

PD-ABK-686
93098

AGENCIA PARA EL DESARROLLO INTERNACIONAL
MISION ECONOMICA DE LOS ESTADOS UNIDOS EN COSTA RICA



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March 8, 1995

Msc. Rodolfo Quirós
President, a.i.
Academia de Centroamérica
San José

Subject: USAID Project No. 515-0247
Financial Services
Grant to "Academia de Centroamérica"

Dear Mr. Quirós:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the United States Agency for International Development (herein called "USAID" or "Grantor"), grants to "Academia de Centroamérica" (herein called "Academia" or "Grantee"), the amount of \$400,000 (four hundred thousand United States Dollars) to provide support to the activities related with the implementation of the Financial Services Project (No. 515-0247), as described in Attachments I, II and III of this Grant.

This Grant and the obligation of funds are effective as of December 1, 1994 and will be applied to the commitments made by the Grantee to support program objectives during a period which begins on the effective date and ends on June 30, 1995.

This Grant is provided to "Academia" with the condition that the funds will be administered in accordance with the terms and conditions established in Attachment I, entitled "Schedule"; Attachment II, entitled "Program Description", Attachment III, entitled "Standard Provisions" and Annex I, entitled "Financial Plan", which have been accepted by your organization.

Please sign both originals of this letter to acknowledge receipt of this Grant, and return one original to USAID/Costa Rica.

Sincerely,

Stephen C. Wingert
Mission Director

Mr. Rodolfo Quirós
Academia de Centroamérica
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Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

Annex:

1. Financial Plan

ACKNOWLEDGED:

ACADEMIA DE CENTROAMERICA

BY: Rodolfo Quirós R.

TITLE: Presidente

DATE: Mayo 8, 1995

FISCAL DATA

Allocation:	
Appropriation:	72-1131021
Budget Plan Code:	LDVA-93-25515-KG13
PIO/T No.:	515-0247-3-30138
Project No.:	5150247.00
Total Estimated Amount:	\$600,000.00
Total Obligated Amount:	\$400,000.00
CEC No.:	
IRS Employer Identification No.:	N/A
Funding Source:	USAID

ANNEX I

FINANCIAL SERVICES PROJECT

GRANT FINANCIAL PLAN

DECEMBER 1, 1994 TO DECEMBER 31, 1995

	This Obligation <u>US\$400,000</u>	Future Obligation <u>US\$200,000</u>	Total Budget
Salaries			
Project Coordinator	32,500	0	32,500
Fringe Benefit	13,000	0	13,000
Director Adjunto	18,400	9,600	28,000
Total	63,900	9,600	73,500
Consultants			
Commission Coordinator	21,000	0	21,000
Commission Advisors	24,000	0	24,000
Consultants	123,620	129,400	253,020
Travel Expenses	19,200	3,840	23,040
Assistants	8,000	0	8,000
Total	195,820	133,240	329,060
Training Activities			
Seminars	15,288	8,086	23,374
Observational Trips	12,300	0	12,300
Publications	5,000	2,920	7,920
Total	32,588	11,006	43,594
Total Direct Costs	292,308	153,846	446,154
Administrative Costs	52,814	45,269	98,083
Indirect Costs	34,878	885	35,763
Audit	20,000	0	20,000
TOTAL BUDGET	400,000	200,000	600,000

ATTACHMENT I

SCHEDULE

A. Purpose of the Grant

The purpose of this grant is to allow the Grantee to provide support to the Government of Costa Rica (GOCR) and the Banco Central de Costa Rica (BCCR) in advancing reforms in the financial system; to support the improvement of the supervision and regulation of the savings and credit cooperatives; and to identify and carry out financial innovations which make credit and financial services accessible to microenterprises and groups that do not have these opportunities, as more specifically described in Attachment II to this Grant entitled "Program Description".

B. Period of the Grant

1. The effective date of this Grant is December 1, 1994 and the expiration date of this Grant is June 30, 1995.
2. Funds obligated hereunder are available for program expenditures for the estimated period December 1, 1994 to June 30, 1995 as shown Annex I, Financial Plan.

C. Amount of the Grant and Payment

1. The total estimated amount of this grant for the period described in Section B.1 is \$600,000.
2. USAID hereby obligates the amount of \$400,000 for the program costs during the period established in Section B.2 and as detailed in the Financial Plan.
3. The payment to the Grantee will be made in accordance with the established procedures in Attachment III, Standard Provisions No. 1, entitled "Periodical Advance of Payments."
4. USAID may obligate additional funds up to the total amount of the grant detailed in Section C.1, subject to availability of funds and to the requirements of the Grant Standard Provisions, entitled "Revision of the Financial Plan".

D. Financial Plan

The Illustrative Budget of the Grant is presented in Annex I. Revisions to this budget may be made in accordance with the section of the Standard Provisions, entitled "Revision of the Grant Budget".

E. Reporting and Evaluation

1. Management and Information of the Implementation of the Project

The Grantee will manage the funds provided under this Grant and will supply the required administrative assistance to assure the success of the programmed activities under this Grant.

The Grantee will provide USAID with quarterly reports detailing the projected and actual accomplishments achieved as part of the activities financed under this Grant.

The Grantee will provide USAID a final report specifying the projected and real results obtained as part of the financial activities under this Grant.

2. Financial Reports

The Grantee will provide the reports indicated in Attachment IV, Standard Provisions, entitled "Advance of Periodical Payments". Semiannually, the Grantee will provide a cumulative report specifying disbursements for each budget line.

An independent financial and compliance audit will be carried out at the end of the Grant. This audit will be conducted in accordance with the Office of Management and Budget Circular A-133.

F. Special and Standard Provisions

The Grantee agrees on the following Provisions:

1. The current audit underway of the Academia de Centroamerica grant for the Young Economist Program will suffice to assess its Financial and Management capabilities and Internal Control requirements. Any recommendations and findings arising therefrom are to be implemented and resolved by June 30, 1995. The non-compliance of this provision will preclude Academia de Centroamerica from receiving additional advances or reimbursements.
2. The indirect costs programmed in this Grant Financial Plan are provisional and will not be reimbursed until an audit report determines the appropriate rate for Academia de Centroamerica. At that time, the budget will be revised to assure consistency with the basis for indirect costs as

defined by the auditors and consistency with the determined rate before reimbursement of indirect costs.

3. This Agreement may be amended upon written mutual agreement by the Parties.
4. All the mandatory provisions and the optional Standard Provisions Nos. 1, 3, 4, 5, 6, 8, 10, 17, and 21 will apply to this Grant.
5. A cash advance is authorized, such that the cash on hand does not exceed the project needs for more than thirty days. Advances may be requested as often as needed, but expenditure reports are due at least monthly.

G. Authorized Geographic Code

The Authorized Geographic Code to obtain goods and services under this grant is 000 and the Central American Common Market (CACM) countries.

ATTACHMENT II
FINANCIAL SERVICES PROJECT
GRANT TO ACADEMIA DE CENTROAMERICA
PROGRAM DESCRIPTION

I. BACKGROUND

The Government of Costa Rica (GOCR) and USAID/Costa Rica agreed on May 31, 1991 to carry out the Financial Services Project (FSP) - USAID Project 515-0247. The purpose of the FSP is to contribute to the current financial liberalization tendencies, promote the development of efficient financial market systems (particularly cooperative credit unions), and increase access to financial services by clientele on the fringe of formal financial markets. The goal of the FSP project is to improve financial intermediation in Costa Rica, thereby increasing the mobilization of domestic resources, improving allocation of procedures to productive activities and expanding the access to financial services (both loans and deposit facilities) to a wider segment of the population. The beneficiaries are the Costa Rican households (deposit facilities) and small businesses and farmers, where access to improved financial services would result in stimulating savings, investment and economic growth.

The FSP works on different levels to assist changes in the financial service structure: (1) the macroeconomic level to ensure a policy environment favorable to the expansion of financial services, (2) the regulatory level to strengthen supervision of financial institutions, and (3) the level of individual intermediaries to demonstrate a range of financial innovations to improve services to the project clientele.

The FSP has three major interrelated components: (1) policy analysis, dialogue and dissemination to contribute to better informed decision making with respect to financial sector policies and macroeconomic management; (2) credit union supervision and system development to strengthen the Auditor General for Financial Entities (AGEF) and improve FEDECREDITO's ability to monitor member cooperatives and improve operations and member credit unions; and (3) financial innovation and micro enterprise programs to improve the management of other financial institutions servicing project clientele and to test and demonstrate new approaches to savings mobilization, lending to small scale clients and other financial services.

In October 1991, USAID/Costa Rica, under the Financial Resources Management (FIRM) project, contracted Ohio State University (OSU) for the period of October 1991 to August 30, 1994 to support the implementation of two of the FSP components: *policy analysis, dialogue and dissemination and financial innovation and improvement of micro-enterprise programs*. OSU utilized the Grant support to carry out seminars and

workshops with the Costa Rican financial authorities, political leaders and international agencies. These forums contributed substantially to the debate about the relationships between the pace of devaluation, domestic inflation, interest rates and the fiscal deficit. This assistance directly contributed to the abandonment of the crawling-peg foreign exchange regime, the adoption of a freely-floating exchange rate, and the liberalization of the capital account of payments.

In addition, OSU has contributed to a number of Costa Rican financial reforms. After identifying key constraints OSU began working with the GOCCR and the Inter-American Development Bank (IDB) to ensure that reforms address these constraints. OSU carried out workshops and provided assistance to promote technical and political consensus regarding the scope and pace of financial sector reforms.

To facilitate the in-country seminars and project activities, OSU sub-contracted the technical assistance of the "Academia de Centroamérica". Among its several tasks, Academia provided technical input to the Costa Rican Legislative Assembly's Committee in charge of preparing a package of financial system reforms for passage by the Assembly. Academia's expertise has been invaluable in helping the committee to focus on key factors affecting the efficiency of the sectors, (especially monetary control instruments), the independence of the Central Bank, the legal framework for the private and state-owned banks, and the role of prudential supervision.

A key ingredient to successful financial reform is the strengthening of prudential supervision. In this area, OSU and Academia have provided institutional development assistance to the AGEF to deal with the special supervisory challenges posed by non-banking financial intermediaries and the cooperative sub-sector in particular. In 1989 the credit union system was faced with a serious crisis of insolvency. The FSP-supported researchers analyzed weaknesses in the system and drafted new credit union legislation directed at improving supervision.

In the area of microenterprise finance, OSU and Academia have completed diagnostic studies of the "Asociación Costarricense de Desarrollo" (ACORDE), a second-level organization for NGOs; the "Fundación Integral Campesina" (FINCA), which is one of the most important organizations that supply financial services to rural microenterprises with its network of 180 community based banks; and to "Avance Microempresarial", an urban NGO with a large credit portfolio. OSU has also collaborated with the Inter-American Development Bank to design a program for microenterprise credit activities, consisting of loan funds and training activities.

During the time period of November 1 to June 1995, the GOCCR and the Central Bank of Costa Rica (BCCR) authorities have expressed their desire to continue efforts in favor of the reform of the financial system, particularly in relation to the objectives and activities of the Central Bank, the reform of the AGEF, and the streamlining of the

Another objective sought by the GOOCR is to propose financial innovations that favor the access of small and micro entrepreneurs to financial services.

Since these efforts are predominantly of a local nature, the USAID and GOOCR have agreed to seek local technical assistance. "Academia de Centroamérica", previously a sub-contractor of OSU in the FSP, has the local experience and appropriate technical capability required to provide the necessary technical assistance to the GOOCR under the FSP. Therefore, this grant designates a change in project implementation from OSU to "Academia de Centroamérica".

II. OBJECTIVES

The fundamental goals and objectives of the FSP remains the same. This grant is to provide funding to "Academia de Centroamérica", the "Grantee" to carry out research and advisory activities as required by the BCCR in order to: 1) broaden financial policy reforms to create a more hospitable environment for efficient financial intermediation, 2) facilitate and expand access to financial services for marginal clientele, and 3) promote and disseminate necessary changes of the national financial system.

III. SCOPE OF THE PROGRAM

Academia, with GOOCR and USAID approval, will designate a Principal Investigator to coordinate research, policy dialogue and related activities. General guidance for these activities will be provided by the Oversight Committee of the FSP.

"Academia" will submit a work plan for the period of November 1, 1994 to June 30, 1995 to the Oversight Committee of the FSP. This plan will indicate proposed priorities, outputs and inputs. The plan will include an accompanying budget for the period.

The Academia may contract portions of the work to be realized with the approval by the Oversight Committee. Academia's work plan will address the following components:

1. Support to the Legislative Commission of Financial Reforms

During the 1990-1994 period, the Legislative Assembly created a special commission to study the regulatory framework and propose legal reforms required to modernize the national financial system. The commission was composed of congressmen from both majority parties, one representative of the minority parties, and several advisors to provide technical support.

The work of the commission ended with the presentation of a unanimous recommendation that includes: a new Central Bank Law, including the creation of a

Financial Entities Superintendency; the abolition of the "Ley de la Moneda" (Monetary Law) as well as proposals to reform other laws which established the monopoly of state banks on checking accounts, the system of acquisitions of the state banks and the use of rediscount facilities. Although the commission considered these issues very important in order to completely reform the national financial system, these issues were left pending due to the change in Government Administration in 1994.

The current Legislative Assembly is establishing a new commission to continue the work of the previous. The Academia will support this commission by:

- a) Contracting technical advisors for the commission. They will have the task of advising the "diputados" on the work accomplished by the previous commission, and will provide technical inputs for new proposals, studies and analysis that may be required. One of the advisors will act as coordinator of the commission.
- b) "Observational study trips". A selected group of congressmen and advisors will visit countries that have successfully introduced monetary policy reforms and strengthened financial supervisory and regulatory systems.
- c) Short-term studies to support the work of the commission. The Academia will produce specialized studies required by the commission to prepare reform proposals. The question of financial mergers and financial groups are examples of the type of studies needed; it is estimated that four such studies will be financed under this grant.

2. Semi-informal Financial Markets

The attainment of financial efficiency and stability is one of the main objectives of financial reform. Within that objective, it is important to provide means through which small and micro entrepreneurs may gain access to financial services.

A survey completed in early 1994 under the FSP indicated that currently the main sources of credit for this clientele are supplier's credit and client advances. This second component of the grant requires four major steps.

The project activities will be related to the following steps to make financing more accessible to small and microentrepreneurs:

1. Carry out a study to (a) analyze the characteristics of present sources of credit for small and microentrepreneurs, (b) determine the links, if any, of these sectors with the formal credit system, and (c) propose policy reforms to facilitate the use of formal credit by small and microentrepreneurs,

2. Promote the implementation of a pilot project that would test the usefulness of financial innovations.

3. Financial Innovations in the National Bank

The National Bank of Costa Rica (BNCR) in 1914 was a pioneer institution in implementing a system that allowed the access of credit to small agropecuarian producers. However, during the last 20 years this program has lost its importance not only because small farmers have a smaller relative weight in the economy, but because the system structure lacked the necessary flexibility to adapt to changing economic and financial conditions.

The Grantee will interact with the BNCR to study the possibility of utilizing BNCR's agency network in order to develop two pilot project programs that would bring a package of financial services to small and micro entrepreneurs, specially in the rural areas.

This component includes institutional design, training of human resources, and transfer of financial technologies from other sources such as Bolivia, Indonesia and Chile. It is expected that the experience will give the BNCR sufficient guidance and experience to extend the programs to other areas of the country.

4. Links between the Fiscal and Monetary Sectors of the Economy

Macro-economic stability is essential for an efficient operation of the financial system. Macro-economic problems reduce the possibilities of implementing and broadening financial reforms. In many instances these problems are the result of the behavior of the fiscal component of the economy. The Grantee will prepare a study on the links between the fiscal and monetary sectors considering the following aspects of the most current situation:

- Analyze the macro-economic relations that affect the financial sector,
- Project the behavior of these variables through 1995 and, depending on conditions, through 1996,
- Evaluate and recommend policy options to the decision makers,
- Examine the impact of monetary disruptions on the financial system,
- Propose implementation strategies for long-term policies.

5. New Financial Products

The emergence of new financial instruments and, in some cases, the expansion of others, create the need to examine the monetary impact and the risk factor that they introduce to financial intermediaries.

The Grantee will prepare a series of studies on innovations such as: Exchange Administration Operations; trust funds; investment funds; leasing arrangements; and complementary pension funds. The Grantee's activity in this component is to analyze the different operational systems and propose actions that will lead to an efficient and safe implementation. These studies should address, among others, the following aspects:

- Type of contracts that should be used,
- Establish the current and expected volume of these transactions,
- Risk involved in each type of instrument,
- Present regulations and proposals for new regulatory systems,
- Justifications that financial intermediaries have for using these instruments

The resultant objective is recommendations or proposals related with the regulatory and supervisory framework in order to establish an efficient and stable environment for their operation.

6. Training for Prudential Supervision

Prudential supervision is fundamental for the stability and solvency of the financial system, especially within the context of a de-regulatory environment. Besides auditing of transactions and evaluation of the overall situation of financial institutions, prudential supervision should study the macro-economic environment in order to measure portfolio risk status situation, the need to adjust interest rates, and the liquidity of the whole system.

The Grantee will develop and organize seminars and workshops for staff of AGEF, Central Bank and other financial intermediaries. These seminars may include the participation of Central Bank and AGEF technical and managerial staff as speakers, as well as participants. The following topics will be addressed:

- The current macro-economic situation of the country
- Analysis of the impact that the current situation may have on financial risk levels

7. Macro-economic Policy Training

The Central Bank is interested in further developing the technical capacity of its staff in the handling of macro-economic variables. Of particular interest is management in a de-regulatory environment, taking into account the changes proposed to the law of the Central Bank that in some cases limits its present authority to act upon certain macro-economic variables.

The Grantee, "Academia", will participate with the Central Bank in offering seminars and workshops for the Central Bank staff to present new theoretical or

methodological developments. These activities will include presentations by internationally recognized economists and financial experts. This component also includes technical assistance to the Central Bank Directors from international experts.

IV. PROGRAM REQUIREMENTS

Prior to providing any assistance under this grant to any organization other than to the BCCR, AGEF, FEDECREDITO, and ACORDE, or its members, the Grantee shall ensure that the participating organization has signed a Memorandum of Understanding and the terms of which have been approved by the Oversight Committee. The Memorandum of Understanding should indicate the commitment and expected contribution (human and financial resources) of the participating organization toward meeting the specific objective of the FSP.

V. BENCHMARKS

The grant activities should indicate progress in mobilizing savings, particularly rural savings. Therefore, the Grantee will, as a first step in initiating any activity under this grant, provide USAID/Costa Rica with quantifiable estimates from December 1 to June 30, of the savings that could be mobilized as a result of, or related to, the policy reforms, cooperative strengthening and microenterprise development components of the project as well as baseline data against which these changes could be compared. The Grantee will segregate these estimates by rural versus urban and by gender. The attached calendar of activities provides a guideline on how the grant activities are to unwind and coincide during the 1995 calendar year.

VI. PROGRAM REPORTING

The attached financial plan for December 1, 1994 - December 31, 1995, will be established as the project calendar year budget, which coincides with the implementation plan submitted by Academia. Changes to the implementation plan and/or budget must be requested in writing and agreed upon by the oversight committee .

The Grantee will provide the following reports to USAID:

- a. **Quarterly technical reports on progress towards achieving Project objectives.** This report will examine the activities (outputs and inputs) undertaken during the period, indicate accomplishments, problem areas, and suggest corrective actions. As regards inputs, the quarterly technical report will provide a detailed analysis of level of effort and cost of each input provided during the period with a table summarizing and reconciling activity levels (Level of Effort and costs against advances received). The report should be satisfactory, both in form and in substance, and presented within 30 days after the end of each quarter.

- b. At least 30 copies of all publications issued by the Academia and any contractor which are the result of efforts funded by this grant. These publications will be in Spanish and/or English.

VIII. PROGRAM DURATION

Support to the Grantee under this phase of the Project will be provided from December 1, 1994 to June 30, 1995, with the intention of extending the Project Activity Completion Date and the Grant Completion Date to December 31, 1995.

IX. ILLUSTRATIVE BUDGET

FINANCIAL SERVICES PROJECT
GRANT FINANCIAL PLAN
DECEMBER 1, 1994 TO DECEMBER 31, 1995

	<u>This Obligation US\$400,000</u>	<u>Future Obligation US\$200,000</u>	<u>Total Budget</u>
Salaries			
Project Coordinator	32,500	0	32,500
Fringe Benefit	13,000	0	13,000
Director Adjunto	18,400	9,600	28,000
Total	63,900	9,600	73,500
Consultants			
Commission Coordinator	21,000	0	21,000
Commission Advisors	24,000	0	24,000
Consultants	123,620	129,400	253,020
Travel Expenses	19,200	3,840	23,040
Assistants	8,000	0	8,000
Total	195,820	133,240	329,060
Training Activities			
Seminars	15,288	8,086	23,374
Observational Trips	12,300	0	12,300
Publications	5,000	2,920	7,920
Total	32,588	11,006	43,594
Total Direct Costs	292,308	153,846	446,154
Administrative Costs	52,814	45,269	98,083
Indirect Costs	34,878	885	35,763
Audit	20,000	0	20,000
TOTAL BUDGET	400,000	200,000	600,000

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APPENDIX 4D
MANDATORY STANDARD PROVISIONS FOR
NON-U.S., NONGOVERNMENTAL GRANTEE²

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|-----------------------------------|------------------------------------------------------------|
| 1. Allowable Costs | 7. Ineligible Countries |
| 2. Accounting, Audit, and Records | 8. Debarment, Suspension, and Other Responsibility Matters |
| 3. Refunds | 9. U.S. Officials Not to Benefit |
| 4. Revision of Grant Budget | 10. Nonliability |
| 5. Termination and Suspension | 11. Amendment |
| 6. Disputes | 12. Notices |
| | 13. Metric System of Measurement |

1. ALLOWABLE COSTS (JUNE 1993)

(a) 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 applicable* cost principles in effect on the date of this grant, which are attached.

(1) Reasonable. Shall mean those costs which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.

(2) Allocable Costs. Shall mean those costs which are incurred specifically for the grant.

(3) Allowable Costs. Shall mean those costs which conform to any limitations in the grant.

*NOTE: For educational institutions use OMB Circular A-21; for all other non-profit organizations use OMB Circular A-122; and for profit making firms use Federal Acquisition Regulation 31.2 and USAID Acquisition Regulation 731.2.

²When these Standard Provisions are used for cooperative agreements, the following terms apply: "Grantee" means "Recipient" "Grant" means "Cooperative Agreement," and "USAID Grant Officer" means "USAID Agreement Officer."

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(4) 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, and first class air fare unless specifically approved. Public information service costs are unallowable as indirect costs.

(b) Prior to incurring a questionable or unique cost, the grantee should obtain the grant officer's written determination on whether the cost will be allowable.

2. ACCOUNTING, AUDIT, AND RECORDS (OCT 1992)

(a) The grantee shall maintain books, records, documents, and other evidence relating to the USAID-sponsored project or program in accordance with generally accepted accounting principles formally prescribed by the U.S., the cooperating country, or the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) to sufficiently substantiate charges to this grant. Accounting records that are supported by documentation will as a minimum be adequate to show all costs incurred under the grant, receipt and use of goods and services acquired under the grant, the costs of the program supplied from other sources, and the overall progress of the program. The grantee records and subgrantee records which pertain to this grant shall be retained for a period of three years from the date of expiration of this grant and may be audited by USAID and/or its representatives. The grantee shall insert this paragraph (a) in all subgrants valued in excess of \$10,000.

* (b) If the grantee receives \$100,000 or more per year under this grant, the grantee agrees that it shall have an audit made of the funds provided under this grant, or if the grantee receives \$250,000 or more per year in USAID awards, the grantee agrees to have an audit made of its USAID funded programs and projects and the general purpose financial statements of the organization as a whole. The grantee shall select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General. The audit shall be a financial audit performed in accordance with such guidelines and in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, and shall determine whether the grant funds have been used in accordance with this agreement. Audits shall be performed annually. *

(c) The audit report shall be submitted to USAID within 30 days after completion of the audit, but the audit shall be completed and the report submitted not later than 13 months after the close of the grantee's fiscal year. The USAID Inspector General will review this report to determine whether it complies with the audit requirements of this grant. No audit costs may be charged to this grant if audits have not been made in accordance with the terms of this provision. In cases of continued inability or unwillingness to have an audit performed in accordance with the terms of this provision, USAID will consider appropriate sanctions which may include suspension of all or a percentage of disbursements until the audit is satisfactorily completed.

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(d) The grantee shall ensure that funds made available to subgrantees that receive \$100,000 or more per year under this grant are audited in accordance with this agreement. Such audit responsibilities with respect to subrecipients may be satisfied by relying on independent audits of the subgrantees, or on appropriate procedures performed by the internal audit or program staff of the grantee, by expanding the scope of the independent financial audit of the grantee to encompass testing of subgrantees' records, or by a combination of these procedures. The grantees shall ensure that appropriate corrective actions are taken on the recommendation contained in the subgrantee's audit reports; consider whether subgrantees' audits necessitate adjustment of its own records; and require each subgrantee to permit independent auditors to have access to records and financial statements as necessary. *

3. REFUNDS (JUNE 1993)

(a) Interest earned on advances will be remitted to USAID. However, the grantee may retain up to \$250 of interest earnings per year for administrative expenses.

(b) At the time the grant expires or is terminated, funds shall revert to USAID if :

(1) USAID has obligated funds to the grant, but has not disbursed them to the grantee; or

(2) USAID has advanced funds to the grantee, but the grantee has not expended them.

Notwithstanding (1) and (2) above, funds which the grantee has obligated in legally binding transactions applicable to this grant will not revert to USAID.

(c) USAID reserves the right to require refund by the grantee of any amount which the grantee did not spend in accordance with the terms and conditions of this grant. In the event that a final audit has not been performed prior to the closeout of this grant, USAID retains the right to a refund until all claims which may result from the final audit have been resolved between USAID and the grantee.

4. REVISION OF GRANT BUDGET (JUNE 1993)

(a) The approved grant budget is the financial expression of the grantee's 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.

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(2) Additional funding is needed.

(3) The grantee expects the amount of USAID authorized funds to exceed its needs by more than \$5,000 or five percent of the USAID 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) USAID shall not be required to reimburse the grantee for costs incurred in excess of the total amount obligated under the grant, except to the extent that another provision of the grant specifically states that it is an exception to this provision.

(d) The grantee shall not be required to continue performance under the grant (including action under the "Termination and Suspension" provision) or otherwise to incur costs in excess of the amount obligated under the grant. If the total obligated amount under the grant has been increased, the grant officer will notify the grantee in writing of the increase and specify the new obligated grant total amount.

5. TERMINATION AND SUSPENSION (JUNE 1993)

(a) For Cause. The grant officer may terminate this grant for cause at any time, in whole or in part, upon written notice to the grantee, whenever it is determined that the grantee has failed to comply with the terms and 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) Suspension or Termination for Changed Circumstances. If at any time USAID determines that continuation of all or part of the funding for a program should be suspended or terminated because such assistance would not be in the national interest of the United States or would be in violation of an applicable law, then USAID may, following notice to the grantee, suspend or terminate this grant in whole or part and prohibit the grantee from incurring additional obligations chargeable to this grant other than those costs specified in the notice of suspension during the period of suspension. If the situation causing the suspension

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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.

(d) 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.

6. DISPUTES (JUNE 1993)

(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 AID's Deputy Associate Administrator for Finance and Administration. Any appeal made under this provision shall be in writing and addressed to the Deputy Associate Administrator for Finance and Administration, Agency for International Development, Washington, D.C. 20523. A copy of the appeal shall be concurrently furnished to the grant officer.

(c) In order to facilitate review on the record by the Deputy Associate Administrator for Finance and Administration, the grantee shall be given an opportunity to submit written evidence in support of its appeal. No hearing will be provided.

(d) A decision under this provision by the Deputy Associate Administrator for Finance and Administration shall be final.

INELIGIBLE COUNTRIES (MAY 1986)

Unless otherwise approved by the AID grant officer, funds will only be expended for assistance to countries eligible for assistance under the Foreign Assistance Act of 1961, as amended, or under acts appropriating funds for foreign assistance.

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8. DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS
(MARCH 1989)

(1) The grantee certifies to the best of its knowledge and belief, that it and its principals:

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

(2) The grantee agrees that, unless authorized by the Grant Officer, it will not knowingly enter into any subagreements or contracts under this grant with a person or entity that is included on the "Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs". The grantee further agrees to include the following provision in any subagreements or contracts entered into under this grant:

DEBARMENT, SUSPENSION, INELIGIBILITY, AND VOLUNTARY EXCLUSION
(MARCH 1989)

The recipient/contractor certifies that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(3) The policies and procedures applicable to debarment, suspension and ineligibility under AID-financed transactions are set forth in 22 CFR Part 208.

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9. U.S. OFFICIALS NOT TO BENEFIT (NOVEMBER 1985)

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. NONLIABILITY (NOVEMBER 1985)

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

11. AMENDMENT (NOVEMBER 1985)

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.

12. NOTICES (NOVEMBER 1985)

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 effective date of the notice, whichever is later.

13. METRIC SYSTEM OF MEASUREMENT (AUGUST 1992)

Wherever measurements are required or authorized, they shall be made, computed, and recorded in metric system units of measurement, unless otherwise authorized by the grant officer in writing when it has found that such usage is impractical or is likely to cause U.S. firms to experience significant inefficiencies or the loss of markets. Where the metric system is not the predominant standard for a particular application, measurements may be expressed in both the metric and the traditional equivalent units, provided the metric units are listed first.

(END OF MANDATORY STANDARD PROVISIONS)

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REQUIRED AS APPLICABLE STANDARD PROVISIONS FOR
NON-U.S., NONGOVERNMENTAL GRANTEES

The following standard provisions are required to be used when applicable. Applicability statements are contained in the parenthetical statement preceding the standard provision. 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 this Handbook. Each grant is required to have a payment provision. Check off the provisions which are to be included in the grant. Only those standard provisions which have been checked off are included within the grant.

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3. Air Travel and Transportation	<u> X </u>	4D-13
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6. AID Eligibility Rules for Goods and Services	<u> X </u>	4D-22
7. Subagreements	<u> </u>	4D-26
8. Local Cost Financing	<u> X </u>	4D-27
9. Patent Rights	<u> </u>	4D-30
10. Publications and Media Releases	<u> X </u>	4D-36
11. Nondiscrimination in Federally Assisted Programs	<u> </u>	4D-37
12. Regulations Governing Employees	<u> </u>	4D-38
13. Participant Training	<u> </u>	4D-39
14. Voluntary Population Planning	<u> </u>	4D-40
15. Protection of the Individual as a Research Subject	<u> </u>	4D-42
16. Negotiated Overhead Rates - Provisional	<u> </u>	4D-44
17. Title To and Use of Property (Grantee Title)	<u> </u>	4D-45
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20. Cost Sharing (Matching)	<u> </u>	4D-52
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(INCLUDE THIS PAGE IN THE GRANT)

**CERTIFICACION CONCERNIENTE
A EXCLUSIONES, SUSPENSIONES,
Y OTROS ASUNTOS DE
RESPONSABILIDAD**

**Transacciones Cubiertas
Primarias 1/**

(1) El posible participante en una transacción primaria certifica, a su leal saber y entender, que éste y sus ejecutivos:

(a) No se encuentran actualmente excluidos, suspendidos, propuestos a exclusión, declarados no elegibles, o voluntariamente excluidos en transacciones cubiertas por algún departamento o agencia Federal;

(b) No han sido en los tres años anteriores a esta propuesta condenados o sometidos a juicio civil por cometer fraude o algún delito criminal en relación con obtener, intentar obtener, o ejecutar una transacción o contrato con una entidad pública (Federal, Estatal o local) bajo una transacción pública; violar estatutos Federales o Estatales antimonopolistas o cometer desfalco, robo, falsificación, soborno, falsificación o destrucción de registros, falso testimonio, o recibir propiedad robada;

(c) No están actualmente bajo acusación u otros cargos criminales o civiles por una entidad gubernamental (Federal, Estatal o local) por cometer alguna de las ofensas enumeradas en el párrafo (1)(b) de esta certificación; y

(d) No se les han cancelado en los tres años anteriores a esta solicitud/propuesta una o más transacciones públicas (Federal, Estatal o local) por litigio o incumplimiento.

**CERTIFICATION REGARDING
DEBARMENT, SUSPENSION, AND
OTHER RESPONSIBILITY
MATTERS**

**Primary Covered
Transactions 1/**

(1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgement rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

(2) Cuando el posible participante en una transacción primaria no puede certificar alguno de los puntos anteriores, dicho participante deberá adjuntar una justificación a esta propuesta.

(2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

ACADEMIA DE CENTROAMERICA

Nombre de la Organización
Name of Organization

Rodolfo Quirós, President, a.i.

Nombre y Cargo del Representante Autorizado
Name and Title of Authorized Representative

Rodolfo Quirós R. Marzo 8, 1995
Firma Fecha
Signature Date

1/ Cualquier transacción de no adquisición de bienes y servicios sin considerar el tipo, incluyendo: donaciones, acuerdos de cooperación, becas, asociaciones, contratos de asistencia, préstamos, garantías, subsidios, seguros, pagos por usos especificados, convenios de donación u otros entre una agencia Federal y una persona.

1/ Any nonprocurement transaction between an agency and a person, regardless of type, including: grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, guarantees, subsidies, insurance, payments for specified use, donation agreements and any other nonprocurement transactions between a Federal agency and a person.

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- (b) Cualquier contrato de adquisición de bienes y servicios entre el participante y una persona, sin importar el tipo, que iguale o exceda el monto fijado para compras pequeñas al 10 U.S.C. 2304(g) y 41 U.S.C. 253 (g) (actualmente \$25,000) para adquisiciones Federales, al amparo de una transacción cubierta primaria.
 - (c) Cualquier contrato de adquisición de bienes y servicios entre el participante y una persona, sin importar el monto, al amparo de una transacción cubierta primaria, bajo el cual esa persona tendrá una influencia crítica o un control substancial sobre la transacción cubierta. Dichas personas son: los investigadores principales y los que suministran servicios de auditoría que son requeridos federalmente.
- 2/
- (a) Any transaction between a participant and a person other than a procurement contract for goods or services, regardless of type, under a primary covered transaction.
 - (b) Any procurement contract for goods or services between a participant and a person, regardless of type, expected to equal or exceed the Federal procurement small purchase threshold fixed at 10 U.S.C. 2304(g) y 41 U.S.C. 253 g (currently \$25,000) under a primary covered transaction.
 - (c) Any procurement contract for goods or services between a participant and a person under a primary covered transaction, regardless of amount, under which that person will have a critical influence on or substantive control over that covered transaction. Such persons are: principal investigators and providers of federally-required audit services.

CERTIFICACION CONCERNIENTE
A EXCLUSIONES, SUSPENSIONES,
NO ELEGIBILIDAD
Y EXCLUSION VOLUNTARIA

CERTIFICATION REGARDING
DEBARMENT, SUSPENSION,
INELIGIBILITY AND
VOLUNTARY EXCLUSION

Transacciones Cubiertas
Secundarias 2/

Lower Tier Covered
Transactions 2/

(1) El posible participante en una transacción secundaria certifica, mediante la presentación de esta propuesta, que ni éste ni ninguno de sus altos funcionarios se encuentran actualmente excluidos, suspendidos, propuestos a exclusión, declarados no elegibles, o voluntariamente excluidos a participar en una transacción secundaria por algún departamento o agencia Federal;

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency; 2

(2) Cuando el posible participante en una transacción secundaria no puede certificar alguno de los puntos anteriores, deberá adjuntar una justificación a esta propuesta.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

ACADEMIA DE CENTROAMERICA

Nombre de la Organización
Name of Organization

Rodolfo Quirós, Presidente, a.i.

Nombre y Cargo del Representante Autorizado
Name and Title of Authorized Representative

Rodolfo Quirós R. Mayo 8, 1995

(Firma)
Signature

(Fecha)
Date

- 2/ (a) Cualquier transacción entre el participante y una persona que no sea un contrato de adquisición de bienes y servicios, sin importar el tipo, al amparo de una transacción cubierta primaria.

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

The grantee certifies that it will provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing a drug-free awareness program to inform employees about --
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will--
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
- (e) Notifying the agency within ten days after receiving notice under subparagraph (d)(2) from an employee or otherwise receiving actual notice of such conviction;
- (f) Taking one of the following actions, within 30 days of receiving notice under subparagraph (d)(2), with respect to any employee who is so convicted--
 - (1) Taking appropriate personnel action against such an employee, up to and including termination; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a),(b),(c),(d),(e), and (f).

The grantee defines the workplace, which is the site(s) for the performance of work done in connection with the specific grant, as the following specific geographical location:

San José, COSTA RICA

ACADEMIA DE CENTROAMERICA

Name of Organization

Rodolfo Quirós, President, a.i.

Name and Title of Authorized Representative

Rodolfo Quirós R.
Signature

3-8-95
Date

(Certification for Grantees Other than Individuals)

6.

