Agreement, inclusive of its attachments and provisions, shall prevail.

* This figure is greater than IPAR's total contribution in the illustrative budget because the illustrative budget contains only those budget elements funded by USAID. The amount estimated here as IPAR's total contribution includes those budget elements not funded by USAID.