



United States Agency for International Development

CONTRACT INFORMATION MANAGEMENT SYSTEM (CIMS)



DIRECT ACTION DATA FORM FOR GRANTS & COOPERATIVE AGREEMENTS

1. Basic Contract Number 5 2 7 - 0 3 4 9 - A - 0 0 - 3 3 3 8 - 0 0 (See CIB 89-30)

2. Recipient Name AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATINAL, A.C.D.I.

3. Award Description (This description will be seen by high level Agency officials, as well members of Congress.)
The recipient shall... support an activity to develop during a three-year period a sustainable, community-based Caja Rural and export-oriented, community-based enterprises in three communities in the northern coastal valleys of Peru.

4. Principal Place of Performance
527-PERU

5. Benefiting Country
527

6. Project Officer
Country Code/Office Symbol
USAID/ORD

Name (Last, First)
WING, Harry

Section

7. Grant Agreement Type
 A. Disaster Assistance
 B. American Schools & Hospitals Abroad (ASHA)
 D. Title XII Authority
 E. Other Than A, B, or D

8. Basic Purpose
 A. Technical Services to Host Country
 B. Commodities
 C. Training Services to Host Country
 D. Research
 E. Architectural & Engineering Services
 F. Construction

7a. Extent Competed
 E. Competed by the Technical Office
 F. Competed by the Contracting Office
 G. Not competed (unsolicited prop)
 H. Not competed (predom capab, etc)

9. Taxpayer Identification Number
52-0811-461

10. Business Organization Type
 A. Corporation
 B. Individual
 C. University or College
 D. Historically Black College or University
 E. Educational Organization (other than Univeristy or College)
 Z. Other

F. International Center
 G. Research Organization (other than International Center)
 H. Voluntary Organization
 I. Foundation
 J. Hospital
 N. Hispanic American college or univ.

11. If U.S. University, Host Country Institution

12. If Obligated Amount is in Local Currency, provide U.S. Dollar Amount

13.a. Negotiator (Last, First, MI)
YANEZ, Cecilia

13.b. Signature
Cecilia Yanez

14.a. Contract Officer (Last, First, MI)
STEVENSON, Marcus

14.b. Signature
M. Stevenson

**COPY OF AWARD DOCUMENT MUST BE ATTACHED TO THIS FORM
BEST AVAILABLE COPY**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 23, 1993

Mr. Daniel A. Chaij
Vice President for Latin America
and Caribbean
AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
50 F Street, N.W., Suite 900
Washington, D.C. 20001

SUBJECT: Cooperative Agreement No. 527-0349-A-00-3338-00

Dear Mr. Chaij:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development in Peru (hereinafter referred to as "USAID/PERU" or "Grantor") hereby grants to the Agricultural Cooperative Development International (hereinafter referred to as "ACDI" or "Recipient"), the sum of Two Million Eight Hundred Thousand United States Dollars (\$2,800,000) to support an activity to develop during a three-year period a sustainable, community-based Caja Rural and export-oriented, community-based enterprises in three communities in the northern Coastal valleys of Peru. These communities -- Olmos, Motupe, and Jequetepeque -- were chosen because they have the potential to produce agricultural products for exports and have the minimal institutional base for a pilot effort focussing on the production of exportable products that could be used as a model for replication in other communities in Peru. The Pilot Program is more fully described in Attachment 1, the Schedule, Attachment 2, Program Description, of this Agreement and in the ACDI Program Proposal which is hereby incorporated by reference as a part of this agreement. The amount currently obligated is shown in Attachment 1, Paragraph C.2.

This Cooperative Agreement is effective and obligation is made as of the date of this letter and shall apply to expenditures made by the Recipient to carry out the aforesaid project during the period beginning with the effective date and ending on September 30, 1996.

DUPLICATE
ORIGINAL

LARRABURE Y UNANUE 110, LIMA 1
PHONE: 333200, FAX: 337034

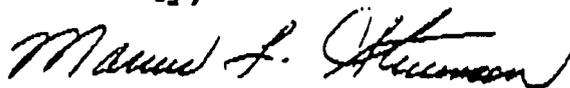
2

The Recipient shall refund to AID any funds disbursed by AID, but uncommitted by the Recipient at the expiration date of this Cooperative Agreement.

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

Please sign the original and all enclosed copies of this letter to acknowledge your receipt of the Agreement. Please keep one copy and return the original and the other copies to this office.

Sincerely,



Marcus L. Stevenson
Regional Agreement Officer

Attachments:

- 1. Schedule
- 2. Program Description
- 3. Standard Provisions
- 4. Program Proposal

ACKNOWLEDGED:

Agricultural Cooperative Development International (ACDI)

BY:


Mr. Daniel A. Chaij

Title: Vice President

Date:

10/6/93

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Fiscal Data

PIO/T No.:	527-0349-3-30099
Name of Project:	Export, Trade and Development
Appropriation:	72-1131021
Budget Plan Code:	LDVA-93-25527-KG13
Total Agreement Amount:	\$2,800,000
This Obligation:	\$2,614,089

Period:

From 09/23/93 to 9/30/96

SCHEDULE
ACDI/TechnoServe Pilot Program

A. Purpose of Agreement

The purpose of this Agreement is to develop a sustainable, community-based Caja Rural and export-oriented, community-based enterprises in three northern coastal valleys of Peru: Olmos, Motupe and Jequetepeque. These communities produce agricultural products for exports and have the minimal institutional base for a pilot effort focussing on the production of exportable products that could be used as a model for replication in other communities in Peru. Attachment 2 (Program Description) provides specific details about the activities to be financed under this Agreement. A full description of the Program is contained in the ACDI/TechnoServe proposal which is included as Attachment 4.

B. Period of Agreement

1. This Agreement is effective as of the date of this letter. The expiration date is September 30, 1996.
2. Funds obligated hereunder are available for Project expenditures for the estimated period from the effective date of the Agreement to March 30, 1996.

C. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period shown in B.1. above is Two Million Eight Hundred Thousand United States Dollars (\$2,800,000).
2. A.I.D. hereby obligates Two Million Six Hundred Fourteen Thousand Eighty-Nine United States Dollars (\$2,614,089) for Program expenditures during the period set forth in B.2. as shown in the Agreement Budget below.
3. Payment shall be made to the Recipient in accordance with the procedures set forth in Attachment 3 (the Standard Provisions), entitled "Payment - Letter of Credit."

D. Financial Plan

The following is the Agreement Budget, including local cost financing items, if authorized. Revisions to this budget shall be made in accordance with Standard Provision of this Agreement, entitled "Revision of Financial Plan".

(See pages Nos. 3, 4 & 5)

E. Substantial Involvement Provisions

The nature of the activities to be carried out under this Cooperative Agreement require that USAID/Peru be substantially involved. Accordingly, ACDI will submit to USAID/Peru for prior review and approval the following:

1. The names of key personnel to be assigned to work in the implementation of the pilot program.
2. The proposed salary level and draft contract of (if applicable) all professional personnel who will work in the program.
3. Semi-annual workplans of activities including specific budgets, to be carried out to implement the pilot program.
4. The Pilot Program Evaluation Plan

F. Reports

ACDI will:

1. Prepare semi-annual workplans which define the timing and the scope of implementation, including the objectives and indicators and the actions pertaining to the establishment of a pilot Caja Rural and export-oriented, community-based enterprises in the communities of Olmos, Motupe, and Jequetepeque. USAID/Peru will review and approve such workplans through Project Operational Letters.
2. Prepare and submit to the Office of Rural Development (ORD), USAID/Peru, quarterly progress reports. These reports will identify activities carried out during the previous quarter, and any implementation problems and activities planned for the next quarter.

1. For activities to be carried out directly by ACDI:

Item	Year I	Year II	Year III	Total Grant	Counterpart	Grand Total
1. Salaries	168,167	170,450	118,335	456,952	72,888	529,840
2. Payroll added costs	90,529	92,717	64,003	247,249	38,028	285,277
3. Travel & per diem	41,600	33,699	30,207	105,506	5,127	110,633
4. Consultants	45,408	28,600	30,030	104,038	11,689	115,727
5. Commodities	66,500	300	0	66,800	14,300	81,100
6. Other direct costs	14,080	14,784	15,481	44,345	12,000	56,345
7. Total ACDI direct costs	426,284	340,550	258,056	1,024,890	154,032	1,178,922
8. Indirect cost: 36.6%	156,020	124,641	94,449	375,110	56,376	431,486
9. Total ACDI budget	582,304	465,191	352,505	1,400,000	210,407	1,610,408
10. Subagreement TechnoServe	487,425	445,185	467,390	1,400,000	202,611	1,602,611
Total	1,069,729	910,376	819,895	2,800,000	413,018	3,213,019

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2. For Activities Through the TechnoServe Subagreement:

Item	Year I	Year II	Year III	Total Grant	Counterpart	Grand Total
1. Salaries+benefits	208,080	218,484	229,408	655,972	94,300	750,272
2. Office expenses	6,000	6,300	6,615	18,915	0	18,915
3. International travel	4,400	4,620	4,851	13,871	0	13,871
4. Local travel	53,400	60,015	63,016	176,431	51,800	228,231
5. Equipment	49,500	0	0	49,500	0	49,500
6. Outside services	22,000	23,100	24,255	69,355	0	69,355
7. Vehicle operation	6,624	6,955	7,303	20,882	0	20,882
8. Other costs	1,450	1,523	1,560	4,533	0	4,533
9. Total field program cost	351,454	320,997	337,008	1,009,459	146,100	1,155,559
10. Latin american Division Overhead	47,095	43,014	45,159	135,268	19,577	154,845
11. General and Administrative Overhead	88,876	81,174	85,223	255,273	36,934	292,207
Total	487,425	445,185	467,390	1,400,000	202,611	1,602,611

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AGREEMENT BUDGET
(U.S. DOLLARS)

<u>CATEGORY</u>	<u>AMOUNT OBLIG.</u>	<u>TOTAL AMOUNT</u>
1. Salaries	\$398,952	\$456,952
2. Payroll Added Costs	247,249	247,249
3. Travel and Per Diem	77,619	105,506
4. Consultants	79,039	104,038
5. Commodities	66,800	66,800
6. Other Direct Costs	44,345	44,345
7. Total ACIDI Direct Costs	914,003	1,024,890
8. Indirect Cost: 36.6%	375,110	375,110
9. Total ACIDI Budget	1,289,113	1,400,000
10. Subagreement TechnoServe	1,324,976	1,400,000
TOTAL	\$2,614,089	\$2,800,000

3. Submit quarterly financial reports, indicating budgeted and actual expenditures by line item.
4. Prepare any other reports which USAID/Peru may require regarding the implementation of the activities described in Attachment 1.

G. Evaluations

With funds that have been included in the budget for the ETD Project Paper Amendment, USAID/Peru will contract for two evaluations:

- (1) An interim evaluation assessing the progress and accomplishments as well as problems encountered during the first 18 months of Activity implementation. This evaluation will be used to carry out any corrective actions during the remaining life of the activity.
- (2) A final evaluation of the Activity. A copy of the evaluation report will be delivered to USAID/Peru within 30 days after the expiration date of the Agreement. The evaluation will cover the following indicators:

- Volume, value and type of agro-industry products exported by pilot enterprises
- Financing mechanism developed
- Number of targeted farmers trained in business management aspects, production topics, post-harvest services, etc.
- Number of targeted farmers receiving technical assistance on business, improved technologies, quality control, marketing, etc.
- Number and type of seminars/workshops on business management, production, financing, marketing, etc.
- Marketing research and information system developed and in use
- Number of jobs created
- Number of loans approved and disbursed
- Total portfolio and average loan size
- Distribution of loans by loan terms, production vs. investment, individual vs. organization, men vs. women, etc.
- Delinquency and default rates
- Caja profitability, capitalization level, membership growth, loan portfolio growth and quality, share of market, management and board capacity, and compliance with established policies and procedures.

- Number of Community based enterprises CBEs, and their membership size, profitability, degree of qualified self-management, operating efficiency, market security, and share of respective markets.
- Efficiency, scale and reach of loan rediscount mechanism.
- Number, value and quality of new agri-business investments
- Productivity and profitability of non-traditional and traditional agricultural products
- Effect on income of project participants
- Effect on employment levels in participating communities
- Export and domestic earnings from crops

ACDI and Technoserve will establish a data collection mechanism to gather data on the mentioned indicators on a continuous basis. Baseline data will include information on volume and value of production, yield per hectare for type of crop, exports, market prices, hectares planted, hectares harvested, cost of production, quantity of labor involved, technological levels, marketing process, cost of transportation, and profitability. Surveys will be conducted within the target area to evaluate the performance of the pilot model, as indicated in the Evaluation section.

ACDI, as the implementing agency for the pilot community-based financial institution, will report on a quarterly basis, about the progress made on the development of the pilot institution. Since the pilot financing institution activities will be mostly directed to the pilot export-oriented enterprises, periodic interviews with these enterprises will be made to evaluate the quality of services of the financial institution. Administrative records will be a source to monitor efficiency and self-sustainability.

H. Authorized Geographic Code

See Optional Standard Provisions Nos. 8 & 10.

I. Title to Property

Title to property purchased by the Recipient under this cooperative agreement shall vest in the Recipient pursuant to Optional Standard Provision entitled "Title to and use of property". Disposition of property shall be in accordance with said optional provision.

J. Indirect Cost Rates

1. Pursuant to the Standard Provision of this grant entitled "Negotiated Indirect Cost Rates - Provisional," a rate or rates shall be established for each of the Grantee's accounting periods which apply to this grant. Pending establishment of revised provisional or final indirect cost rates for each of the Grantee's accounting periods which apply to this grant, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rate(s) applied to the base(s) which are set forth below.

<u>Type</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Provisional Overhead	36.6%	*	1/1/93 until amended

*Base of Application

Modified direct costs excluding subcontracts, but including local currency provided by USAIDs when currency is to be planned, budgeted and administered by the grantee in country.

2. Techno Serve (Subagreement)

<u>Type</u>	<u>Rate</u>	<u>Base</u>	<u>Period</u>
Provisional Overhead	21.1	(a)	1/1/92 until amended
Home office Program Management	15.1	(b)	
Latin America Division	12.6	(b)	

Base of Application:

- (a) Total Cost Input.
- (b) Total Field Expenses, excluding capital purchases.

K. Special Provisions

1. All local staff will be paid in local currency.
Equivalent U.S. Dollar salary level is being

determined based upon the exchange rate in effect on the date this Agreement is executed. Only one salary increase per annum is allowable.

2. Prior to any disbursements by the Recipient, all local fringe benefits must be proposed to and specifically authorized by the Regional Agreement Officer.

L. Close-Out Procedures

This section prescribes uniform closeout procedures for this grant.

1. The following definitions shall apply for the purpose of this section:
 - a. Closeout: The closeout of a grant is the process by which USAID determines that all applicable administrative actions and all required work of the grant have been completed by the Grantee and USAID.
 - b. Date of Completion: The date of completion is the date on which all work under grants is completed or the date on the award document, or any supplement or amendment thereto, on which sponsorship ends.
 - c. Disallowed Costs: Disallowed costs are those charges to a grant that USAID or its representative determines to be unallowable in accordance with the applicable Federal cost principles or other conditions contained in the grant.
2. AID closeout procedures include the following requirements:
 - a. Upon request, USAID shall make prompt payments to a Grantee for allowable reimbursable costs under the grant being closed out.
 - b. The Grantee shall immediately refund any balance or unobligated (unencumbered) cash that USAID has advanced or paid and that is not authorized to be retained by the Grantee for use in other grants.

- c. AID shall obtain from the Grantee within 90 calendar days after the expiration of the Grant all financial, performance and other reports required as a condition of the grant. USAID may grant extensions when requested by the Grantee.
- d. A final financial compliance audit must be performed prior to the closeout of the grant, which is in accordance with the U.S. Government Accounting Office standards, USAID shall retain the right to recover any expenditures which are contrary to the terms and conditions of the grant and all applicable annexes, after fully considering the questioned costs resulting from the final audit.

**Program Description
ACDI/TechnoServe Pilot Program**

Introduction

ACDI (Agricultural Cooperative Development International) and TechnoServe have submitted an unsolicited proposal to develop a sustainable, community-based Caja Rural and export-oriented, community-based enterprises in three northern coastal valleys of Peru: Olmos, Motupe and Jequetepeque. These communities produce agricultural products for exports and have the minimal institutional base for a pilot effort focussing on the production of exportable products that could be used as a model for replication in other communities in Peru. The Program will be jointly carried out during three years by ACDI and TechnoServe at an estimated total cost of \$2.8 million. The expiration date of the Agreement will be three years after the date of signing the Grant Agreement.

This Program is part of the Agricultural Productivity Improvement (API) Component of the Export, Trade and Development Project. The purpose of the API Component is to improve the productivity and competitiveness of farmers engaged in the production of exportable agricultural products.

A. BACKGROUND

The valleys of Olmos, Motupe and Jequetepeque are located in Northern Peru in the Departments of Lambayeque and La Libertad. These areas have principally produced traditional crops such as maize and rice, as well as mangoes and limes for export.

Like most of the agricultural areas of Peru, these valleys also face important problems which can be summarized as follows:

- Commercial bank loans are not available to the small and medium size farmer. Even the few farmers that can obtain bank loans receive their credits late and never for the full amount needed.
- Agricultural research, currently in the process of privatization, is very unreliable and continues to ignore export crops.

- Post-harvest assistance or value-adding processing infrastructure is either nonexistent or limited to traditional crops.

Despite the above constraints, the selected three valleys offer great agricultural export potential and competitive opportunities to establish farmer-owned processing facilities. The infrastructure of the zone is quite adequate to permit development of high-yielding, profitable crops for both the local and external markets. The region also offers a mix of farmers capable of adopting the latest technologies, small farmers that can add needed volume and scale to a strategic plan, and an entrepreneurial environment conducive to the implementation of export schemes that would justify the installation of profitable post-harvest services and processing facilities.

B. Program Description

1. Purpose of the Program

The objectives of the Program are:

- a. To develop a sustainable, community-based credit institution in the selected valleys, and draw on other experiences to ensure a reliable and effective system of rural credit that can continue to finance viable development projects; and
- b. To generate new sources of rural employment, rational economic development and viable, sustainable sources of income for the agricultural producers in the Olmos, Motupe and Jequetepeque valleys, by introducing profitable non-traditional crops with export and/or agro-processing potential and establishing viable systems to get these products to market.

ACDI will focus on the first objective, and TechnoServe on the second. These two objectives complement each other and together will contribute to the achievement of the project purpose.

The Program seeks to:

- a. Develop and test a new model of community-based, locally-owned and managed, self-sustainable, rural financial institutions driven by a market mentality and a profit motivation that can meet the needs of the selected area inhabitants in developing market-responsive agricultural production and agricultural-based businesses.

- b. Identify and strengthen a central rediscount facility that can service the pilot Caja Rural with a smooth functioning loan rediscount mechanism.
- c. Develop self-managed, profitable, community-based enterprises and assist the institutions which will service those enterprises.
- d. Mobilize technical and financial resources to increase agricultural productivity.
- e. Promote and assist in the development of second-level agroprocessing community enterprises.

2. End of Program Status (EOPS)

Through technical and financial assistance, the following EOPS will be achieved:

- a. A minimum of six agro-enterprises will have been established, with identified markets for their production.
- b. A minimum of three export crops will have been developed and arrangements will have been completed, in coordination with ADEX, for their export. The value of such exports will be determined during the first year of implementation of this Program.
- c. The gross value of the agricultural production of the region, the per capita income of the target population, and employment levels will have increased. The specific indicator for this EOPS will be determined during the first year of implementation of the activity.

3. Outputs

The above efforts through ACDI and TechnoServe will produce the following outputs:

- a. A financing mechanism developed to provide credit and assistance in the preparation of project proposals that qualify for credit through existing financial institutions.
- b. Training workshops and seminars carried out on credit application preparation, agro-industry opportunities, cash cropping systems, and marketing of agricultural

and agro-industrial products.

- c. An inventory of existing technical, training and credit resources prepared, analyzed and provided to potential exporters of agricultural or agro-processed products for their possible use in running their operations.
- d. Technical assistance provided to farmers in target areas on business management, productivity, technologies, quality control, marketing strategies, and feasible ways of obtaining financing for investment and working capital purposes from existing credit institutions in Peru.
- e. Thirty persons trained in business management aspects, including: organization, administration, technology support services, financial management, and marketing.
- f. At least 100 farmers trained in key production topics such as crop management, harvesting, post-harvest management, collection, storage and packaging for the selected alternative crops and the traditional crops.
- g. An inventory of post-harvest services, storage, processing, packaging and transportation services for the selected alternative crops completed and made available to farmers in the target areas.
- h. A marketing research and information system developed. Information will be disseminated through a bulletin containing information on: prices, production, directories of buyers, links with crop research services, external market demand, export routes, costs and procedures, etc.
- i. A minimum of three regional seminars on marketing of export products carried out.

4. Detailed Operational Plan

ACDI will work with a newly formed Lambayeque-La Libertad Caja Rural, developing in the process a model for financial intermediation in Peru's agricultural sector. In this way, the concept of a viable, profitable, self-sustaining, community-based, socially responsible lender can be piloted and the operational difficulties worked out on a small scale.

The Program is designed to be replicable. The model can serve not only as a replacement for the now defunct Agricultural Bank of Peru, but also as a new model for rural credit at the time that Peru is promoting "Cajas" throughout the country as a

community response to ineffective, public sector development institutions. Because of this emphasis on replicability, ACDI will also assist in the development of a rediscount facility to maintain the liquidity of the "Cajas" and provide access to national capital markets.

The new Caja Rural will be community-based, as contemplated in the new Cajas law, instead of a centralized, bureaucratic and heavily subsidized rural credit bank. It will be capitalized and directed by local groups. Local lenders will work with their neighbors to develop viable, profitable projects. Local capital will be at risk, thus local capitalists will have vested financial interest in the outcome.

After an initial injection of revolving seed capital, limited start-up investments, and technical assistance, the system will be self-sustaining. It will, in effect, become a small-scale commercial bank working in a rural setting, deriving its lendable capital from sold shares, a portfolio of rediscounted loans, savings mobilization and fee-based financial services. The Caja will make both production and agribusiness loans only when such loans are demonstrably profitable and will offer a range of banking services, provided these services are profitable. The Caja will be driven by a profit motivation but sensitive to local community concerns, distributing its activities across primary production as well as agribusiness lending and fee-based services. In this way, the Caja will have a role beyond passive lending. It is best conceptualized as a small business incubator that links markets, producers and capital. It will identify promising opportunities and make information available to the community so that interested groups or individuals can build projects around these opportunities.

TechnoServe will focus on Community-based Enterprise Development, building the entrepreneurial, organizational and business management skills of small farmers. In this way they will be able to more fully and profitably participate in the economic development of the region, gaining sustained access to the agricultural markets and financial resources they need.

By concentrating on the business viability of enterprises, the Program will avoid the possibility of assisting groups or activities that in the end are not sustainable. Organizing rural groups as business enterprises encourages producers to take a market-oriented view of their activities. To be successful they must think about the future, gather and analyze market and financial information, motivate people, and make strategic plans and decisions. These skills need to become more complex as the business grows and participates more fully in the market. Recognizing this, TechnoServe will field multi-disciplinary teams

to provide intensive assistance to communities in the areas of diagnostic business studies, feasibility analysis, agricultural research and technology transfer, business management, strategic planning, agribusiness operations and marketing. The teams will help 6 communities establish viable businesses, introduce at least three new commercially viable products, double their income, and raise their levels of employment.

C. Implementation Plan

1. Overall Implementation Arrangements

The Program will be initiated with an intensive strategic planning phase. ACDI and TechnoServe will provide a team of specialized persons for up to two months to carry out the planning. This team will negotiate and program the activities of the Program over the three-year life of the Program. The strategic planning phase should also be used to refine the basic concept of the community-based development organization as well as the identification of personnel for future staffing. In addition, substantive contacts with Peruvian authorities will be carried out to enable the technical assistance team to program activities to meet the time and funds requirements.

At the end of the initial strategic planning phase, the team will discuss the results with USAID/Peru. The results of this discussion will be used to finalize the implementation plan and to resolve any issues that may have surfaced during the planning process. After the joint review of the final implementation design, USAID will provide its concurrence with the implementation plan, which will include the technical assistance budget and the staffing requirements.

2. Implementation Schedule

As the NGO responsible for the banking, finance and administrative aspects of the Program, ACDI will carry out the following activities:

- a. Identify the prospective shareholders and leaders of the new Caja, and the amount of paid-in share capital they will invest in it.
- b. Determine the staff requirements of the new Caja, its office and equipment needs, its arrangements for physical security of cash, as well as arrangements for clearing checks and other documents through commercial banks.
- c. Formalize specific counterpart relationship with the Olmos-Motupe-Jequetepeque Caja.

- d. Identify and visit leading agribusiness in the region, assessing their operations, current suppliers and markets, market opportunities and future plans.
- e. Meet with regulatory authorities in the Superintendency of Banks to determine the procedure for registration, as well as operation and reporting requirements for the Caja.
- f. Work with government authorities to determine the tax and reserve requirements, if any, of the new Caja, as the legislation is silent on this issue.
- g. In coordination with TechnoServe, determine the approximate demand for loans for the different lines of business -production and agro-industries- that may be required from the Caja and develop a staffing plan that is responsive to the volume and types of loans that the Caja is likely to make.
- h. Draw on these demand and cost estimates to develop a multi-year budget, cash flow projections and break-even loan volume.
- i. Develop a detailed business plan for the next year of the Program, making any adjustments to line items of the budget, based upon the strategic planning derived from this process, and ensure that the staffing plan is responsive to the needs of the Program.
- j. Negotiate with MEF, the Ministry of Agriculture and USAID the structure, conditions and process for disbursing PL-480 generated funds, or other sources of local currency, in order to provide resources for the new Caja. Define the performance measures that the Caja will need to meet -in terms of local capital raised, and recovery rate and internal rate of return on loans- in order to have access to such resources.
- k. Work with the appropriate GOP agencies and/or Ministries of the Presidency and Agriculture to obtain their concurrence with the Program and the administration of the resources allocated to the Caja, and to clarify their participation, oversight, or review functions, if any.
- l. At the end of the strategic planning phase, hire the local staff required for the Caja development component of the Program.

On the other hand, TechnoServe efforts will focus on the community-based enterprises. As TechnoServe already has a country director and experienced advisors operating in Peru, Program implementation should begin shortly after signing the corresponding agreement. The specific actions to be carried out will be the following:

- a. Conduct an inventory of Community-Based Enterprise (CBE) clients, including a diagnostic profile of each group's history and status.
- b. In concert with the ACDI team and other sources of market information, including ADEX, review current market studies and identify a short list of potential commodities in which the CBEs could be involved, noting the market opportunities, key constraints, principal basis of competition, and projected CBE role and required investment for each commodity.
- c. Evaluate the six groups already identified by TechnoServe as potentially viable CBEs, interacting with those groups confirmed to be viable candidates in order to develop business plans and formal written assistance agreements that spell out the exact nature of the services to be provided by TechnoServe and the fee and other commitments assumed by the CBE in return.
- d. Develop an operational plan for year one, prioritizing the communities that will participate and any specific areas of assistance required, making any adjustments to line items of the budget based upon the adjustments derived from this planning process, and ensuring the staffing plan is responsive to needs of the Program.
- e. Identify and select candidates to fill the positions outlined in the staffing section of the proposal.
- f. Through assistance activities with the first group of CBEs, provide the newly hired staff members with both classroom orientation on TechnoServe Program methodology as well as on-the-job training, working side-by-side with a core team of experienced TechnoServe advisors, under the close supervision of the Program director and Program manager.

3. Responsibilities

USAID/Peru through the RCO will sign a Cooperative Agreement with ACDI, which will assume full responsibility for all aspects of Program implementation. Under the terms of the Agreement,

ACDI will execute subagreement with TechnoServe to enable this NGO to carry out the implementing actions related to the development of the Community-Based Enterprises. Notwithstanding this arrangement, ACDI will continue to be fully responsible to USAID/Peru for the implementation of the Program.

On all aspects of Program implementation, ACDI and TechnoServe will make the necessary arrangements to assure effective coordination with central, regional and local government authorities, as well as with the private sector, relevant business organizations, and the community.

In addition, ACDI will assign an individual to be the principal contact with the Program Coordinator in the USAID/Peru Office of Rural Development.

4. Environmental Considerations

All activities to be undertaken will be environmentally sound. Both ACDI and TechnoServe will select staff members which in addition to their specialty, should have knowledge in environmental protection, to make sure that the Program will not support any activity which may be in conflict with environmentally sound practices.

MANDATORY AND OPTIONAL STANDARD PROVISIONS

(Appendix 4C and AID Handbook 13)

The following Mandatory and Optional Standard Provisions for Non-U.S., Non-Governmental Grantees* in effect as of the effective date of this Grant are incorporated herein by reference with full force and effect as though fully set forth herein:

A. Mandatory Standard Provisions

1. Allowable Costs	(November 1985)
2. Accounting, Audit and Records	(August 1992)
3. Refunds	(September 1990)
4. Revision of Grant Budget	(November 1985)
5. Termination and Suspension	(August 1992)
6. Disputes	(August 1992)
7. Ineligible Countries	(May 1986)
8. Debarment, Suspension and Other Related Matters	(August 1992)
9. Nondiscrimination	(May 1986)
10. U.S. Officials Not to Benefit	(November 1985)
11. Nonliability	(November 1985)
12. Amendment	(November 1985)
13. Notices	(November 1985)
14. Metric of Measures	(August 1992)

B. Optional Standard Provisions

1. OMB Approval under the Paperwork Reduction Act	(August 1992)
2. Payment - Letter of Credit	(August 1992)
5. Air Travel and Transportation	(August 1992)
6. Ocean Shipment of Goods	(August 1992)
7. Procurement of Goods and Services	(November 1985)
8. AID Eligibility Rules for Goods and Services	(August 1992)
9. Subagreements	(August 1992)
10. Local Cost Financing	(August 1992)
12. Publications	(August 1992)
14. Negotiated Indirect Cost Rates - Provisional	(August 1992)
16. Regulations Governing Employees	(August 1992)
21. Title To and Use of Property (Grantee Title)	(November 1985)
25. Use of Pouch Facilities	(August 1992)
26. Conversion of United Dollars to Local Currency	(November 1985)

* 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".

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APPENDIX 4C

MANDATORY STANDARD PROVISIONS FOR
U.S., NONGOVERNMENTAL GRANTEEES¹

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MANDATORY STANDARD PROVISIONS

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| 2. Accounting, Audit, and Records | 9. Nondiscrimination |
| 3. Refunds | 10. U.S. Officials Not to Benefit |
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| 5. Termination and Suspension | 12. Amendment |
| 6. Disputes | 13. Notices |
| 7. Ineligible Countries | 14. Metric System of Measurement |

1. ALLOWABLE COSTS (NOVEMBER 1985)

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, any negotiated advance understanding with particular cost items, and the applicable* cost principles in effect on the date of this grant.

* NOTE: For Educational Institutions use OMB Circular A-21; for all other non-profits use OMB Circular A-122; and for profit making firms use FAR 31.2. and AIDAR 731.2.

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

(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.

¹When 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."

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(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) 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.

(6) 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.

(7) 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.

* (8) A systematic method to ensure timely and appropriate resolution of audit findings and recommendations.

(b) The grantee shall require subrecipients to adopt the standards in paragraph (a) above except that portion of subparagraph (a)(1) that would require specific financial reporting forms and frequencies in accordance with the payment provisions of this grant.

(c) If the grantee is a nonprofit institution, it shall conduct audits in accordance with the requirements of OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions" and shall ensure that nonprofit subrecipients conduct audits and submit them to the grantee in accordance with the Circular.

(d) 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:

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* (1) until the expiration of three years from the date of termination of the grant;

(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 practices 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; and

(3) If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

(e) The grantee shall insert paragraph (d) above in all subagreements.

3. REFUNDS (SEPTEMBER 1990)

*

(a) The grantee shall remit to AID all interest earned on funds provided by AID at least quarterly, except that interest amounts up to \$100 per year may be retained by the grantee for administrative expense.

(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 advanced to but not expended by the grantee and not encumbered by a legally binding transaction applicable to this grant at the time of expiration or termination of the grant shall be refunded to AID.

(c) AID reserves the right to require refund by the grantee of any amount which AID determines to have been expended for purposes not in accordance with the terms and conditions of this grant, including but not limited to costs which are not allowable in accordance with the applicable Federal cost principles or other terms and conditions of this grant. In the event that a final audit has not been performed prior to the closeout of this grant, AID retains the refund right until all claims which may result from the final audit have been resolved between AID and the grantee.

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4. REVISION OF GRANT BUDGET (NOVEMBER 1985)

(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 the following reasons:

(1) Changes in the scope or the objectives of the program and/or revisions in the funding allocated among program objectives.

(2) The need for additional funding.

(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 substantive programmatic work under this grant, and such contracts or subgrants were not included in the approved grant budget.

(6) The grantee plans to incur an expenditure which would require advance approval in accordance with the applicable Federal cost principles and was not included in the approved grant budget.

(7) The grantee plans to transfer funds allotted for training allowances to other categories of expense.

(c) When requesting approval for budget revisions, the grantee shall use the budget formats that were used in the application unless a letter request will suffice.

(d) Within 30 calendar days from the date of the receipt of the request for budget revisions, the grant officer shall review the request and notify the grantee whether the budget revisions have been approved. If the revisions are still under consideration at the end of 30 calendar days, the grant officer shall inform the grantee in writing of the date when the grantee may expect the decision. The grant officer shall obtain the project officer's clearance on all such requests prior to communication with the grantee.

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(e) If the requested budget revision requires the obligation of additional funding, and if after notification pursuant to this standard provision, AID determines not to provide additional funds, the AID grant officer will, upon written request of the grantee, terminate this grant pursuant to the standard provision of this grant, entitled "Termination and Suspension."

(f) 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 and Suspension" 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 in such notice the new obligated grant total amount.

5. TERMINATION AND SUSPENSION (AUGUST 1992)

* (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 AID 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 AID may, following notice to the grantee, suspend or terminate this grant in whole or in 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 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.

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(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 (AUGUST 1992).

* (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.

*

7. 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 RELATED MATTERS (AUGUST 1992)

(a) As a condition of receiving this grant, the grantee has submitted the certifications required by AID Regulation 8 (22 CFR Part 208) both for itself and any prospective lower tier participants identified up to the date of award of the grant. The grantee also agrees to secure required certifications from lower tier participants identified after the date of the award, to notify AID in the event of changed circumstances affecting the validity of its certifications, to require lower tier participants to notify the grantee in the event of changed circumstances affecting the validity of their certifications, and to otherwise comply with AID Regulation 8 in all respects.

(b) In addition to the above, 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 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.



9. NONDISCRIMINATION (MAY 1986)

(This provision is applicable when work under the grant is performed in the U.S. or when employees are recruited in the U.S.)

No U.S. citizen or legal resident 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.

10. 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.

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11. NON-LIABILITY (NOVEMBER 1985)

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

12. 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.

13. 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 the effective date of the notice, whichever is later.

* 14. 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.

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(END OF MANDATORY STANDARD PROVISIONS)

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* 1. OMB APPROVAL UNDER THE PAPERWORK REDUCTION ACT (AUGUST 1992)

(This provision is applicable whenever any of the nine provisions below containing an information collection requirement is included in the grant.)

Information collection requirements imposed by this grant are covered by OMB approval number 0412-0510; the current expiration date is 7/31/94. Identification of the Standard Provision containing the requirement and an estimate of the public reporting burden (including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information) are set forth below.

	<u>Standard Provision</u>	<u>Burden Estimate</u>
5	Air Travel and Transportation	1 (hour)
6	Ocean Shipment of Goods	.5
7	Procurement of Goods and Services	1
11	Patent Rights	.5
12	Publications	.5
13/14	Negotiated Indirect Cost Rates - Predetermined and Provisional	1
18	Voluntary Population Planning	.5
19	Protection of the Individual as a Research Subject	1
21	Title to and Use of Property (Grantee Title)	1.5

Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Procurement Policy and Evaluation Staff (FA/PPE), Agency for International Development, Washington, DC 20523-1435 and to the Office of Management and Budget, Paperwork Reduction Project (0412-0510), Washington, DC 20503.

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2. PAYMENT - LETTER OF CREDIT (AUGUST 1992)

* (This provision is applicable only when the following conditions are met:
 (i) the total advances under all the grantee's cost-reimbursement contracts and assistance instruments with AID equal or exceed \$50,000 per annum, (ii) AID has, or expects to have, a continuing relationship with the grantee for at least one year; (iii) the grantee has the ability to maintain procedures that will minimize the time elapsing between the transfer of funds and the disbursement thereof; (iv) the grantee's financial management system meets the standards for fund control and accountability required under the standard provision of this grant, entitled "Accounting, Audit, and Records" and, either (v) the foreign currency portion of the total advance under this grant is less than 50% or (vi) the foreign currency portion of the total advance under this grant is more than 50% but more than one foreign currency country is involved.)

(a) Payment under this grant shall be by means of a Letter of Credit (LOC) in accordance with the terms and conditions of the LOC and any instructions issued by AID's Office of Financial Management, Cash Management and Payment Division (FA/FM/CMP).

(b) As long as the LOC is in effect, the terms and conditions of the LOC and any instructions issued by FA/FM/CMP constitute payment conditions of this grant, superseding and taking precedence over any other provision of this grant concerning payment.

(c) Reporting:

(1) A "Financial Status Report" SF-269, shall be prepared on an accrual basis and submitted quarterly no later than 30 days after the end of the period, in an original and two copies to AID/FA/FM/CMP, Washington, D.C. 20523-0209. If the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system, but shall develop such accrual information through best estimates based on an analysis of the documentation on hand. The final report must be submitted within 90 days after the conclusion of the grant to FA/FM/CMP. In cases where grants are Mission funded, the Grantee will forward an information copy to the AID Mission accounting station at the same time the original is mailed to FA/FM/CMP, AID/Washington.

(2) The grantee shall submit an original and one copy of SF-272, "Federal Cash Transactions Report," within 15 working days following the end of each quarter to FA/FM/CMP. Grantees receiving advances totaling more than \$1 million per year shall submit the SF-272 on a monthly basis within 15 working days following the close of the month. Grantees shall report all cash advances in the remarks section of SF-272. Those cash advances in excess of immediate disbursement requirements in the hands of subrecipients or the grantee's field organizations shall be supported by short narrative explanations of actions taken by the grantee to reduce the excess balances. Interest earned shall be reported in Section 13a of the report and shall be paid to AID on a quarterly basis, unless under \$100.00 per annum.

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* (d) If during the term of the grant, FA/FM/CMP believes that the LOC should be revoked, FA/FM/CMP may, after consultation with the Grant Officer and GC, revoke the LOC by written notification to the grantee. FA/FM/CMP shall provide the grant officer a copy of the revocation notice and recommendation for an alternative method of payment (periodic advance or cost reimbursement) based upon the reasons for the revocation. The grant officer shall immediately amend this agreement to provide for an appropriate alternative method of payment.

(e) Notwithstanding the foregoing, the letter of credit shall be revoked one year after the completion date of the latest grant.

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(END OF STANDARD PROVISION)

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5. AIR TRAVEL AND TRANSPORTATION (AUGUST 1992)

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

* (a) The grantee is required to notify the project officer of the proposed itinerary for each planned international trip financed by this grant, by providing the name of the traveller, purpose of the trip, origin/destination (and intervening stops), and dates of travel, as far in advance of the proposed travel as possible, but at least three weeks before travel is planned to commence. International travel, as provided for in the grant, is authorized unless otherwise disapproved by the project officer in writing prior to the commencement of travel. At least one week prior to departure, the grantee shall notify the cognizant U.S. Mission or Embassy, with a copy to the project officer of planned travel, identifying the travellers and 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 U.S. Government S.F. 1169, 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 U.S. 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 otherwise available 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 reimbursable 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

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(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 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 U.S. 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 U.S. 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:

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(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 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).

(1) International Travel

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

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(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 subgrants and contracts which require air travel and transportation under this grant.

(END OF STANDARD PROVISION)

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6. OCEAN SHIPMENT OF GOODS (AUGUST 1992)

- * (This provision is applicable when goods purchased with funds provided under this grant are transported to cooperating countries on ocean vessels whether or not grant funds are used for the transportation.)
- (a) At 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 Division, Office of Procurement, 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 reimbursable 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 measurement."
- (e) Shipments by voluntary nonprofit relief agencies (i.e., PVOs) shall be governed by this standard provision and by AID Regulation 2, "Overseas Shipments of Supplies by Voluntary Nonprofit Relief Agencies" (22 CFR Part 202).
- (f) Shipments financed under this grant must meet applicable eligibility requirements set out in Handbook 1, Supplement B, Chapter 7.
- (g) This provision will be included in all subagreements which will finance goods to be shipped on ocean vessels.

(END OF STANDARD PROVISION)

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7. PROCUREMENT OF GOODS AND SERVICES (NOVEMBER 1985)

(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 "AID Eligibility Rules for Goods and Services."

(a) General Requirements:

(1) The grantee 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 that individual's knowledge, the individual or the individual's immediate family, partners, or organization in which the individual or the individual's immediate family or partners has a financial interest or with whom that individual is negotiating or has any arrangement concerning prospective employment. The grantee's 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 grantees' 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 grantee 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 grantee, 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 grantee. Any and all bids/offers may be rejected when it is in the grantee's interest to do so.

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

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(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.

(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 of 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 grantee 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 solicitations 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 grantee 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.

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(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 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.

(ix) 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, in addition to provisions to define a sound and complete contract, the following contract provisions, if applicable, 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 or AID 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.

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(2) All contracts in excess of \$10,000 shall contain suitable provisions for termination by the grantee 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, grantees shall observe generally accepted bonding requirements.

(4) All contracts awarded by the grantee or subgrantee to be performed in the United States having a value of more than \$10,000, shall contain a provision requiring compliance with Executive Order 11246, entitled "Equal Employment Opportunity," as amended, and as supplemented in Department of Labor Regulations (41 CFR Part 60).

(5) All contracts and subgrants in excess of \$2,000 for construction or repair to be performed in the United States awarded by the grantee or subgrantee shall include a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor Regulations (29 CFR Part 3). This Act provides that each contractor or subgrantee shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which that individual is otherwise entitled. The grantee shall report all suspected or reported violations to AID.

(6) When required by the Federal program legislation, all construction contracts to be performed in the United States awarded by the grantee or subgrantee of more than \$2,000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) as supplemented by Department of Labor Regulations (29 CFR Part 5). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The grantee shall place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. The grantee shall report all suspected or reported violations to AID.

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(7) Where applicable, all contracts awarded by the grantee or subgrantees in excess of \$2,000 for construction contracts to be performed in the United States and its territories and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers, shall include a provision for compliance with sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor Regulations (29 CFR Part 5). Under section 103 of the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work day of 8 hours and a standard workweek of 40 hours. Work in excess of the standard workday or workweek is permissible provided that the worker is compensated at a rate of not less than 1 1/2 times the basic rate of pay for all hours worked in excess of 8 hours in any calendar day or 40 hours in the workweek. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous to the worker's health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor. These requirements do not apply to the purchases of supplies of materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

(8) 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.

(9) All negotiated contracts over \$10,000 awarded by the grantee shall include a provision to the effect that the grantee, 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.

(10) Contracts in excess of \$100,000 to be performed in the United States shall contain a provision that requires the contractor to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act of 1970 (42 U.S.C. 7401) and the Federal Water Pollution Control Act (33 U.S.C. 1251, et seq.) as amended. * Violations shall be reported to AID and the Regional Office of the Environmental Protection Agency. *

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(11) Contracts which require performance outside the United States shall contain a provision requiring Workmen's Compensation Insurance (42 U.S.C. 1651, et seq.). As a general rule, Department of Labor waivers will be obtained for persons employed outside the United States who are not United States citizens or residents provided adequate protection will be given such persons. The grantee should refer questions on this subject to the AID grant officer.

(END OF STANDARD PROVISION)

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8. AID ELIGIBILITY RULES FOR GOODS AND SERVICES (AUGUST 1992)

(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. AID's policy on ineligible and restricted goods and services is contained in Chapter 4 of AID Handbook 1, Supplement B, entitled "Procurement Policies".

(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 goods or services furnished by any firms or individuals whose name appears on the "Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs." AID will provide the grantee with a copy of these lists upon request. *

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 and Nationality: The eligibility rules for goods and services based on source and nationality are divided into two categories. One applies when the total procurement element during the life of the grant is over \$250,000, and the other applies when the total procurement element during the life of the grant is not over \$250,000, or the grant is funded under the Development Fund for Africa (DFA) regardless of the amount. 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 and definitions on source (including origin and componentry) and nationality are contained in Chapter 5 of AID Handbook 1, Supplement B, entitled "Procurement Policies."

(1) For DFA funded grants or when the total procurement element during the life of this grant is valued at \$250,000 or less, the following rules apply:

(i) The authorized source for procurement of all goods and services to be reimbursed under the grant is AID Geographic Code 935, "Special Free World," and such goods and services must meet the source (including origin and componentry) and nationality requirements set forth in Handbook 1, Supp. B, Chapter 5 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), and
- (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)(i) 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,

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* (C) Compelling 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 (unless funded by DFA), the following applies: Except as may be specifically approved or directed in advance by the grant officer, all goods and services financed with U.S. dollars, which will be reimbursed under this grant must meet the source (including origin and componentry) and nationality requirements set forth in Handbook 1, Supp B, Chapter 5 for the authorized geographic code specified in the schedule of this grant. If none is specified, the authorized source is Code 000, the United States. *

(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 premium is made to, and 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 U. S., then any AID-financed commodity shipped to that country shall be insured against marine risk and the insurance shall be placed in the U. S. with a company or companies authorized to do marine insurance business in the U. S.

(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:

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- (1) The United States (AID Geographic Code 000),
- (2) The Cooperating Country,
- (3) "Selected Free World" countries (AID Geographic Code 941), and
- (4) "Special Free World" countries (AID Geographic Code 899).

(f) Special Restrictions 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.

- * (g) This provision will be included in all subagreements which include procurement of goods or services over \$5,000. *

(END OF STANDARD PROVISION)

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9. SUBAGREEMENTS (AUGUST 1992)

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

* (a) Funds provided under this grant shall not be used to support any subrecipient whose name appears on the "Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs." AID will provide the grantee with a copy of these lists upon request.

(b) All subagreements shall as a minimum contain, in addition to provisions to define a sound and complete agreement, the following provisions as well as any that are specifically required by any other 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.

(1) 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.

(2) All subagreements 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 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.

(3) 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.

(4) A grantee that receives an AID grant and provides \$25,000 or more of it during its fiscal year to a sub-recipient shall follow the guidelines of OMB Circular A-133. The grantee shall ensure that:

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(i) the nonprofit institution sub-recipients that receive \$25,000 or more have met the audit requirements of OMB Circular A-133, and that sub-recipients subject to OMB Circular A-128 have met the audit requirements of that Circular;

(ii) appropriate corrective action is taken within six months after receipt of the sub-recipient audit report in instances of noncompliance with Federal laws and regulations;

(iii) they consider whether sub-recipients audits necessitate adjustment of the grantee's own records; and

(iv) each sub-recipient is required to permit independent auditors to have access to the records and financial statements as necessary for the grantee to comply with OMB Circular A-133.

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(END OF STANDARD PROVISION)

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* 10. LOCAL COST FINANCING (AUGUST 1992)

This provision is applicable when the total estimated procurement element for the life of the grant is valued over \$250,000 and the grant is not funded under DFA.

(a) Financing local procurement involves the use of appropriated funds to finance the procurement of goods and services supplied by local businesses, dealers or producers, with payment normally being in the currency of the cooperating country.

(b) All locally financed procurements must be covered by source and nationality waivers as set forth in AID Handbook 1, Supplement B, Chapter 5 with the following exceptions:

(1) Locally available commodities of U.S. origin, which are otherwise eligible for financing, if the value of the transaction is estimated not to exceed \$100,000 exclusive of transportation costs.

(2) Commodities of geographic code 935 origin if the value of the transaction does not exceed the local currency equivalent of \$5,000.

(3) Commodities and services available only in the local economy (no specific per transaction value applies to this category). This category includes the following items:

(i) Utilities including fuel for heating and cooking, waste disposal and trash collection;

(ii) Communications - telephone, telex, fax, postal and courier services;

(iii) Rental costs for housing and office space;

(iv) Petroleum, oils and lubricants for operating vehicles and equipment;

(v) Newspapers, periodicals and books published in the cooperating country;

(vi) Other commodities and services and related expenses that, by their nature or as a practical matter, can only be acquired, performed, or incurred in the cooperating country, e.g., vehicle maintenance, hotel accommodations, etc.

(c) All procurements under grants financed with DFA funds and grants with procurement elements of \$250,000 or less are subject to the guidance provided under standard provision "AID Eligibility Rules for Goods and Services."

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

- (1) Military equipment,
- (2) Surveillance equipment,
- (3) Commodities and services for support of police or other law enforcement activities,
- (4) Abortion equipment and services,
- (5) Luxury goods and gambling equipment, or
- (6) Weather modification equipment.

* (e) Ineligible Suppliers: Funds provided under this grant shall not be used to procure any goods or services furnished by any firm or individual whose name appears on the "Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs." AID will provide the grantee with these lists upon request.

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

- (1) Agricultural commodities,
- (2) Motor vehicles,
- (3) Pharmaceuticals,
- (4) Pesticides,
- (5) Rubber compounding chemicals and plasticizers,
- (6) Used equipment,
- (7) U.S. Government-owned excess property, or
- (8) Fertilizer.

(g) If AID determines that the grantee has procured any of the restricted or ineligible goods and services specified in subparagraphs c. through e. above, or 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.

(h) This provision will be included in all subagreements where local procurement of goods or services will be required. *

(END OF STANDARD PROVISION)

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12. PUBLICATIONS (AUGUST 1992)

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

- * (a) AID shall be prominently acknowledged in all publications, videos or other information/media products funded or partially funded through this grant, and the product shall state that the views expressed by the author(s) do not necessarily reflect those of AID. Acknowledgements should identify the sponsoring AID Office and Bureau or Mission as well as the U.S. Agency for International Development substantially as follows:

"This [publication, video or other information/media product (specify)] was made possible through support provided by the Office of _____, Bureau for _____, U.S. Agency for International Development, under the terms of Grant No. _____. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development."

(b) Unless the grantee is instructed otherwise by the cognizant technical office, publications, videos or other information/media products funded under this grant and intended for general readership or other general use will be marked with the AID logo and/or U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT appearing either at the top or at the bottom of the front cover or, if more suitable, on the first inside title page for printed products, and in equivalent appropriate location in videos or other information/media products. Logos and markings of co-sponsors or authorizing institutions should be similarly located and of similar size and appearance.

(c) The grantee shall provide the AID project officer and POL/CDIE, Room 215, SA-18, Washington, DC 20523-1802, with one copy each of all published works developed under the grant and with lists of other written work produced under the grant. *

(d) 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 unless the schedule of the grant has identified the profits or royalties as program income.

(e) 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.

(END OF STANDARD PROVISION)

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14. NEGOTIATED INDIRECT COST RATES - PROVISIONAL (AUGUST 1992)

* (This provision is applicable to any EDUCATIONAL OR NONPROFIT INSTITUTION which does not have predetermined indirect cost rate(s); however, it shall also be included when the NEGOTIATED INDIRECT COST RATES - PREDETERMINED standard provision is used.)

(a) A provisional indirect cost rate(s) shall be established for each of the grantee's accounting periods during the term of this grant. Pending establishment of a final rate(s), the parties have agreed that provisional payments on account of allowable indirect costs shall be at the rate(s), on the base(s), and for the periods shown in the schedule of this grant.

(b) Not later than 13 months after the close of the grantee's fiscal year, the grantee shall submit to the cognizant Government Audit Activity, in accordance with the requirements of OMB Circular A-133, an audit report along with proposed final indirect cost rate(s) and supporting cost data. In the event AID is the cognizant agency or no cognizant agency has been designated, the grantee shall submit seven copies of the OMB Circular A-133 audit along with the proposed final indirect cost rate(s) and supporting cost data to the AID Inspector General, Washington, DC 20523, and a copy to the Overhead and Special Costs - Contract Closeout Branch, Office of Procurement, Washington, DC 20523. The proposed rate(s) shall be based on the grantee's actual cost experience during that fiscal year. Negotiations of final indirect cost rate(s) shall begin as soon as practical after receipt of the grantee's proposal. *

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with the applicable cost principles in effect on the date of this grant.

(d) The results of each negotiation shall be set forth in a written indirect cost rate agreement executed by both parties. Such agreement 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 rate(s) apply. The indirect cost rate agreement shall not change any monetary ceiling, grant obligation, or specific cost allowance or disallowance provided for in this grant.

(e) Pending establishment of final indirect cost rate(s) for any period, the grantee shall be reimbursed either at negotiated provisional rate(s) as provided above or at billing rate(s) acceptable to the grant officer, subject to appropriate adjustment when the final rate(s) for that period are established. To prevent substantial over or under payment, the provisional or billing rate(s) may, at the request of either party, be revised by mutual agreement, either retroactively or prospectively. Any such revision of negotiated provisional rate(s) provided in this standard provision shall be set forth in a modification to this grant.

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(f) Any failure by the parties to agree on final rate(s) under this standard provision shall be considered a dispute within the meaning of the standard provision of this grant entitled "Dispute" and shall be disposed of in accordance therewith.

(END OF STANDARD PROVISION)

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16. REGULATIONS GOVERNING EMPLOYEES (AUGUST 1992)

(The following applies to the grantee's 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, including the rules contained in 22 CFR Part 136, except as this may conflict with host government regulations. *

(c) Other than work to be performed under this grant for which an employee is assigned by the grantee, no employee 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 in accordance with the preceding 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.

(END OF STANDARD PROVISION)

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21. TITLE TO AND USE OF PROPERTY (GRANTEE TITLE) (NOVEMBER 1985)

(This provision is applicable when the Government vests title to property 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 agreement, subagreement, contract, or subcontract.

(b) The grantee agrees to use and maintain the property for the purpose of the grant in accordance with the requirements of paragraphs (c), (d), (e), and (f) below.

(c) Real Property:

(1) Real property means land, including land improvements, structures and appurtenances thereto, but excluding movable machinery and equipment.

(2) Use of Real Property:

(1) The grantee shall use the real property for the authorized purpose of the project, as long as it is needed.

(1) The grantee shall obtain approval from AID for the use of real property in other projects when the grantee determines that the property is no longer needed for the purpose of the original program. Use in other programs shall be limited to those under other federally sponsored programs (i.e., grants or other agreements) that have purposes consistent with those authorized for support by AID

(3) Disposition of Real Property: When the real property is no longer needed as provided in (2) above, the grantee shall request disposition instructions from AID or its successor Federal sponsoring agency. AID or the successor Federal sponsoring agency shall observe the following rules in the disposition instructions:

(1) The grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original program to the fair market value of the property.

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(ii) The grantee may be directed to sell the property under guidelines provided by the Federal sponsoring agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original program to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sales proceeds). When the grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(iii) The grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the grantee shall be entitled to compensation computed by applying the grantee's percentage of participation in the cost of the program to the current fair market value of the property.

(d) Nonexpendable Property:

(1) Nonexpendable personal property means tangible personal property having a useful life of more than two years and an acquisition cost of \$500 or more per unit.

(2) Use of Nonexpendable Personal Property:

(1) The grantee shall use the property in the program for which it was acquired as long as needed, whether or not the program continues to be supported by Federal funds. When no longer needed for the original program, the grantee shall use the property in connection with its other federally sponsored activities in the following order of priority:

(A) Activities sponsored by AID

(B) Activities sponsored by other Federal agencies.

(ii) Shared use - During the time that nonexempt nonexpendable personal property is held for use on the program for which it was acquired the grantee shall make it available for use on other programs if such other use will not interfere with the work on the program for which the property was originally acquired. First preference for such other use shall be given to other programs sponsored by AID; second preference shall be given to programs sponsored by other Federal agencies. User charges should be considered if appropriate.

(3) Disposition Of Nonexpendable Personal Property - With A Unit Acquisition Cost Of Less Than \$1,000: The grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

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(4) Disposition Of Nonexpendable Personal Property With A Unit Acquisition Cost Of \$1,000 Or More:

(1) 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.

(11) The grantee may retain the property for other uses provided that compensation is made to AID or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original program to the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from AID

(111) AID shall determine whether the property can be used to meet AID requirements. If no requirement exists within AID the availability of the property shall be reported to the General Services Administration by AID to determine whether a requirement for the property exists in other Federal agencies. AID shall issue instructions to the grantee no later than 120 days after the grantee's request and the following procedures shall govern:

(A) If so instructed or if disposition instructions are not issued within 120 calendar days after the grantee's request, the grantee shall sell the property and reimburse AID an amount computed by applying to the sales proceeds that percentage of Federal participation in the cost of the original program. However, the grantee shall be permitted to deduct and retain from the Federal share \$100 or ten percent of the proceeds, whichever is greater, for the grantee's selling and handling expenses.

(B) If the grantee is instructed to ship the property elsewhere, the grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the grantee's participation in the cost of the original grant program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(C) If the grantee is instructed to otherwise dispose of the property, the grantee shall be reimbursed by AID for such costs incurred in its disposition.

(e) Expendable Personal Property:

(1) Expendable personal property means all tangible personal property other than nonexpendable property.

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(2) The grantee shall use the expendable personal property for the authorized purpose of the grant program, as long as it is needed.

(3) If there is a residual inventory of such property exceeding \$1,000 in total aggregate fair market value, upon termination or completion of the grant and the property is not needed for any other federally sponsored program, the grantee shall retain the property for use on nonfederally sponsored activities, or sell it, but must in either case, compensate the Federal Government for its share. The amount of compensation shall be computed in the same manner as nonexpendable personal property.

(f) The grantee's property management standards for nonexpendable personal property shall include the following procedural requirements:

(1) Property records shall be maintained accurately and shall include:

(i) A description of the property.

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(iii) Source of the property, including grant or other agreement number.

(iv) Whether title vests in the grantee or the Federal Government.

(v) Acquisition date and cost.

(vi) Percentage (at the end of the budget year) of Federal participation in the cost of the project or program for which the property was acquired.

(vii) Location, use, and condition of the property and the date the information was reported.

(viii) Unit acquisition cost.

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where the grantee compensates AID for its share.

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(2) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The grantee shall in connection with the inventory, verify the existence, current utilization, and continued need for the property. The inventory listing shall be retained as documentation in accordance with the standard provision of this grant entitled "Accounting, Audit, and Records."

(3) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(4) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(5) Where the grantee is authorized or required to sell the property, proper sales procedures shall be established which would provide for competition to the extent practicable and result in the highest possible return.

(END OF STANDARD PROVISION)

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25. USE OF POUCH FACILITIES (AUGUST 1992)

(This provision is applicable when activities under the grant will take place outside of the United States.)

(a) Use of diplomatic pouch is controlled by the Department of State. The Department of State has authorized the use of pouch facilities for AID grantees and their employees as a general policy, as detailed in items (1) through (6) below. However, the final decision regarding use of pouch facilities rest with the Embassy or AID Mission. In consideration of the use of pouch facilities, the grantee and its employees agree to indemnify and hold harmless, the Department of State and AID for loss or damage occurring in pouch transmission:

*

(1) Grantees and their employees are authorized use of the pouch for transmission and receipt of up to a maximum of .9 kgs per shipment of correspondence and documents needed in the administration of assistance programs.

(2) U.S. citizen employees are authorized use of the pouch for personal mail up to a maximum of .45 kgs per shipment (but see (a)(3) below).

(3) Merchandise, parcels, magazines, or newspapers are not considered to be personal mail for purposes of this standard provision and are not authorized to be sent or received by pouch.

(4) Official and personal mail pursuant to a.1. and 2. above sent by pouch should be addressed as follows:

Name of individual or organization (followed by
letter symbol "G")
City Name of post (USAID/_____)
Agency for International Development
Washington, D.C. 20523-0001

(5) Mail sent via the diplomatic pouch may not be in violation of U.S. Postal laws and may not contain material ineligible for pouch transmission.

(6) AID grantee personnel are not authorized use of military postal facilities (APO/FPO). This is an Adjutant General's decision based on existing laws and regulations governing military postal facilities and is being enforced worldwide.

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(b) The grantee shall be responsible for advising its employees of this authorization, these guidelines, and limitations on use of pouch facilities.

(c) Specific additional guidance on grantee use of pouch facilities in accordance with this standard provision is available from the Post Communication Center at the Embassy or AID Mission.

(END OF STANDARD PROVISION)

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26. CONVERSION OF UNITED STATES DOLLARS TO LOCAL CURRENCY (NOVEMBER 1985)

(This provision is applicable when activities under the grant will take place outside of the United States.)

Upon arrival in the Cooperating Country, and from time to time as appropriate, the grantee's chief of party shall consult with the Mission Director who shall provide, in writing, the procedure the grantee and its employees shall follow in the conversion of United States dollars to local currency. This may include, but is not limited to, the conversion of currency through the cognizant United States Disbursing Officer or Mission Controller, as appropriate.

(END OF STANDARD PROVISION)