Strategic Objective Grant Agreement
Convenio de Donación de Objetivo Estratégico

Between
Entre

The Government of the United States of America
El Gobierno de Los Estados Unidos de América

Acting through the United States Agency for International Development
Actuando por medio de la Agencia de los Estados Unidos para el Desarrollo Internacional

And
Y

The General Secretariat of the Central American Integration System
La Secretaría General del Sistema de la Integración Centroamericana

for the
para el

Strategic Objective
Objetivo Estratégico
No. 596-022

ECONOMIC FREEDOM: OPEN, DIVERSIFIED EXPANDING ECONOMIES
LIBERTAD ECONOMICA: ECONOMIAS ABIERTAS, DIVERSIFICADAS Y EN EXPANSION

Actividad de USAID No. 596-0200	USAID Activity No. 596-0200

San Salvador, El Salvador, C.A.
August 11, 2005
11 de Agosto de 2005

Amount (Monto): **$9,944,788**

Convenio de Donación de Objetivo Estratégico

En: San Salvador, República de El Salvador, C.A.

Fecha: 11 de agosto de 2005

Entre la Secretaría General del Sistema de la Integración Centroamericana (SG-SICA), ("Donatario"),

y

El Gobierno de los Estados Unidos de América, actuando por medio de la Agencia de los Estados Unidos para el Desarrollo Internacional ("USAID").

ARTICULO 1: PROPOSITO

El propósito de este Convenio de Donación de Objetivo Estratégico ("Convenio") es establecer el acuerdo entre las Partes arriba mencionadas ("Partes") con respecto al Objetivo Estratégico que se describe a continuación, que pertenece al Programa Regional de USAID para Centroamérica y Mexico (E-CAM).

ARTICULO 2: OBJETIVO ESTRATEGICO Y RESULTADOS

Sección 2.1 Objetivo Estratégico

El Objetivo Estratégico es: "Libertad Económica: Economías Abiertas, Diversificadas y en Expansión" ("Objetivo").

Sección 2.2 Resultados

A fin de alcanzar este Objetivo, las Partes acuerdan trabajar conjuntamente para lograr los siguientes Resultados ("Resultados"): 1) Leyes,

Strategic Objective Grant Agreement

In: San Salvador, Republic of El Salvador, C.A.

Date: August 11, 2005

Between the General Secretariat of the Central American Integration System (SG-SICA), ("Grantee"),

and

The Government of the United States of America, acting through the United States Agency for International Development ("USAID").

ARTICLE 1: PURPOSE

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above ("Parties") concerning the Strategic Objective described below pertaining to the USAID Regional Program for Central America and Mexico (E-CAM).

ARTICLE 2: STRATEGIC OBJECTIVE AND RESULTS

Section 2.1 Strategic Objective

The Strategic Objective is *"Economic Freedom: Open, Diversified Expanding Economies"* ("Objective").

Section 2.2 Results

To achieve this Objective, the Parties agree to work together to achieve the following Results ("Results"): 1) Laws, Policies and Regulations

Políticas y Reglamentos que Promuevan el Comercio y la Inversión; y 2) Mejor Manejo y Conservación de Cuencas Críticas.

Dentro de los límites de la definición del Objetivo en la Sección 2.1, esta Sección 2.2 podrá modificarse por acuerdo escrito de los representantes adicionales autorizados de las Partes por medio de Cartas de Implementación, sin necesidad de una enmienda formal a este Convenio.

Sección 2.3 Anexo 1, Descripción Ampliada

El Anexo 1 de este Convenio detalla el Objetivo y los Resultados anteriormente mencionados. Dentro de los límites de la definición del Objetivo en la Sección 2.1 y de los Resultados en la Sección 2.2, el Anexo 1 podrá modificarse por acuerdo escrito de los representantes adicionales autorizados de las Partes por medio de Cartas de Implementación contrafirmadas, sin necesidad de una enmienda formal a este Convenio. Las Partes anticipan una revisión del Anexo 1, a completarse el 31 de diciembre de 2005, para reflejar una descripción más detallada de las actividades que serán implementadas.

ARTICULO 3: CONTRIBUCIONES DE LAS PARTES

Sección 3.1 Contribución de USAID

(a) La Donación. Para ayudar al logro del Objetivo establecido en este Convenio, USAID de conformidad con el Acta de Ayuda al Exterior de 1961, y sus enmiendas, por este medio hace una donación al Donatario bajo los términos del Convenio, de un monto que no excederá de Nueve Millones Novecientos Cuarenta y Cuatro Mil Setecientos Ochenta y Ocho Dólares de Los Estados Unidos de América ("U.S.") (U.S. $9,944,788) (la Donación").

that Promote Trade and Investment; and 2) Improved Management and Conservation of Critical Watersheds.

Within the limits of the definition of this Objective in Section 2.1, this Section 2.2 may be changed by written agreement of the authorized additional representatives of the Parties through Implementation Letters, without formal amendment to this Agreement.

Section 2.3 Annex 1, Amplified Description

Annex 1 to this Agreement amplifies the above Objective and Results. Within the limits of the above definitions of the Objective in Section 2.1 and the Results in Section 2.2, Annex 1 may be changed by written agreement of the authorized additional representatives of the Parties conveyed through countersigned Implementation Letters, without formal amendment to this Agreement. The Parties anticipate a revision of Annex 1 to be completed by December 31, 2005, to reflect a more detailed description of the activities to be implemented herein.

ARTICLE 3: CONTRIBUTIONS OF THE PARTIES

Section 3.1 USAID Contribution

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed Nine Million Nine Hundred and Forty Four Thousand Seven Hundred and Eighty Eight United States ("U.S.") Dollars (U.S. $9,944,788) (the "Grant").

(b) Contribución Total Estimada de USAID. La contribución total estimada de USAID bajo este Convenio para ayudar a lograr el Objetivo será de Treinta y Un Millones de Dólares (U.S. $31,000,000), los cuales serán proporcionados a través de incrementos durante la vigencia del convenio. Los incrementos subsiguientes estarán sujetos a la disponibilidad de fondos de parte de USAID para este propósito, y al acuerdo mutuo de las Partes, para proceder cuando sea el momento de efectuar el incremento subsiguiente.

(b) Total Estimated USAID Contribution. USAID's total estimated contribution under this Agreement to support achievement of the Objective will be Thirty One Million U.S. Dollars (U.S. $31,000,000), which will be provided in increments over the life of the Agreement. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(c) Si en cualquier momento USAID determina que su contribución bajo la Sección 3.1 (a) excede la cantidad que razonablemente puede comprometerse para lograr el Objetivo o los Resultados o las actividades durante el presente o siguiente año fiscal de los Estados Unidos, USAID podrá, por medio de notificación escrita al Donatario, retirar la cantidad en exceso, reduciendo de esta forma el monto de la Donación mencionada en la Sección 3.1 (a). Las acciones que se tomen de acuerdo con esta Sub-Sección, no modificarán la contribución total estimada de USAID establecida en la Sección 3.1 (b).

(c) If at any time USAID determines that its contribution under Section 3.1 (a) exceeds the amount which reasonably can be committed for achieving the Objective or Results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1 (a). Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in 3.1 (b).

Sección 3.2 Contribución del Donatario

(a) El Donatario acuerda en proporcionar o hacer que sean proporcionados todos los fondos, además de los otorgados por USAID y cualesquiera otros donantes identificados en el Anexo 1, Descripción Ampliada, y todos los otros recursos requeridos para completar todas las actividades necesarias para alcanzar los Resultados en la Fecha de Terminación o antes de dicha fecha.

(b) La contribución total estimada del Donatario será establecida en una futura enmienda a este Convenio en base a la descripción detallada de las actividades que será reflejada en la revisión del Anexo 1 el 31 de diciembre de 2005.

Section 3.2 Grantee Contribution

(a) The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, Amplified Description, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Results.

(b) The Grantee's total estimated contribution will be established in a future amendment to this Agreement based on the detailed description of the activities to be reflected in the revision of Annex 1 by December 31, 2005.

(c) El Donatario presentará informes anuales de la contribución hecha para el período de 1 de enero al 31 de diciembre de cada año a más tardar 30 días después de finalizado el respectivo año calendario (es decir, el 31 de enero). Los informes de la contribución deberán ser respaldados por registros auditables mantenidos de acuerdo con la Sección B.5 del Anexo 2 "Estipulaciones Generales para el Convenio de Donación de Objetivo Estratégico". Información adicional con relación a la contribución de contrapartida se describe en la Sección III.2 del Anexo 1 de este Convenio.

(c) The Grantee will present annual reports on the contribution made for the period January 1 to December 31 of each year no later than 30 days after the end of the calendar year (i.e., January 31). The reports on the contribution shall be supported by auditable records maintained in accordance with Section B.5 of Annex 2 "Standard Provisions for Strategic Objective Grant Agreement." Additional information about counterpart contribution is described in Section III.2 of Annex 1 to this Agreement.

ARTICULO 4: <u>FECHA DE TERMINACION</u>

(a) La Fecha de Terminación es el 30 de septiembre de 2009, u otra fecha en la que las Partes convengan por escrito, y es la fecha en que las Partes estiman que todas las actividades necesarias para lograr el Objetivo y los Resultados han sido completadas. La Fecha de Terminación podrá modificarse por acuerdo escrito de las Partes por medio de Cartas de Implementación contrafirmadas, sin necesidad de una enmienda formal a este Convenio.

(b) A excepción que USAID acuerde lo contrario por escrito, USAID no emitirá o aprobará documentación que autorice el desembolso de fondos de la Donación para servicios realizados o bienes proporcionados después de la Fecha de Terminación.

(c) Las solicitudes de desembolso, acompañadas de la documentación de apoyo necesaria establecida en Cartas de Implementación, deberán ser recibidas por USAID a más tardar nueve (9) meses siguientes a la Fecha de Terminación, o cualquier otro período anterior o posterior, acordado por escrito por USAID. Después de dicho período, USAID podrá, en cualquier momento o momentos, notificar por escrito al

ARTICLE 4: <u>COMPLETION DATE</u>

(a) The Completion Date, which is September 30, 2009, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed. The Completion Date may be changed by written agreement of the Parties through countersigned Implementation Letters, without formal amendment to this Agreement.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID may, at any time or times, give notice in writing to the Grantee and reduce the amount of the Grant by

Donatario, y reducir parcial o totalmente la cantidad de la Donación, por las cantidades para las cuales no se hayan recibido solicitudes de desembolso, acompañadas de la documentación de apoyo necesaria establecida en Cartas de Implementación, antes de la expiración de dicho período.

all or any part thereof for which requests for disbursements, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

ARTICULO 5: CONDICIONES PREVIAS AL DESEMBOLSO

ARTICLE 5: CONDITIONS PRECEDENT TO DISBURSEMENT

Sección 5.1 Primer Desembolso

Previo al primer desembolso bajo la Donación, o a la emisión por USAID de documentación para efectuar los desembolsos, el Donatario, a menos que las partes acuerden lo contrario por escrito, proporcionará lo siguiente a USAID en forma y contenido satisfactorio a USAID:

(a) Un dictamen de asesoría legal aceptable a USAID, que indique que este Convenio ha sido debidamente autorizado y/o ratificado y firmado por parte del Donatario, y que constituye una obligación válida y legal del Donatario de acuerdo con todos sus términos;

(b) Una certificación del nombre del representante del Donatario especificado en la Sección 6.2, y de los representantes adicionales, junto con el facsímile de la firma de cada persona especificada en dicha certificación; y

No obstante lo anterior, USAID puede hacer desembolsos en cualquier momento bajo el rubro del Presupuesto "3. Costos de Administración de USAID, Auditorías, Monitoreo y Evaluación" del Adjunto A del Anexo 1.

Section 5.1 First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 6.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

Notwithstanding the above, USAID may make disbursements at any time under Budget line item "3. USAID Management Costs, Audits, Monitoring and Evaluation" presented in Attachment A of Annex 1.

Sección 5.2 Notificación

USAID notificará de inmediato al Donatario a través de Carta de Implementación cuando haya

Section 5.2 Notification

USAID will promptly notify the Grantee through an Implementation Letter when USAID has

determinado que las condiciones previas especificadas en la Sección 5.1 han sido cumplidas.

determined that a condition precedent specified in Section 5.1 has been met.

Sección 5.3 Fechas de Terminación para Condiciones Previas

La fecha de terminación para cumplir con las condiciones especificadas en la Seccion 5.1 es de sesenta (60) días a partir de la fecha de firma de este Convenio, o cualquier otra fecha que USAID acuerde por escrito, antes o después de la fecha de terminación antes mencionada. Si las condiciones previas no han sido cumplidas en la fecha de terminación antes mencionada, USAID podrá, en cualquier momento, terminar este Convenio por medio de notificación escrita al Donatario.

Section 5.3 Terminal Dates for Conditions Precedent

The terminal date for meeting the conditions specified in Section 5.1 is sixty (60) days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

ARTICULO 6: MISCELANEAS

Sección 6.1 Comunicaciones

Cualquier notificación, solicitud, documento u otra comunicación entregada por cualquiera de las Partes a la otra bajo este Convenio, será por escrito o por telegrama, telefax o cable, y deberá considerarse debidamente entregada o enviada cuando sea entregada a dicha Parte en la siguiente dirección:

A USAID:

Agencia de los Estados Unidos para el Desarrollo Internacional (USAID) Misión en El Salvador
Embajada Americana
Urbanización y Boulevard Santa Elena
Antiguo Cuscatlán, La Libertad
El Salvador, C.A.
Fax: (503) 2298-0885

Al Donatario:

Secretario General

ARTICLE 6: MISCELLANEOUS

Section 6.1 Communications

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

United States Agency for International Development (USAID) Mission to El Salvador
American Embassy
Urbanización y Boulevard Santa Elena
Antiguo Cuscatlán, La Libertad
El Salvador, C.A.
Fax: (503) 2298-0885

To the Grantee:

General Secretary

Sistema de la Integración Centroamericana
Boulevard Orden de Malta No. 470
Santa Elena, Antiguo Cuscatlán
San Salvador, El Salvador

Fax (503) 2289-6124

Todas las comunicaciones se harán en los idiomas inglés y español, a menos que las Partes acuerden lo contrario por escrito. Las direcciones arriba mencionadas podrán ser cambiadas por medio de notificación escrita.

Sección 6.2 Representantes

Para todos los propósitos relacionados con este Convenio, el Donatario estará representado por la persona que desempeñe o actúe en el cargo de Secretario General del Sistema de la Integración Centroamericana (SICA) y USAID estará representada por la persona que desempeñe o actúa en el cargo de Director de la Misión de USAID/El Salvador quien tiene autoridad para manejar las actividades del programa regional a ser implementadas bajo este Convenio.

Cada uno de estos representantes, a través de notificación escrita, podrá designar representantes adicionales para todos los propósitos, excepto los de firmar enmiendas formales al Convenio. Los nombres de los representantes del Donatario, con el facsímile de sus firmas, deberán ser notificados a USAID, la cual puede aceptar como debidamente autorizado cualquier instrumento firmado por tales representantes en la ejecución de este Convenio, hasta recibir notificación por escrito de la revocación de la autoridad de dichos representantes. En el Anexo 1 de este Convenio, se incluye guía adicional para el ejercicio de esta autoridad por los representantes adicionales.

Central American Integration System
Boulevard Orden de Malta No. 470
Santa Elena, Antiguo Cuscatlán
San Salvador, El Salvador

Fax (503) 2289-6124

All such communications will be in English and Spanish, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of written notice.

Section 6.2 Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of Secretary General of the Central American Integration System (SICA) and USAID will be represented by the individual holding or acting in the position of Mission Director of USAID/El Salvador who has management authority for the activities of the regional program to be implemented under this Agreement.

Each of such representatives, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority. Additional guidelines for the exercise of this authority by additional representatives are included in Annex 1 to this Agreement.

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Sección 6.3 Anexo de Estipulaciones Generales

Se adjunta el "Anexo de Estipulaciones Generales (Anexo 2), el cual forma parte de este Convenio. El Anexo 2, Estipulaciones Generales, podrá modificarse por medio de Carta de Implementación, sin necesidad de una enmienda formal a este Convenio.

Section 6.3 Standard Provisions Annex

A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement. Annex 2, the Standard Provisions, may be changed through Implementation Letters, without formal amendment to this Agreement.

Sección 6.4 Idioma del Convenio

Este Convenio está preparado tanto en inglés como en español. En caso de ambigüedad o conflicto entre las dos versiones, la versión en inglés es la que prevalece.

Section 6.4 Language of the Agreement

This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

EN FE DE LO CUAL, el Donatario y Los Estados Unidos de América, cada uno de ellos actuando por medio de sus representantes debidamente autorizados, han convenido en firmar este Convenio, en sus nombres, en el día y año señalados por escrito al comienzo de este documento.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year written at the beginning of this document.

LA SECRETARÍA GENERAL DEL SISTEMA DE LA INTEGRACION CENTROAMERICANA

Por: _____
Aníbal Enrique Quiñónez Abarca

Cargo: Secretario General

THE UNITED STATES OF AMERICA

By: _____
Mark Silverman

Title: Mission Director

ANEXO 1

DESCRIPCION AMPLIADA

CONVENIO DE DONACION DE OBJETIVO ESTRATEGICO
Libertad Económica: Economías Abiertas, Diversificadas y en Expansión

Actividad No. 596-0200

I. INTRODUCCION

Este Anexo 1 del Convenio describe las intervenciones que podrán ser apoyadas y los Resultados a ser alcanzados por medio de los fondos obligados bajo este Convenio. Nada en este Anexo 1 o su(s) Adjunto(s) deberá interpretarse como una enmienda a las definiciones o términos del Convenio.

II. DESAFIOS PARA LOGRAR EL DESARROLLO

El Gobierno de los Estados Unidos, a través de USAID, ha apoyado iniciativas de desarrollo sostenible regional en Centroamérica desde la formación del Mercado Común Centroamericano, hace más de cuarenta años.

La Asistencia de USAID a la región durante el período 2001-2006 ha incluido: el "Programa de Apoyo a la Participación de Centroamérica en el Área de Libre Comercio de Las Américas" (PROALCA II), el programa "Manejo Ambiental Mejorado en el Corredor Biológico Mesoamericano" (PROARCA II) y el programa "Incremento de la Diversificación de la Economía Rural". Estos programas han proporcionado asistencia a la región para mejorar el manejo ambiental y a la vez incrementar su competitividad en mercados globales, expandir el comercio con el resto del mundo y avanzar en la agenda para la integración económica sub-regional para permitirle a la región convertirse en una unidad económica más eficiente y competitiva.

ANNEX 1

AMPLIFIED DESCRIPTION

STRATEGIC OBJECTIVE GRANT AGREEMENT
Economic Freedom: Open, Diversified Expanding Economies

Activity No. 596-0200

I. INTRODUCTION

This Annex 1 to the Agreement describes the interventions that may be supported and the Results to be achieved with the funds obligated hereunder. Nothing in this Annex 1 or its Attachment(s) shall be construed as amending any of the definitions or terms of the Agreement.

II. DEVELOPMENT CHALLENGES

The United States Government, working through USAID, has supported regional sustainable development initiatives in Central America since the formation of the Central American Common Market, over forty years ago.

USAID assistance for the region during the period 2001-2006 has included: the "Program Supporting Central American Participation in the Free Trade Area of the Americas" (PROALCA II), the program "Improved Environmental Management in the Mesoamerican Biological Corridor," (PROARCA II), and the program "Increased Diversification of the Rural Economy." These programs have provided assistance to the region to improve environmental management and increase competitiveness in global markets, expand trade with the rest of the world, and advance the sub-regional economic integration agenda to enable the region to be a more efficient and competitive economic unit.

Durante el pasado, raras veces las oportunidades para mejorar la integración y desarrollo regional sostenible han sido tan alentadoras como ahora. Los países Centroamericanos han tenido una larga búsqueda de mejores ventajas competitivas mediante la integración de sus economías a una agrupación comercial más grande, aunado a tratados de libre comercio con el mercado global. Sin embargo, alcanzar esta visión requiere que los países tomen acciones de naturaleza nacional y regional.

Los países de Centroamérica comparten muchos atributos, pero también diferencias en su capital de recursos naturales, infraestructura económica, tamaño de la población, capacidad del recurso humano, rol y eficiencia de las instituciones públicas, rol de las exportaciones en la economía y la competitividad de las empresas privadas. Bajo estas condiciones, algunos desafíos para lograr el desarrollo de la región requieren abordar intereses transnacionales como la integración de las aduanas y la armonización de políticas y estándares de impuestos, fiscales, sanitarios, fitosanitarias (SPS), de inocuidad de alimentos y ambientales, y del manejo del Corredor Biológico Mesoamericano.

En el contexto regional, es más efectivo abordar retos de desarrollo transnacionales con instituciones regionales, respaldadas por la reunión de presidentes y los consejos de ministros de la región. En el pasado USAID ha trabajado con varias organizaciones regionales, incluyendo SICA y la Comisión Centroamericana de Ambiente y Desarrollo (CCAD) para implementar el programa regional ambiental, la Secretaría de Integración Económica Centroamericana (SIECA) para implementar el programa regional de comercio y el Consejo Agropecuario Centroamericano (CAC) para implementar el programa de Diversificación Rural.

La asistencia bajo este Convenio continuará apoyando algunas intervenciones de programas anteriores de USAID y proporcionará apoyo para

Rarely in the past have the opportunities for improved regional integration and sustainable development been as encouraging as they are now. The Central American countries have long sought improved comparative advantage by integrating their economies into a larger commercial group, linked by free trade agreements with the global market. However, achieving this vision requires the countries to take actions that are national and regional in nature.

The Central American countries share many common attributes, but there are also many differences in their natural resource endowments, economic infrastructure, population size, human resource capacity, role and efficiency of public institutions, role of exports in the economies, and competitiveness of private firms. Given these conditions, some regional development challenges require the addressing of cross-national concerns such as customs integration and harmonization of tax, fiscal, sanitary, phyto-sanitary (SPS) and food safety, and environmental policies and standards, and management of the Meso-American Biological Corridor.

From a regional context, it is more effective to address cross-border development challenges working with regional institutions, endorsed by the meeting of presidents and the councils of ministers of the region. In the past, USAID has worked with several regional organizations, including the SICA and the Central American Commission on Environment and Development (CCAD) to implement the regional environmental program, the Secretary for Central American Economic Integration (SIECA) to implement the regional trade program, and the Central American Agricultural Council (CAC) to implement the regional Rural Diversification program.

The assistance under this Agreement will continue supporting some interventions of previous USAID programs and will provide

abordar los intereses regionales antes mencionados en coordinación con las organizaciones regionales respectivas para continuar promoviendo la prosperidad económica de la Región Centroamericana.

support to address the above regional concerns in coordination with the related regional organizations to continue promoting the economic prosperity of the Central American Region.

III. FINANCIAMIENTO

1. **Plan Financiero**. El Plan Financiero para la Vigencia del Convenio incluido en el Adjunto A del Anexo 1, contiene información relacionada con las contribuciones totales estimadas de USAID y del Donatario en apoyo al Objetivo, sujetas a la disponibilidad de fondos. El Plan Financiero también indica la cantidad obligada en el Convenio.

2. **Contribución del Donatario**. La cantidad de contribución de contrapartida del Donatario también se reflejará en el Adjunto A del Anexo 1. El monto de esta contribución será determinada según se indica en la Sección 3.2.

SG-SICA, a través de la firma de este Convenio, asegura que aportará la contribución de contrapartida requerida para el logro de los Resultados descritos en el Anexo 1.

Algunos ejemplos de contribución de contrapartida "en especie" que podrían ser elegibles como contrapartida podrán determinarse en el futuro cuando se defina la descripción detallada de las actividades.

3. **Cambios al Plan Financiero**. Cualquier cambio entre los rubros del Plan Financiero aprobado pueden ser hechos por USAID sin consulta previa con el Donatario, con tal que dichos cambios no afecten en forma acumulada más del quince por ciento (15%) de la contribución de USAID, como se detalla en la Sección 3.1 (a) del Convenio. Los sub-rubros del Presupuesto pueden ser modificados por USAID durante la ejecución de la Actividad sin consulta previa con el Donatario, si dichos cambios no afectan la cantidad de la Donación de USAID.

III. FUNDING

1. **Financial Plan**. The Financial Plan for the Life of the Agreement set forth in Attachment A to this Annex 1, provides information regarding the total estimated USAID and Grantee contributions in support of the Objective, subject to the availability of funds. The Financial Plan also indicates the amount obligated under the Agreement.

2. **Grantee Contribution**. The Grantee's counterpart contribution will also be shown in Attachment A to this Annex 1. The amount of this contribution will be determined as indicated in Section 3.2.

SG-SICA, through the signature of this Agreement, assures that it will contribute the required counterpart contribution aimed at achieving the Results described in this Annex 1.

Examples of "in-kind" contributions to be accepted as counterpart may be determined in the future when the detailed description of activities is defined.

3. **Changes to the Financial Plan**. Any changes between line items of the approved Financial Plan may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the USAID Grant amount, as specified in Section 3.1 (a) of the Agreement. Budget sub-line items may be changed during Activity implementation by USAID without prior consultation with the Grantee, provided that such changes do not affect the USAID Grant amount.

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IV. RESULTADOS A SER ALCANZADOS

Con el fin de alcanzar el Objetivo *"Libertad Económica: Economías Abiertas, Diversificadas y en Expansión en Centroamérica"*, las Partes acuerdan trabajar conjuntamente para lograr los siguientes Resultados:

1. Leyes, Políticas y Reglamentos que promueven el Comercio y la Inversión, a través de:

- Mejorar la Capacidad para Negociar e Implementar Convenios Comerciales,
- Reducir las Barreras para el Comercio, Inversión e Integración de Mercados; y
- Leyes y Regulaciones Comerciales más Consistentes con los Compromisos y Practicas Internacionales.

2. Mejor Manejo y Conservación de Cuencas Criticas, a través de:

- Mejorar el Manejo y Uso de Cuencas Críticas.

V. INDICADORES

El éxito en el logro del Objetivo Estratégico y los Resultados identificados y acordados por las Partes en la Sección IV, será verificado por los siguientes indicadores de desempeño preliminares:

A nivel de Objetivo Estratégico:

1. Exportaciones como porcentaje del PIB
2. Composición de las exportaciones por sectores clave
3. Composición de las exportaciones por productos clave
4. Número de hectáreas bajo manejo ambiental mejorado
5. Índice de clasificación del crecimiento de la competitividad.

USAID desarrollará indicadores de desempeño a nivel de Resultado cuando se tenga definida la descripción detallada de las actividades.

IV. RESULTS TO BE ACHIEVED

In order to achieve the Objective of *"Economic Freedom: Open, Diversified, Expanding Economies in Central America"* the Parties agree to work together to achieve the following Results:

1. Laws, Policies and Regulations that Promote Trade and Investment, through:

- Improved Capacity to Negotiate and Implement Trade Agreements,
- Reduced Barriers to Trade, Investment and Market Integration
- Commercial Laws and Regulations More Consistent with International Commitments and Prevailing Practice.

2. Improved Management and Conservation of Critical Watersheds, through:

- Improved Management and Use of Critical Watersheds

V. INDICATORS

Success in achieving the Strategic Objective and Results identified and agreed to by the Parties in Section IV above, will be evidenced by the following preliminary performance indicators:

At the Strategic Objective level:

1. Exports as percentage of GDP
2. Export composition, by key sectors
3. Export composition, by key products
4. Number of hectares under improved environmental management
5. Ranking on growth competitiveness index

USAID will develop performance indicators at the Result level once the detailed description of activities is defined.

VI. DESCRIPCION DE LAS ACTIVIDADES

La Estrategia general de USAID en Centro América y las siguientes actividades ilustrativas preliminares fueron identificadas en consulta con representantes de instituciones regionales, donantes regionales, y ministerios gubernamentales, y con miembros de la sociedad civil y del sector privado. Además, se desarrollaron y/o consultaron una serie de estudios y análisis, los cuales fueron utilizados para guiar y validar el proceso.

Según se establece en el Articulo 2, Sección 2.3 del Convenio, esta Sección será posteriormente modificada para incorporar una descripción más detallada de las actividades. Considerando la limitación de recursos, las actividades tendrán que ser priorizadas. La asistencia técnica, logística y financiera proporcionada bajo esta Donación, apoyará el logro de los Resultados a través de las siguientes actividades:

Resultado 1 - Leyes, Políticas y Reglamentos que promueven el Comercio y la Inversión.

Los países de Centroamérica quieren trabajar juntos para una mayor integración económica y buscar soluciones regionales para competir más efectivamente en los mercados internacionales mediante la reducción de costos, y para expandir el mercado centroamericano para los productores locales de bienes y servicios. Esto requerirá nuevas leyes, políticas y regulaciones armonizadas entre los países de Centroamérica para promover mayor comercio e inversión. Entre las actividades ilustrativas se incluyen:

- Mejorar la Capacidad para Negociar e Implementar Convenios Comerciales
  - Apoyo al diálogo público-privado sobre el Tratado de Libre Comercio entre Centroamérica, Republica Dominicana y Los Estados Unidos (CAFTA) para implementar éste y otros convenios comerciales, y abordar obstáculos o necesidades de análisis de política

VI. DESCRIPTION OF ACTIVITIES

USAID's overall Strategy in Central America and the following preliminary illustrative activities were identified in consultation with representatives of regional institutions, regional donors, government ministries, and key members of civil society and the private sector. In addition, a number of studies and assessments were developed and/or consulted to guide and validate the process.

As set forth in Article 2, Section 2.3 of the Agreement, this Section will be further modified to incorporate a more detailed description of activities. Given resource constraints, activities will have to be prioritized. Technical assistance, logistical and other financial support provided through this Grant will support Results through the following activities:

Result 1 - Laws, Policies and Regulations that Promote Trade and Investment.

The Central American countries want to work together for greater economic integration and find regional solutions in order to compete more effectively in international markets by reducing costs, and by expanding the Central American market for local producers of goods and services. This will require new, harmonized laws, policies and regulations among the Central American countries to promote increased trade and investment. The illustrative activities include:

- Improved Capacity to Negotiate and Implement Trade Agreements
  - Support to public-private dialogue on the Central American and Dominican Republic Free Trade Agreement (CAFTA) to implement it and other trade agreements, and to address bottlenecks or policy analysis needs

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- Asistencia técnica y capacitación para el cumplimiento de los requerimientos de normas de origen del CAFTA y otros convenios comerciales
- Apoyo a estrategias de asistencia para el Comité de Fortalecimiento de la Capacidad Comercial (TCB) del CAFTA y la Comisión de Cooperación Ambiental para el Convenio de Cooperación Ambiental (ECA).

- Technical Assistance and training for compliance with rules of origin requirements under CAFTA and other trade agreements
- Support to assistance strategies for the CAFTA Trade Capacity Building Committee (TCB) and the Environmental Cooperation Commission for the Environmental Cooperation Agreement (ECA).

- Reducir Barreras para el Comercio, Inversión e Integración de Mercados
  - Asistencia técnica y capacitación para análisis e implementación en apoyo a la unión aduanera y facilitación del comercio
  - Asistencia técnica y capacitación para apoyar la armonización de normas de productos, estándares, medidas y códigos comerciales; y certificación privada de productos sostenibles y ambientalmente favorables
  - Asistencia técnica y capacitación para fortalecer la capacidad para el cumplimiento de estándares sanitarios, fitosanitarios (SPS) y de inocuidad de alimentos
  - Apoyo para la expansión de estándares y servicios para certificar tecnologías, prácticas y producción, ambientalmente favorables y sostenibles.

- Reduced Barriers to Trade, Investment and Market Integration
  - Technical assistance and training for analysis and implementation in support of the customs union and trade facilitation
  - Technical assistance and training to support harmonization of product norms, standards, measurements and commercial codes; and private certification of sustainable and environmentally friendly products
  - Technical assistance and training for capacity building for meeting sanitary, phyto-sanitary (SPS), and food safety standards
  - Support the expansion of standards and services in order to certify environmentally friendly and sustainable technologies, practices and production.

- Leyes y Regulaciones Comerciales más Consistentes con los Compromisos y Prácticas Internacionales
  - Revisión, armonización y distribución de códigos, leyes y regulaciones comerciales
  - Apoyo a la modernización laboral y cumplimiento voluntario con los códigos laborales
  - Asistencia técnica para desarrollar la legislación, regulaciones, políticas y capacidad para implementar y aplicar convenios y estándares claves en asuntos ambientales internacionales.

- Commercial Laws and Regulations more Consistent with International Commitments and Prevailing Practice
  - Revision, harmonization and distribution of commercial codes, laws and regulations
  - Support for labor modernization and voluntary compliance with labor codes
  - Technical assistance to develop legislation, regulations, policies and capacity for implementation and enforcement of key international environmental agreements and standards.

Resultado 2 – Mejor Manejo y Conservación de Cuencas Críticas.

- Mejorar el Uso y Manejo de Cuencas Críticas
  - Diseño e implementación de estrategias financieramente sostenibles para la administración de áreas claves transnacionalmente protegidas e implementación de planes gerenciales para áreas claves del Corredor Biológico Mesoamericano, humedales y arrecifes
  - Diseño e implementación de estrategias de turismo ambientalmente sostenible y monitoreo de actividades de certificación en bosques y turismo
  - Desarrollo e institucionalización de políticas para conservar cuencas críticas.

Result 2 - Improved Management and Conservation of Critical Watersheds

- Improved Management and Use of Critical Watersheds
  - Design and implementation of financially self-sustaining strategies for the management of key transnational protected areas and implementation of management plans for key areas of the Mesoamerica Biological Corridor, wetlands and reefs
  - Design and implementation of strategies for environmentally sustainable tourism, and monitoring of certification activities in forestry and tourism
  - Development and institutionalization of policies to conserve critical watersheds.

Agencias e Instrumentos de Ejecución

Los programas y actividades descritas en este Anexo 1 se ejecutarán por medio de varios mecanismos, incluyendo contratos, donaciones y convenios de cooperación que serán administrados directamente por USAID, así como otros instrumentos considerados apropiados y autorizados por USAID. Una parte de la Donación bajo este Convenio será también utilizada para cubrir los costos de USAID para administrar la actividad, según se muestra en el Adjunto A de este Anexo 1.

Implementing Agencies and Instruments

The programs and activities described in this Annex 1 will be implemented through a variety of mechanisms, including contracts, grants and cooperative agreements to be managed directly by USAID, as well as other instruments deemed appropriate and approved by USAID. A portion of the Grant provided under this Agreement will also be used to cover USAID activity management costs, as indicated in Attachment A to this Annex 1.

VII. FUNCIONES Y RESPONSABILIDADES DE LAS PARTES

El logro de los Resultados identificados en este Convenio será posible solamente a través de la cooperación y apoyo de los signatarios de este Convenio, de acuerdo con la siguiente división de funciones y responsabilidades:

1. El Donatario

SG-SICA funge como la principal contraparte de USAID para este Convenio y tiene roles y responsabilidades que podrán ser detallados más

VII. ROLES AND RESPONSIBILITIES OF THE PARTIES

The achievement of Results identified in this Agreement will be possible only through the cooperation and support of the signatories to this Agreement, in accordance with the following division of roles and responsibilities.

1. The Grantee

SG-SICA serves as the principal counterpart to USAID for this Agreement and has roles and responsibilities that will be further described in

ampliamente en futuras cartas de implementación a ser contrafirmadas. Tomando en cuenta su naturaleza y función, SG-SICA participará en la revisión general de las actividades planificadas bajo este Convenio y proporcionará el apoyo político y de coordinación necesarios con los organismos regionales, otros donantes, sectores públicos y privados involucrados para facilitar la ejecución de las actividades.

future countersigned implementation letters. Based on its nature and function, SG-SICA will participate in the overall review of the planned activities under this Agreement and will provide the necessary political and coordination support with the involved regional organizations, other donors, public and the private sectors to facilitate the implementation of the activities.

2. Instituciones Participantes.

Se solicitará a cada institución relevante del sector público o privado que participe directamente en las actividades bajo este Convenio que designe, según sea apropiado, un enlace técnico para todos los asuntos relacionados a la ejecución de las actividades bajo este Convenio. Este enlace servirá como el contacto directo con SG-SICA y USAID y también participará en las reuniones técnicas para revisar el progreso de la ejecución de la Actividad.

2. Participating Institutions.

Each relevant public sector or private institution directly participating in the activities under this Agreement will be requested to nominate, as appropriate, a technical liaison for all matters related to the implementation of the activities. This liaison will serve as the direct link with SG-SICA and USAID and will also participate in technical meetings to discuss and review progress of Activity implementation.

3. USAID.

USAID será responsable de:
(i) proporcionar recursos, asistencia técnica y capacitación apropiados y necesarios para la ejecución de la Actividad; (ii) asegurar que las instituciones relevantes participen y estén informadas de forma oportuna con relación al progreso y obstáculos en la ejecución de la Actividad; (iii) dar seguimiento al progreso para lograr los Resultados y el Objetivo general; (iv) establecer, según sea apropiado, comités técnicos de implementación, a ser formados por representantes de las instituciones del sector público participantes, contratistas y sub-donatarios que cooperan en la ejecución de las actividades del Convenio, socios claves y clientes de la actividad, quienes asisten a USAID en la ejecución del mismo.

USAID proporcionará al Donatario informes semestrales de progreso. Además, USAID proporcionará al Donatario informes semestrales de gastos incurridos bajo la Actividad.

3. USAID.

USAID will be responsible for: (i) providing appropriate and necessary resources, technical assistance and training for the implementation of the Activity; (ii) ensuring that the relevant institutions participate and are informed in a timely manner of Activity implementation progress and obstacles; (iii) monitoring progress toward achievement of Results and the overall Objective; (iv) establishing, as appropriate, technical implementation committees, formed by representatives of the Grantee's participating public partner institutions, contractors and sub-grantees cooperating in the execution of Agreement activities, key stakeholders and activity customers, to assist USAID in the implementation.

USAID will provide to the Grantee semi-annual progress reports. In addition, USAID will provide to the Grantee semi-annual reports of expenditures incurred under the Activity.

VIII. SEGUIMIENTO Y EVALUACION

Durante la vigencia de este Convenio, los indicadores descritos en la Sección V de este Anexo 1, serán utilizados para dar seguimiento al progreso obtenido en el logro de los Resultados, y para evaluar la efectividad de la Actividad. Todas las actividades bajo este Convenio están siendo diseñadas de manera que se incluyan reportes periódicos que permitan a las Partes darle seguimiento al progreso por lo menos de forma anual, hacia el logro de los Resultados específicos y sus metas.

Con el propósito de complementar la información recopilada y reportada por las instituciones socias participantes, también podrán ser utilizados por USAID fondos de la Donación para llevar a cabo encuestas detalladas, recolectar información de los clientes a través de evaluaciones rápidas y grupos de enfoque, investigaciones de campo y a través de detección remota y de otras técnicas apropiadas, para determinar que las actividades están logrando los Resultados esperados. Los fondos disponibles bajo esta Donación podrán ser utilizados para actividades de recolección de información necesarias para dar seguimiento al progreso hacia el logro del Objetivo y sus Resultados.

USAID coordinará con el Donatario los planes para medir y evaluar las intervenciones de la Actividad financiadas bajo este Convenio, los cuales serán definidos a través de Cartas de Implementación.

VIII. MONITORING AND EVALUATION

Over the duration of this Agreement, the indicators described in Section V of this Annex 1, will be used to monitor progress toward achievement of Results, and to assess Activity effectiveness. All activities under this Agreement are being designed to include routine reporting that will allow the Parties to monitor on at least an annual basis progress toward achieving specific Results and targets.

To complement data collected and reported by the participating partner institutions, Grant funds may also be used by USAID to conduct in-depth surveys, collect information from customers through rapid appraisal, and focus groups, surveys on the ground and through remote sensing, and other appropriate techniques, to determine that activities are achieving intended Results. Funds available under this Grant may be used for data collection efforts necessary to monitor progress toward the Objective and Results.

USAID will coordinate with the Grantee regarding plans for assessing and evaluating Activity interventions funded under this Agreement, which will be defined through Implementation Letters.

ILLUSTRATIVE FINANCIAL PLAN
IN US$

STRATEGIC OBJECTIVE GRANT AGREEMENT
ECONOMIC FREEDOM: OPEN, DIVERSIFIED, EXPANDING ECONOMIES

ACTIVITY No. 596-0200

BUDGET LINE ITEM (a)	USAID CONTRIBUTION			TOTAL
	THIS OBLIGATION	FUTURE OBLIGATIONS (c)	TOTAL USAID (d)	
1. Laws, Policies and Regulations that Promote Trade and Investment (a)	**6,545,000**	**13,655,000**	**20,200,000**	**20,200,000**
Improved Capacity to Negotiate and Implement Trade Agreements (b)		-	-	
Reduced Barriers to Trade, Investment and Market Integration (b)	-	-	-	
Comercial Laws and Regulations More Consistent with International Commitments and Prevailing Practice (b)				
2. Improved Management and Conservation of Critical Watersheds (a)	**2,600,000**	**5,100,000**	**7,700,000**	**7,700,000**
Improved End Use Management of Crititcal Watersheds (b)	-	-	-	
3. USAID Management Costs, Audits, Monitoring and Evaluation (a)	**799,788**	**2,300,212**	**3,100,000**	**3,100,000**
TOTAL USAID (f)	**9,944,788**	**21,055,212**	**31,000,000**	**31,000,000**
SG-SICA CONTRIBUTION (e)				-
ACTIVITY TOTAL				

(a) Amounts of each Budget Line Item may be changed as established in Section III.3 of Annex 1 to the Agreement.

(b) Amounts under each Budget Sub-Line Item will be determined later. Once determined, these amounts may vary and be changed by USAID during Project implementation.

(c) Subject to the availability of funds and the mutual agreement of the Parties to proceed.

(d) The amount under each Budget Line Item may be adjusted as a result of the changes to be made to Annex 1, Amplified Description.

(e) Grantee contribution will be subsequently determined as agreed by the parties.

(f) This budget includes funding to be sub-obligated by USAID, for continuation of activities from the previous regional program, including CCAD, SIECA, the Environmental Protection Agency (EPA), the Michigan State University (MSU), the United States Department of Agriculture (USDA) and others.

ANEXO 1 - ADJUNTO A

PLAN FINANCIERO ILUSTRATIVO
EN US$

CONVENIO DE DONACION DE OBJETIVO ESTRATEGICO

LIBERTAD ECONOMICA: ECONOMIAS ABIERTAS, DIVERSIFICADAS Y EN EXPANSION

ACTIVIDAD No.596-0200

RUBRO DEL PRESUPUESTO (a)	CONTRIBUCION DE USAID			TOTAL
	ESTA OBLIGATION	OBLIGACION FUTURA (c)	TOTAL USAID (d)	
1. Leyes, Políticas y Reglamentos que promueven el Comercio y la Inversión (a)	**6,545,000**	**13,655,000**	**20,200,000**	**20,200,000**
Mejorar la Capacidad para Negociar e Implementar Convenios Comerciales (b)	-	-	-	
Reducir las Barreras para el Comercio, Inversión e Integración de Mercados (b)				
Leyes y Regulaciones Comerciales más Consistentes con los Compromisos y Prácticas Internacionales (b)	-	-	-	
2. Mejor Manejo y Conservación de cuencas Críticas (a)	**2,600,000**	**5,100,000**	**7,700,000**	**7,700,000**
Mejorar el Manejo y Uso de Cuencas Críticas (b)	-	-	-	
3. Costos de Administración de USAID, Auditorías, Monitoreo y Evaluación (a)	**799,788**	**2,300,212**	**3,100,000**	**3,100,000**
TOTAL USAID (f)	**9,944,788**	**21,055,212**	**31,000,000**	**31,000,000**
Contribución de SG-SICA (e)				-
TOTAL DE LA ACTIVIDAD				

(a) Las cantidades de cada Rubro del Proyecto pueden ser modificadas, según se establece en la Sección III.3 del Anexo 1 del Convenio.

(b) Las cantidads bajo cada Sub-rubro serán determinadas en el futuro. Una vez establecidas, estas cantidades pueden variar y ser modificadas por USAID durante la ejecución del Proyecto.

(c) Sujeta a la disponibilidad de fondos y del acuerdo mutuo de las Partes.

(d) Las cantidades bajo cada Rubro del Presupuesto podran ser ajustadas como resultado de los cambios que se harán al Anexo 1, Descripción Ampliada.

(e) La contribución del Donatario será determinada posteriormete según acuerdo entre las partes.

(f) Este presupuesto incluye fondos a ser sub-obligados por USAID para dar continuidad a actividades del programa regional anterior, incluyendo CCAD, SIECA, la Agencia de Protección Ambiental (EPA), la Universidad del Estado de Michigan (MSU), el Departamento de Agricultura de los Estados Unidos (USDA) y otros.

ANEXO 2 - ANNEX 2

ESTIPULACIONES GENERALES
PARA CONVENIO DE DONACION DE OBJETIVO ESTRATEGICO No.596-022
"LIBERTAD ECONOMICA: ECONOMIAS ABIERTAS, DIVERSIFICADAS Y EN EXPANSION"
ACTIVIDAD No.596-0200

STANDARD PROVISIONS
FOR STRATEGIC OBJECTIVE GRANT AGREEMENT No.596-022
"ECONOMIC FREEDOM: OPEN, DIVERSIFIED AND EXPANDING ECONOMIES"
ACTIVITY No. 596-0200

ARTÍCULO A

Definición y Cartas de Ejecución

SECCIÓN A.1. Definición

Según se emplea en el presente Anexo, el "Convenio" se refiere al Convenio de Donación de Objetivo Estratégico Regional al cual se adjunta el presente Anexo y del cual este Anexo forma parte. Los términos empleados en este Anexo tienen el mismo significado o referencia que en el Convenio.

SECCIÓN A.2. Cartas de Ejecución

Para ayudar al Donatario en la ejecución del Convenio, USAID emitirá periódicamente Cartas de Ejecución que proporcionarán información adicional acerca de los asuntos tratados en este Convenio. Las Partes también podrán utilizar Cartas de Ejecución que se convengan de común acuerdo, para confirmar y registrar acuerdos mutuos sobre aspectos de la ejecución de este Convenio. Cartas de Ejecución también podrán ser utilizadas para hacer constar modificaciones o excepciones permitidas por el Convenio.

ARTICLE A

Definitions and Implementation Letters

SECTION A.1. Definitions

As used in this Annex, the "Agreement" refers to the Regional Strategic Objective Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

SECTION A.2. Implementation Letters

To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

ARTÍCULO B

Disposiciones Generales

SECCIÓN B.1. Consultas

Las Partes colaborarán para asegurar que el Objetivo y los Resultados de este Convenio sean realizados. A este efecto, las Partes, a solicitud de cualquiera de ellas, intercambiarán puntos de vista sobre el progreso alcanzado hacia el Objetivo y Resultados; el cumplimiento de las obligaciones de acuerdo con este Convenio; el desempeño de cualquier consultor, contratista o proveedor contratado bajo el Convenio; y otros temas relacionados con el Convenio.

SECCIÓN B.2. Ejecución del Convenio

El Donatario deberá:

(a) Cumplir con el Convenio con el debido esmero y eficiencia o velar que se cumpla de conformidad con prácticas técnicas, financieras y administrativas sanas; y de acuerdo con esos documentos, planos, especificaciones, contratos, cronogramas y otras disposiciones y sus modificaciones, aprobados por USAID de conformidad con este Convenio; y

(b) Proveer una administración calificada y experimentada y capacitar al personal según sea apropiado para el mantenimiento y operación de las actividades financiadas por el Convenio y, cuando sea aplicable para la continuación de actividades, velar porque estas actividades sean operadas y mantenidas de tal manera que se asegure la realización continua y exitosa del Objetivo y los Resultados del Convenio.

ARTICLE B

General Covenants

SECTION B.1. Consultation

The Parties will cooperate to assure that the Objective and Results of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress towards the Objective and Results, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

SECTION B.2. Execution of Agreement

The Grantee will:

(a) Carry out the Agreement or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

SECCIÓN B.3. Utilización de Bienes y Servicios

(a) Los bienes y servicios financiados por medio de este Convenio servirán, a menos que USAID acuerde lo contrario por escrito, para el Convenio hasta la terminación o finalización del mismo (así como durante cualquier período de suspensión del Convenio) y posteriormente serán utilizados para promover el Objetivo del Convenio, según lo indique USAID por medio de Cartas de Ejecución.

(b) Los bienes y servicios financiados por el Convenio no serán usados para promover o favorecer a otro proyecto de ayuda extranjera o actividad asociada o financiada por un país no incluido en el Código Geográfico de USAID No. 935 que se encuentre vigente en el momento de dicha utilización, a menos que USAID acuerde lo contrario por escrito.

SECCIÓN B.4. Impuestos

(a) Excepción General. El Convenio y la asistencia por este medio proporcionada están exentos de cualquier impuesto que establezcan las leyes vigentes en el territorio de cada país miembro del Donatario.

(b) Con excepción de lo que por otra parte contemple esta estipulación, la Excepción General de la subsección (a) se aplica pero no se limita a: (1) cualquier actividad, contrato, donación u otro documento de ejecución financiado por USAID dentro de este Convenio; (2) cualquier transacción o suministros, equipo, materiales, inmuebles y otros bienes (de aquí en adelante llamados colectivamente "bienes")

SECTION B.3. Utilization of Goods and Services

(a) Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement and as USAID may direct in Implementation Letters.

(b) Goods or services financed under this Agreement, except as USAID may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in USAID Geographic Code 935 as in effect at the time of such use.

SECTION B.4. Taxation

(a) General Exemption. The Agreement and the assistance thereunder are free from any taxes imposed under laws in effect in the territory of each Grantee's member country.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization

del numeral (1) anterior; (3) cualquier contratista, donatario u otra organización que lleve a cabo actividades financiadas por USAID dentro de este Convenio; (4) cualquier empleado no nacional de dichas organizaciones; y (5) cualquier contratista individual o donatario que lleve a cabo actividades financiadas por USAID dentro de este Convenio.

(c) Con excepción de lo que de otra forma disponga esta estipulación, la Excepción General de la subsección (a) se aplica, pero no se limita, a los siguientes impuestos:

(1) Excepción 1. Derechos de aduanas, derechos arancelarios, derechos de importación u otros impuestos a la importación, uso y re-exportación de bienes o pertenencias y efectos personales (lo cual incluye vehículos de propiedad personal) de personas extranjeras o de sus familias.

La Excepción 1 incluye pero no se limita a todos lo cargos basados en el valor de dichos bienes importados; sin embargo, no incluye los cargos por servicios directamente relacionados con el traslado de los bienes o la carga.

(2) Excepción 2. El impuesto sobre la renta, el impuesto sobre utilidades o sobre bienes de todas (i) las organizaciones internacionales de cualquier clase, (ii) los empleados extranjeros de organizaciones nacionales e internacionales o (iii) los contratistas individuales o donatarios extranjeros.

La Excepción 2 incluye toda clase de impuestos sobre la renta y el seguro social, así como todos los

carrying out activities financed by USAID under this Agreement; (4) any non-national employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members.

Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees.

Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or

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impuestos a la propiedad, de bienes muebles o inmuebles, que pertenezcan a dichas personas u organizaciones internacionales. El término "nacional" se refiere a organizaciones establecidas de acuerdo con las leyes de cada país miembro del Donatario y a los ciudadanos de los países miembros del Donatario, que no sean inmigrantes con residencia permanente en los Estados Unidos.

real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of each Grantee's member country and citizens of the Grantee's member countries, other than permanent resident aliens in the United States.

(3) Excepción 3. Los impuestos recaudados en la última transacción en la compra de bienes o servicios financiados por USAID dentro de este Convenio, lo cual incluye los impuestos sobre ventas, el impuesto al valor agregado o los impuestos en la compra o alquiler de bienes muebles e inmuebles. El término "última transacción" se refiere a la última transacción de compra que hizo disponibles los bienes o servicios a las actividades financiadas por USAID dentro de este Convenio.

(3) Exemption 3. Taxes levied on the last transaction for the purchase of goods or services financed by USAID under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities financed by USAID under this Agreement.

(d) Si determinado impuesto ha sido recaudado y pagado en contra de lo que esta excepción estipula, USAID puede, a su discreción: (1) solicitar que el Donatario reembolse los fondos a USAID o otros que USAID solicite, por la cantidad de dicho impuesto, con fondos diferentes a los proporcionados por el Convenio o (2) compensar el valor de dicho impuesto de las cantidades a ser desembolsadas dentro de este Convenio o de cualquier otro convenio que exista entre las Partes.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) En el caso de que existiera desacuerdo con relación a la aplicación de una excepción, las Partes convienen reunirse inmediatamente para solucionar el problema, en base al principio de que la asistencia proporcionada por USAID está exenta de

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the

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impuestos directos, es decir que toda la asistencia proporcionada por USAID contribuirá directamente al desarrollo económico de los países miembros del Donatario.

SECCIÓN B.5 Informes e Información, Libros y Registros del Convenio, Auditorías, y Revisiones

(a) Informes e Información. El Donatario deberá proporcionar a USAID los registros contables y cualquier otra información e informes relacionados con el Convenio que USAID pueda razonablemente solicitar.

(b) Libros y Registros del Donatario para el Convenio. El Donatario deberá mantener libros de contabilidad, registros, documentos, y cualquier otro comprobante relacionado con el Convenio, que muestren, sin ninguna limitación, todos los gastos efectuados con fondos del Convenio por el Donatario, el recibo y uso de bienes y servicios adquiridos de conformidad con el Convenio por el Donatario, los requerimientos de contrapartida convenidos, la naturaleza y alcance de solicitudes a posibles proveedores de los bienes y servicios adquiridos por el Donatario, la base para la adjudicación de contratos y de órdenes de compra del Donatario, y el avance general del Convenio hasta su terminación ("Libros y Registros del Convenio"). El Donatario deberá mantener los libros y registros del Convenio de conformidad con métodos de contabilidad generalmente aceptados que se encuentren vigentes en los Estados Unidos o, previa aprobación de USAID, a opción del Donatario, otros métodos de contabilidad, tales como aquellos (1) requeridos por el Comité Internacional de

assistance furnished by USAID will contribute directly to the economic development of Grantee's member countries.

SECTION B.5 Reports and Information, Agreement Books and Records, Audits, and Inspections

(a) Reports and Information. The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) Grantee Agreement Books and Records. The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred by the Grantee under the Agreement, the receipt and use of goods and services acquired by the Grantee under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Grantee, the basis of award of Grantee contracts and orders, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at

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Normas de Contabilidad (miembro de la Federación Internacional de Contadores) o (2) que se encuentren vigentes en el país del Donatario. Los libros y registros del Convenio deberán mantenerse por lo menos durante los tres años siguientes a la fecha del último desembolso de USAID o por aquellos períodos más largos, si los hubiera, requeridos para resolver cualquier litigio, reclamo o hallazgo de auditoría.

(c) Auditoría del Donatario. Si el Donatario gasta directamente la cantidad de $300,000 o una cantidad mayor en su año fiscal conforme al Convenio, el Donatario velará por que se practiquen auditorías de los gastos de conformidad con los términos siguientes, a menos que las Partes convengan lo contrario por escrito:

(1) Con aprobación de USAID, el Donatario utilizará los servicios de su Institución Suprema de Auditoría o seleccionará a un auditor externo de conformidad con los "Procedimientos para Auditorías Financieras contratadas por los Beneficiarios Extranjeros" ("Procedimientos") emitidos por el Inspector General de USAID, y las auditorías deberán ser practicadas de conformidad con los "Procedimientos"; y

(2) La auditoría deberá determinar si el recibo de los fondos y los gastos efectuados con recursos provenientes del Convenio se presentan de acuerdo con los métodos de contabilidad generalmente aceptados, convenidos en la sección (b) anterior y si el Donatario ha cumplido con los términos del Convenio. Cada auditoría deberá concluirse a más tardar nueve meses después del cierre del año fiscal del Donatario, cubierto por la auditoría.

least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings.

(c) Grantee Audit. If $300,000 or more is expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines"; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) Auditorías de Subdonatarios. El Donatario, a menos que las Partes convengan lo contrario por escrito, deberá presentar a USAID, en forma y contenido satisfactorio a USAID, un plan para la auditoría de los gastos de los subdonatarios "cubiertos", según se define a continuación, que reciben fondos provenientes del Convenio de conformidad con un contrato o convenio directo con el Donatario.

(1) Un subdonatario "cubierto" es aquel que gasta $300,000 o una cantidad mayor en su año fiscal en "adjudicaciones de USAID" (i.e., como adjudicatarios de contratos de reembolso de costos, donaciones o convenios de cooperación y como subdonatarios bajo convenios de objetivo estratégico u otros convenios de donación de USAID con gobiernos extranjeros).

(2) El plan deberá describir la metodología a ser utilizada por el Donatario para cumplir con su obligación de practicar auditorías a subdonatarios cubiertos. El Donatario puede cumplir con dicha obligación por medio de auditorías externas practicadas a los subdonatorios; la ampliación del alcance de la auditoría financiera externa practicada al Donatario que incluya el examen de las cuentas de los subdonatarios; o una combinación de estos procedimientos.

(3) El plan deberá identificar los fondos puestos a disposición de los subdonatarios cubiertos que serán cubiertos por auditorías practicadas de conformidad con otras disposiciones relacionadas con auditorías que satisfagan la obligación del Donatario de practicar auditorías. (Se requiere que una organización no lucrativa establecida en los

(d) Subrecipient Audits. The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" subrecipients, as defined below, that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" subrecipient is one who expends $300,000 or more in its fiscal year in "USAID awards" (i.e., as recipients of USAID cost reimbursable contracts, grants or cooperative agreements and as subrecipients under USAID strategic objective and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered subrecipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the subrecipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United

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Estados Unidos haga los arreglos para sus propias auditorías, que las auditorías a contratistas establecidos en los Estados Unidos que tengan un contrato directo y lucrativo con USAID sean practicadas por la agencia competente del Gobierno de los Estados Unidos. Se requiere que una organización privada voluntaria establecida fuera de los Estados Unidos y que haya recibido una donación directa de USAID haga los arreglos para sus propias auditorías y que a un contratista del país anfitrión le sea practicada la auditoría por la agencia del Donatario responsable de auditorías.)

States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

(4) El Donatario deberá asegurar que los subdonatarios cubiertos bajo contratos o convenios directos con el Donatario tomen las acciones correctivas apropiadas y oportunas; deberá considerar si las auditorías realizadas a los subdonatarios requieren ajustes en sus propios registros; y deberá requerir que cada subdonatario permita que auditores externos tengan acceso a sus registros y estados financieros si fuera necesario.

(4) The Grantee shall ensure that covered subrecipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether subrecipients' audits necessitate adjustment of its own records; and require each such subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(e) Informes de Auditoría. El Donatario deberá proporcionar o velar por que sea proporcionado a USAID un informe de auditoría por cada auditoría contratada por el Donatario de conformidad con esta Sección dentro de los 30 días siguientes a la terminación de la auditoría y a más tardar nueve meses después del fin del período cubierto por la auditoría.

(e) Audit Reports. The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Otros Subdonatarios Cubiertos. Para los subdonatarios "cubiertos" que reciban fondos provenientes del Convenio de conformidad con contratos

(f) Other Covered Subrecipients. For "covered" subrecipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID,

directos o convenios con USAID, USAID incluirá requisitos de auditoría apropiados en dichos contratos o convenios y, en nombre del Donatario, realizará las actividades de seguimiento con relación a los informes de auditoría proporcionados de conformidad con dichos requisitos.

USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) Costo de las Auditorías. Sujeto a la aprobación por escrito de USAID, los costos de auditorías llevadas a cabo de conformidad con los términos de esta Sección pueden ser cargados al Convenio.

(g) Cost of Audits. Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) Auditorías realizadas por USAID. USAID se reserva el derecho de llevar a cabo las auditorías requeridas conforme a este Convenio en nombre del Donatario utilizando fondos provenientes del Convenio u otros recursos que se encuentren disponibles a USAID para este propósito, llevar a cabo una revisión financiera, o asegurar en cualquier forma la rendición de cuentas de parte de las organizaciones que gastan fondos provenientes de USAID sin importar cual sea el requisito de auditorías.

(h) Audit by USAID. USAID retains the right to perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review, or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement.

(i) Oportunidad para realizar Auditorías o Revisiones. El Donatario deberá permitir que los representantes autorizados de USAID, en cualquier momento oportuno, realicen auditorías o revisiones de las actividades financiadas de conformidad con el Convenio, de la utilización de bienes y servicios financiados por USAID, y de los libros, registros y otros documentos relacionados con el Convenio.

(i) Opportunity to Audit or Inspect. The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) Libros y Registros de los Subdonatarios. El Donatario incorporará los párrafos (a), (b), (d), (e), (g), (h) e (i) de esta disposición en todos los subconvenios con

(j) Subrecipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all subagreements with

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organizaciones no-estadounidenses que lleguen al límite mínimo de $300,000 establecido en el párrafo (c) de esta disposición. Los subconvenios con organizaciones no estadounidenses que no lleguen al límite de $300,000 deberán, como mínimo incorporar los párrafos (h) e (i) de esta disposición. Los subconvenios con organizaciones estadounidenses deberán indicar que la organización estadounidense está sujeta a los requisitos de auditoría contenidos en la Circular A-133 de la Oficina de Administración y Presupuesto (OMB por su siglas in inglés).

non-U.S. organizations which meet the $300,000 threshold of paragraph (c) of this provision. Subagreements with non-U.S. organizations, which do not meet the $300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Subagreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

SECCIÓN B.6. Integridad de la Información

El Donatario confirma:

(a) Que los hechos y circunstancias que ha informado a USAID o ha hecho informar a USAID en el transcurso de las negociaciones del Convenio con USAID, son exactos y completos e incluyen todos los hechos y circunstancias que pudieran substancialmente afectar el Convenio y el cumplimiento de las responsabilidades descritas en este Convenio; y

(b) Que informará a USAID en forma oportuna, sobre cualquier hecho y circunstancia que substancialmente pudiera afectar o que razonablemente se crea que pudiera afectar al Convenio o el cumplimiento de las responsabilidades descritas en este Convenio.

SECTION B.6. Completeness of Information

The Grantee confirms:

(a) That the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) That it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

SECCIÓN B.7. Otros Pagos

El Donatario afirma que ningún pago ha sido o será recibido por ningún funcionario del Donatario con relación a la adquisición de bienes y servicios financiados por el Convenio; con excepción de honorarios,

SECTION B.7. Other Payments

Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Agreement, except fees, taxes, or similar

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impuestos o pagos similares legalmente establecidos en los países miembros del Donatario.

SECCIÓN B.8. Información y Marcas

El Donatario dará publicidad adecuada al Convenio como un programa al cual los Estados Unidos ha contribuido, identificará los lugares donde se llevan a cabo las actividad del Convenio y marcará los bienes financiados por USAID de acuerdo a lo especificado en Cartas de Ejecución.

ARTÍCULO C

Disposiciones para Adquisiciones

SECCIÓN C.1. Fuente y Origen

(a) Costos en Moneda Extranjera. Los Desembolsos para cubrir los costos en Moneda Extranjera serán utilizados exclusivamente para financiar los costos de bienes y servicios requeridos para el Convenio, cuya fuente y origen de los bienes y nacionalidad de los proveedores de los bienes y servicios sea los Estados Unidos de América (Código Geográfico de USAID 000), a excepción de lo que USAID pueda acordar por escrito y lo siguiente:

(1) Los gastos del transporte marítimo serán financiados con fondos del Convenio únicamente cuando se utilicen buques de bandera de los países incluidos en el Código 935. También véase la Sección C.6 sobre el uso de naves de bandera estadounidense.

payments legally established in the member countries of the Grantee.

SECTION B.8. Information and Marking

The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

ARTICLE C

Procurement Provisions

SECTION C.1. Source and Origin

(a) Foreign Exchange Costs. Disbursements for Foreign Exchange Costs will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in the United States (USAID Geographic Code 000) except as USAID may otherwise agree in writing and as follows:

(1) Ocean transportation costs shall be financed under the Agreement only on vessels under flag registry of countries included in Code 935. Also see Section C.6 on use of U.S. flag vessels

(2) Los países miembros del Donatario son fuente elegible para los Costos en Moneda Extranjera del seguro marítimo, siempre que por otra parte sean elegibles de acuerdo con la Sección C.7 (a).

(2) Grantee's member countries are an eligible source for Foreign Exchange Cost for marine insurance, if otherwise eligible under Section C.7 (a).

(3) Cualquier automóvil financiado por medio del Convenio será de manufactura estadounidense, se exceptúa lo que USAID pudiera por otra parte convenir por escrito.

(3) Any motor vehicles financed under the Agreement will be of United States manufacture, except as USAID may otherwise agree in writing.

(b) Costos en Moneda Local. Los desembolsos para los costos en moneda local serán utilizados exclusivamente para financiar los costos de bienes y servicios requeridos para el Convenio que satisfagan los requerimientos de la política de compras locales de USAID, requerimientos que serán proporcionados por medio de Cartas de Ejecución.

(b) Local Currency Costs. Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required for the Agreement which meet the requirements of USAID's local procurement policy which will be provided as needed in an Implementation Letter.

(c) Se considerará como fuente y origen de los embarques marítimos y aéreos, el país de registro de la nave aérea o marítima en el momento del embarque

(c) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment

(d) Estipulaciones relacionadas con bienes y servicios prohibidos e inelegibles podrán ser proporcionadas por medio de Cartas de Ejecución.

(d) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(e) El transporte aéreo de bienes o personas financiado dentro del Convenio deberá hacerse en naves que tengan registro de los Estados Unidos, siempre que estos servicios se encuentren disponibles de acuerdo con la "Ley Vuele América". USAID dará mayores detalles de este requisito por medio de las Cartas de Ejecución.

(e) Transportation by air of property or persons financed under this Agreement will be on carriers holding United States certification, to the extent service by such carriers is available under the Fly America Act. This requirement may be further described by USAID in Implementation Letters.

SECCIÓN C.2. Fecha de Elegibilidad

No podrán financiarse con fondos del Convenio los bienes o servicios que se adquieran por medio de pedidos o contratos celebrados con anterioridad a la fecha de este Convenio, salvo que las Partes acuerden lo contrario por escrito.

SECTION C.2. Eligibility Date

No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECCIÓN C.3. Planes, Especificaciones y Contratos

A fin de que exista mutuo acuerdo sobre los siguientes puntos y salvo que las Partes acuerden lo contrario por escrito:

(a) El Donatario proveerá a USAID, tan pronto como sean preparados:

(1) Planes, especificaciones, calendarios de compras o de construcción, contratos u otra documentación entre el Donatario y terceras partes, relacionados con los bienes o servicios a ser financiados por el Convenio; lo cual incluye documentos relacionados con la precalificación y selección de contratistas y con las solicitudes de licitaciones y ofertas. También proporcionará a USAID, en el momento de su preparación, las modificaciones substanciales hechas a dicha documentación; y

(2) Documentación relacionada con cualquier bien y servicio que a pesar de no ser financiado por el Convenio, USAID considere es de vital importancia para el Convenio. Los aspectos del Convenio que incluyan asuntos relacionados con esta subsección (a) (2) serán especificados en Cartas de Ejecución;

SECTION C.3. Plans, Specifications and Contracts

In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation:

(1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Agreement, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation; and

(2) Such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Agreement, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in Implementation Letters

(b) USAID aprobará por escrito, antes de su preparación, todos los documentos relacionados con la precalificación de contratistas y con solicitudes de propuestas u ofertas de bienes y servicios que serán financiados por el Convenio. Los términos de esta documentación incluirán normas y medidas de los Estados Unidos;

(c) USAID aprobará por escrito, antes de su firma, todos los contratos y contratistas financiados por el Convenio para la provisión de servicios de ingeniería y de otros servicios profesionales; para servicios de construcción y para cualquier otro servicio, equipo o materiales que pudieran especificar las Cartas de Ejecución. También USAID aprobará, por escrito y antes de su firma, las modificaciones substanciales que se hagan a dichos contratos; y

(d) Deberán ser aceptables para USAID las firmas consultoras utilizadas por el Donatario para el Convenio que no sean financiadas por el Convenio, el alcance de sus servicios y su personal asignado a las actividades financiados por el Convenio, según USAID lo pudiera indicar; así como los contratistas constructores utilizados por el Donatario para el Convenio pero no financiados por el Convenio.

SECCIÓN C.4. Precios Razonables

Únicamente se pagarán precios razonables por los bienes o servicios financiados por el Convenio, en su totalidad o en parte. Dichos bienes y servicios serán adquiridos en una base justa y, hasta donde sea factible, competitiva.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities financed under the Agreement as USAID may specify, and construction contractors used by the Grantee for the Agreement but not financed under the Agreement, shall be acceptable to USAID.

SECTION C.4. Reasonable Price

No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Agreement. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

SECCIÓN C.5. Notificación a Proveedores Potenciales

A fin de permitir que todas las firmas estadounidenses tengan la oportunidad de participar en la provisión de los bienes y servicios financiados por el Convenio, el Donatario proveerá a USAID la información correspondiente para este propósito, así como en todo momento que USAID lo solicite por medio de Cartas de Ejecución.

SECTION C.5. Notification to Potential Suppliers

To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Agreement, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

SECCIÓN C.6. Transporte

(a) Además de los requerimientos de la Sección C.1 (a), los costos del transporte aéreo y marítimo, así como los costos de los servicios relacionados con la entrega no podrán ser financiados por el Convenio cuando el transporte se haga en una aeronave o buque alquilado que no haya recibido aprobación previa de USAID.

(b) Salvo que USAID determine que no se encuentran disponibles buques comerciales, de propiedad privada y de bandera estadounidense, a tarifas razonables y justas para dichos buques o que por otra parte acuerde por escrito que:

(1) Por lo menos el cincuenta por ciento (50%) del tonelaje bruto de todos los bienes (computados separadamente para buques de carga seca a granel, vapores de carga seca y buques tanque) financiados por USAID que puedan ser transportados en buques, serán transportados en buques comerciales de propiedad privada y de bandera estadounidense; y

(2) Por lo menos el cincuenta por ciento (50%) de los ingresos brutos generados por todos los embarques

SECTION C.6. Transportation

(a) In addition to the requirements in Section C.1 (a), costs of ocean or air transportation and related delivery services may not be financed under the Agreement, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(1) At least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by USAID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) At least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and

financiados por USAID y transportados al territorio de los países miembros del Donatario en buques de carga seca serán pagados a buques comerciales de propiedad privada y de bandera estadounidense o a su favor. Los requisitos establecidos en los numerales (1) y (2) de esta subsección deben ser cumplidos tanto para cualquier carga transportada desde puertos estadounidenses como para cualquier carga transportada desde puertos no estadounidenses, información que deberá ser computada en forma separada.

transported to the territory of the member countries of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECCIÓN C.7. Seguros

(a) El seguro marítimo de los bienes financiados por USAID que deban ser transportados al territorio de los países miembros del Donatario podrá ser financiado por este Convenio como un Costo en Moneda Extranjera, siempre que:

(1) Dicho seguro se contrate a la tarifa competitiva más ventajosa;

(2) Dicho seguro se contrate en un país autorizado de conformidad con la Sección C.1 (a); y

(3) Los reclamos de este seguro sean pagaderos en dólares de los Estados Unidos o en una moneda de libre convertibilidad, a menos que USAID acuerde lo contrario por escrito.

Si el Donatario (o gobierno del Donatario) por estatuto, decreto, norma, reglamento o práctica discrimina con relación a las compras financiadas por USAID, contra cualquier compañía de seguro marítimo autorizada

SECTION C.7. Insurance

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the member countries of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided:

(1) Such insurance is placed at the most advantageous competitive rate;

(2) Such insurance is placed in a country which is authorized under Section C.1(a); and

(3) Claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any

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para operar en cualquier Estado de los Estados Unidos; en tal caso, todos los bienes transportados al territorio de los países miembros del Donatario que hayan sido financiados por USAID por este medio deberán ser asegurados contra riesgos marítimos y dicho seguro deberá ser contratado en los Estados Unidos, con una compañía o compañías de seguros marítimos autorizadas para operar en los Estados Unidos.

State of the United States, then all goods shipped to the territory of the member countries of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Salvo que USAID apruebe lo contrario por escrito, el Donatario asegurará o hará que se aseguren todos los bienes financiados por el Convenio e importados para el Convenio, contra los riesgos relacionados con su traslado, hasta su lugar de destino de acuerdo con el Convenio; dicho seguro será contratado en base a términos y condiciones consistentes con prácticas comerciales efectivas y asegurará los bienes por la totalidad de su valor. Cualquier indemnización que reciba el Donatario por dicho seguro será usada para el reemplazo o reparación por cualquier daño material o cualquier pérdida de los bienes asegurados o será utilizada para reembolsar al Donatario por el reemplazo o reparación de dichos bienes. Cualquier reemplazo de esta clase deberá ser de fuente y origen de los países incluidos en el Código Geográfico de USAID No. 935 vigente en el momento del reemplazo, por otra parte, este reemplazo también estará sujeto a las disposiciones del Convenio, se exceptúa lo que las Partes pudieran acordar por escrito.

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 935 as in effect at the time of replacement and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECCIÓN C.8. Propiedad Excedente del Gobierno de los Estados Unidos

El Donatario acuerda en utilizar, cuando sea factible, bienes muebles excedentes de propiedad del Gobierno de los Estados

SECTION C.8. U.S. Government-Owned Excess Property

The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items

Unidos en lugar de artículos nuevos financiados por el Convenio. Fondos del Convenio podrán ser utilizados para financiar los costos y obtener dicha propiedad.

ARTÍCULO D

Desembolsos

SECCIÓN D.1. Formas de Desembolso

Podrán hacerse desembolsos por los medios que las Partes acuerden por escrito y/o según lo establece el Anexo 1.

SECCIÓN D.2. Tasa de Cambio

Si fondos proporcionados por medio del Convenio son traídos a los países miembros del Donatario por USAID o por cualquier agencia pública y privada, para cumplir con las obligaciones de USAID aquí especificadas, el Donatario hará los arreglos necesarios para que dichos fondos sean convertidos en moneda local, a la tasa de cambio más alta que en el momento de efectuar la transacción no sea ilegal en el respectivo país miembro del Donatario para cualquier persona y propósito.

ARTÍCULO E

Suspensión, Recursos

SECCIÓN E.1. Suspensión y Terminación

(a) Cualquiera de las Partes podrá dar por terminado este Convenio en su totalidad, por medio de notificación escrita a la otra Parte con treinta (30) días de anticipación. USAID también podrá dar por terminada parte de este Convenio por medio de notificación escrita al Donatario, con 30 días de anticipación y suspender este

financed under the Agreement, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

ARTICLE D

Disbursements

SECTION D.1. Forms of Disbursement

Disbursements may be made through such means as the Parties may agree to in writing and/or as set forth in Annex 1.

SECTION D.2. Rate of Exchange

If funds provided under the Agreement are introduced into the member countries of the Grantee by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the respective Grantee's member country to any person for any purpose.

ARTICLE E

Termination; Remedies

SECTION E.1. Suspension and Termination

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. USAID also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this

Convenio en su totalidad o en parte, por medio de notificación escrita al Donatario. Además, USAID podrá dar por terminado este Convenio en su totalidad o en parte, por medio de notificación escrita al Donatario, si: (i) el Donatario incumpliera cualquiera de sus estipulaciones; (ii) ocurriera alguna eventualidad que llevara a USAID a determinar que es improbable que se alcance el Objetivo o los Resultados del Convenio o del programa de asistencia o que el Donatario pudiera cumplir sus obligaciones de conformidad con el Convenio; o (iii) los desembolsos o el uso de los fondos aquí contemplados transgredieran la legislación que rige a USAID, la vigente o la que pudiera entrar en vigor en el futuro.

Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Results of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Con excepción de los pagos que las Partes están obligadas a efectuar de conformidad con compromisos ineludibles con terceras personas, contraídos antes de dicha suspensión o terminación; la suspensión o terminación de todo el Convenio o de parte de él suspenderá (durante el período de la suspensión) o terminará, según se aplique, cualquier obligación de las Partes de proporcionar recursos financieros o de otra clase al Convenio o a la porción del Convenio que se haya suspendido o terminado, según se aplique. Cualquier porción de este Convenio que no sea suspendida o terminada tendrá completa validez y vigencia.

(b) Except for payment which the Parties are committed to make pursuant to noncancelable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) Además, al efectuarse una suspensión o terminación total o parcial, USAID podrá, a sus expensas, ordenar que el título de propiedad de los bienes financiados por el Convenio o por la porción aplicable del Convenio, sea transferido a USAID. Esto se hará siempre que los bienes se encuentren disponibles.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

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(d) USAID se reserva el derecho de dar por terminado este Convenio o tomar las medidas apropiadas si se determina que el Donatario o una persona clave del Donatario ha sido condenado por una violación relacionada con narcóticos o ha participado en el tráfico de drogas, según se define en el título 22 del Código de Reglamentos Federales (CFR) del Gobierno de los Estados Unidos, Parte 140.

(d) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

SECCIÓN E.2. Reintegros

(a) En el caso de que un desembolso no esté respaldado por documentación válida de acuerdo con este Convenio o que no se haga o utilice de acuerdo con este Convenio o que se efectúe para bienes o servicios no utilizados de acuerdo con este Convenio, USAID, no obstante la disponibilidad o ejercicio de cualquier otro recurso establecido en este Convenio, podrá requerir al Donatario que reintegre a USAID el monto de dicho desembolso en dólares estadounidenses, dentro de los sesenta (60) días a partir del recibo del aviso correspondiente.

(b) Si el incumplimiento por parte del Donatario de cualquiera de sus obligaciones de acuerdo con este Convenio diera como resultado que los bienes y servicios financiados o patrocinados por el Convenio no fueran utilizados en forma efectiva de acuerdo con este Convenio, USAID podrá solicitar al Donatario que reintegre a USAID todo o cualquier porción del monto de los desembolsos bajo este Convenio para o en relación con dichos bienes y servicios, en dólares de los Estados Unidos, dentro de los sesenta (60) días siguientes al recibo del aviso correspondiente

SECTION E.2. Refunds

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

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(c) El derecho establecido en las subsecciones (a) o (b) para requerir el reintegro de un desembolso continuará por tres (3) años a partir de la fecha del último desembolso de este Convenio, a pesar de lo que indique cualquier otra disposición de este Convenio.

(c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Cualquier reembolso de acuerdo con las subsecciones (a) o (b) o (2) cualquier reembolso a USAID de un contratista, proveedor, banco o tercera parte con relación a bienes y servicios financiados por el Convenio; cuando dicho reembolso se deba a un precio ilógico de bienes o servicios o a su errónea facturación o a bienes que no correspondan a las especificaciones o a servicios inadecuados, el reembolso estará disponible: (A) primero, al Convenio, al grado en que se justifique y (B) el saldo, si hubiera, será utilizado para reducir el monto de la Donación.

(d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Cualquier interés u otras utilidades que pudieran devengar los fondos desembolsados por USAID al Donatario de conformidad con este Convenio, antes de su utilización autorizada de acuerdo con el Convenio, serán devueltos a USAID por el Donatario, en dólares de los Estados Unidos. Se exceptúa lo que por otra parte pudiera convenir USAID por escrito.

(e) Any interest or other earnings on funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

SECCIÓN E.3. Irrenunciabilidad de recursos

Ninguna demora en el ejercicio de cualquier derecho o recurso otorgado a una Parte con relación al financiamiento de acuerdo con este Convenio será considerada como una renuncia a dicho derecho o recurso.

SECTION E.3. Nonwaiver of Remedies

No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECCIÓN E.4. Cesión de Derechos

El Donatario conviene, al serle solicitado,

SECTION E.4. Assignment

The Grantee agrees, upon request, to execute

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ceder a USAID los derechos sobre cualquier proceso o acción que pudiera corresponder al Donatario, o que pudiera surgir, con relación al cumplimiento o incumplimiento de una parte de un contrato directo, financiado en parte o en su totalidad por USAID, con fondos en dólares de los Estados Unidos donados de conformidad con este Convenio.

an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

ARTICULO F

Misceláneos

SECCION F.1. Promoción de Inversión

(a) Ninguna ayuda o fondos proporcionados por este medio, podrán utilizarse para una actividad que tenga como objetivo la promoción de inversión en un país extranjero, a excepción que esté específicamente establecido en el Convenio u haya sido autorizado por USAID por escrito.

(b) En el caso que al Donatario le sea solicitado o desee proporcionar asistencia en el área arriba descrita o requiera clarificación de USAID de si la actividad sería consistente con la limitación arriba establecida, el Donatario deberá notificar a USAID y proporcionar una descripción detallada de la actividad propuesta. El Donatario no deberá proceder con la actividad hasta que sea notificado por USAID de que puede hacerlo.

(c) El Donatario deberá asegurarse que sus empleados y subcontratistas así como sus sub-beneficiarios que estén proporcionando servicios de promoción de inversión, estén conscientes de las restricciones establecidas en esta cláusula y deberá incluir esta cláusula en todos los subcontratos y otros sub-convenios aquí acordados.

ARTICLE F

Miscellaneous

SECTION F.1. Investment Promotion

(a) Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements enters into hereunder.

SECTION F.2 Prohibición de Asistencia a Traficantes de Drogas

El Donatario hará los esfuerzos razonables necesarios para asegurar que no se dediquen fondos o apoyo bajo este Convenio para apoyar trafico de drogas.

SECTION F.2. Prohibition on Assistance to Drug Traffickers

The Grantee shall make such reasonable efforts as are necessary to ensure that no funds or other support under this Agreement are diverted in support of drug trafficking.

SECCION F.3. Derechos de los Trabajadores

(a) Ninguna ayuda o fondos proporcionados por este medio, podrán utilizarse para una actividad que esté relacionado con los derechos de los trabajadores en un país extranjero, a menos que esté específicamente establecido en el Convenio o haya sido autorizado por USAID por escrito.

(b) En el caso que al Donatario le sea solicitado o desee proporcionar asistencia en el área arriba descrita o requiera clarificación de USAID de si la actividad sería consistente con la limitación arriba establecida, el Donatario deberá notificar a USAID y proporcionar una descripción detallada de la actividad propuesta. El Donatario no deberá proceder con la actividad hasta que sea notificado por USAID de que puede hacerlo.

(c) El Donatario deberá asegurarse que sus empleados y subcontratistas y los sub-beneficiarios que estén proporcionando servicios relacionados a empleo, estén conscientes de las restricciones establecidas en esta cláusula y deberá incluir esta cláusula en todos los subcontratos y otros sub-convenios aquí acordados.

SECTION F.3. Workers' Rights

(a) Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must no proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

USAID/EL SALVADOR

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Kirk Dahlgren, SDO

SUBJECT: Strategic Objective Grant Agreement for the Strategic Objective (SO2) 596-022 Economic Freedom: Open, Diversified Expanding Economies, Activity 596-0200.

ACTION REQUESTED: Your signature to the attached Strategic Objective Grant Agreement (SOAG) with the General Secretariat of the Central American Integration System (SG-SICA) to obligate up to FY 2005 $10 million Development Assistance Funds (DA) for the Strategic Objective Economic Freedom: Open Diversified Expanding Economies, Activity 596-0200.

BACKGROUND: The USAID Central America Regional Program is in the process of transitioning to USAID/El Salvador as approved by the Assistant Administrator for the Bureau for Latin America and the Caribbean (AA/LAC) through the "Revised Management Agreement for the CAM Regional Strategy" memorandum dated June 28, 2004. Furthermore, on July 19, 2004, AA/LAC approved the incorporation of the Regional Program Plan (RPP) for the period FY2005 – FY2008 into the Central America and Mexico (CAM) Regional Strategy. According to the approved RPP, USAID/El Salvador will obligate FY 2005 SO2 regional funds to start up the new CAM Regional Program (CAM-RP). To this end, USAID/El Salvador received $11,205,000. Under this amount, USAID will obligate up to $10 million in the proposed SOAG with SG-SICA.

DISCUSSION: The Mission has decided to invoke ADS 201.3.12 to obligate up to $10 million, in FY 2005 for the RPP period, before the Activity design is fully completed. As an agency of the U.S. Government, the Mission must fulfill a number of regulatory and statutory requirements before obligation of funds takes place. Some of these requirements are met during the strategic planning development stage and others at the activity planning stage. ADS 201.3.12.1 and 201.3.12.2 provide guidance on the order and level for compliance of pre-obligation and activity planning requirements. According to the aforementioned ADS Sections, if funds are obligated at the SOAG level, detailed activities do not have to be totally planned until after the SOAG is signed. Therefore, at the completion of the design, all activity planning requirements must be met.

The following describes how mandatory pre-obligation requirements have been met before the obligation of $10 million FY 2005, as follows:

1. **Adequate Planning.** To comply with FAA Section 611(a), which requires that adequate technical and financial planning is conducted, the Mission considers that the planning undertaken during the development of the approved RPP was comprehensive enough to satisfy the SO Open, Diversified Expanding Economies overall description of activities listed in the RPP and used in Annex 1, Amplified Description, of the SOAG. The RPP was done based on a series of consultations with regional organizations, regional donors, government ministries and key members of civil society and the private sector.

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The results framework for the Regional SO Open, Diversified Expanding Economies will focus on the following two Intermediate Results (IRs) and their Sub-IRs:

Intermediate Result 1. Laws, Policies and Regulations that Promote Trade and Investment
Sub- IR 1.1 Improved Capacity to Negotiate and Implement Trade Agreements,
Sub- IR 1.2 Reduced Barriers to Trade, Investment and Market Integration
Sub- IR 1.3 Commercial Laws and Regulations More Consistent with International Commitments and Prevailing Practice.

Intermediate Result 2. Improved Management and Conservation of Critical Watersheds
Sub- IR 2.1 Improved Management and Use of Critical Watersheds

The possible partners were also identified. The RPP identified one overall partner, the SG-SICA. Other key partners, but not necessarily grantees or implementers, include COMIECO (the Council of Ministers of Economic Integration), the Ministries of Environment acting through the Central American Commission for Environment and Development (CCAD), The Central American Secretariat for Economic Integration (SIECA), the Central American Agricultural Council (CAC), the Office of the U.S. Trade Representative and the U.S. Environment Protection Agency (USEPA). Furthermore, activities are likely to be implemented through agreements with U.S. contractors and NGOs. The Pan-American Agricultural School at Zamorano and other regional organizations may play supporting roles under the SPS program. Other likely partners include Mexico as a source of NAFTA-related expertise, the emerging network of regional private sector think tanks, and the Central American Council of Bank Superintendents.

The Activity Approval Document for the Regional SO2 is planned to be completed and approved by December 2005. The AAD will: meet remaining activity planning requirements (i.e. IEE and a revised Assistance Checklist, if necessary); provide a more detailed description of each Component and activities that will help achieve the planned Results; identify implementing instruments; and estimate reasonable costs.

2. **Initial Environmental Examination (IEE)**: The 22 CRF 216 and ADS 204 mandate that an IEE must be completed and approved by the Bureau Environmental Officer (BEO) for any Activity before the obligation of funds. The Mission has decided to obligate SO FY 2005 funds before the Activity design is fully completed. ADS 201.3.12.2 set forth that "If Operating Units do not allocate resources and define such details at the pre-obligation planning stage, they must, at minimum, request and receive from their BEO a written approval of their request to defer IEE review." Accordingly, Attachment 1 is a copy of the BEO approval for deferral of the IEE.

3. **Checklists**: USAID/Washington has approved the FY 2005 Country Checklist for USAID/El Salvador. The Assistance Checklist for this Activity is included as Attachment II to this Memorandum.

4. **Congressional Notification**: The FY2005 Congressional Budget Justification (CBJ) for SO596-022 (the Regional CAM SO2) was submitted to Congress and expired without objection on April 6, 2004. The FY2006 CBJ was submitted to Congress on April 8, 2005 and expired without objection on April 23, 2005.

5. **USAID Financial Requirements and counterpart Contribution**: USAID's estimated contribution for the Regional SO during the RPP period is $34.0 million in DA. Specific inputs, the implementing instruments and counterpart contribution required to produce SO Results will be determined during the design period and described in the AAD. Preliminary financial information is shown in Attachment 3 to

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this Memorandum. The Counterpart Contribution will be established to meet the ADS 350.3.5.1 requirement, which establishes that a 25 percent requirement applies to regional programs only where the benefits to the host government can be clearly separated from benefits to other countries and the cost of the benefits can be adequately calculated to determine an overall cost to which to apply the 25 percent requirement. When the AAD is completed the SOAG will be amended to reflect the detailed activities to be implemented and the counterpart contribution requirements.

AUTHORITY: Under ADS Section 103.3.14.2a, Mission Directors in the LAC Bureau were delegated the authority to implement strategic objectives. The obligation of funds, proposed in this Action Memorandum and the attached SOAG, is in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.12 for "Pre-Obligation and Activity Planning Requirements." As noted above, the obligation of funds to be approved under this Action Memorandum is consistent with USAID RPP approved by the Assistant Administrator for the Bureau for Latin America and the Caribbean (AA/LAC). Therefore, you have the authority to approve the actions requested in this Memorandum.

RECOMMENDATION: That you approve the obligation of up to $10 million FY 2005 DA under the attached Strategic Objective Grant Agreement (SOAG) with the General Secretariat of the Central American Integration System (SG-SICA) for the Strategic Objective Economic Freedom: Open Diversified Expanding Economies, Activity 596-0200 by signing this Memorandum and the attached SOAG.

APPROVED: Mark Silin

DISAPPROVED: _____

DATE: 8/11/05

Attachments:
1. Memorandum to the Bureau Environmental Officer
2. Assistance Checklist
3. Preliminary Financial Information
4. Strategic Objective Grant Agreement

Drafted by: RMMayorga, ER _____ Date 7/19/05
Cleared by: RKrzywda, A/CONT ___(In draft)_____ Date _7/29/05_
RRakas, RLA ____(In draft)_____ Date _8/9/05__
TCornick, DDIR _____ Date_____

Copy: Braden Enroth/LGarcía, RCGO

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this Memorandum. The Counterpart Contribution will be established to meet the ADS 350.3.5.1 requirement, which establishes that a 25 percent requirement applies to regional programs only where the benefits to the host government can be clearly separated from benefits to other countries and the cost of the benefits can be adequately calculated to determine an overall cost to which to apply the 25 percent requirement. When the AAD is completed the SOAG will be amended to reflect the detailed activities to be implemented and the counterpart contribution requirements.

AUTHORITY: Under ADS Section 103.3.14.2a, Mission Directors in the LAC Bureau were delegated the ~~strategic planning~~ authority ~~pursuant to ADS Chapter 201~~ to complement strategic objectives. The obligation of funds, proposed in this Action Memorandum and the attached SOAG, is in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.12 for "Pre-Obligation and Activity Planning Requirements." As noted above, the obligation of funds to be approved under this Action Memorandum is consistent with USAID RPP approved by the Assistant Administrator for the Bureau for Latin America and the Caribbean (AA/LAC). Therefore, you have the authority to approve the actions requested in this Memorandum.

RECOMMENDATION: That you approve the obligation of up to $10 million FY 2005 DA under the attached Strategic Objective Grant Agreement (SOAG) with the General Secretariat of the Central American Integration System (SG-SICA) for the ~~Regional~~ Strategic Objective Economic Freedom: Open Diversified Expanding Economies, Activity 596-0200 by signing this Memorandum and the attached SOAG.

APPROVED: _____

DISAPPROVED: _____

DATE: _____

Attachments:
1. Memorandum to the Bureau Environmental Officer
2. Assistance Checklist
3. Preliminary Financial Information
4. Strategic Objective Grant Agreement

Drafted by: RMMayorga, ER RMM Date 7/19/05
Cleared by: RKrzywda, A/CONT RK Date 7/29 cell, rlc
RRakas, RLA RTR Date 8/9/05
TCornick, DDIR _____ Date _____

Copy: Braden Enroth/LGarcía, RCGO

Office of the Controller
REVIEWED
7/29/05
DATE

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ATTACHMENT 1

USAID/EL SALVADOR

Memorandum

TO: Victor Bullen,
Bureau Environmental Officer (BEO) for Latin America and the Caribbean

FROM: Mark Silverman, DIR

SUBJECT: Request for Deferral of IEE Regional Strategic Objective Grant Agreement "Economic Freedom: Open, Diversified, Expanding Economics", Activity 596-0200.

DATE: July 12, 2005

ACTION REQUESTED: This memorandum is to request your approval to defer review of environmental considerations and completion of an Initial Environmental Examination ("IEE") so as to permit the obligation of up to $10 million in FY 2005 under the Regional Strategic Objective Grant Agreement (SOAG) "Economic Freedom: Open, Diversified, Expanding Economies" with the General Secretariat of the Central American Integration System (SG-SICA) subject to the conditions on completion and approval of the IEE prior to disbursement of such funds set forth below.

BACKGROUND: The USAID Regional Program Plan ("RPP") for the period FY 2005-2008 (FY 2008 as the last year of obligation and FY 2009 as the last year of implementation) was approved by AA/LAC and incorporated into the approved Central American and Mexico (CAM) Regional Strategy on July 19, 2004. The *Economic Freedom: Open, Diversified, Expanding Economies*, one of CAM Regional Strategy and RPP SOs, was approved at $66 million for the total life of SO funding level for the RPP period.

DISCUSSION: In accordance with 22 Code of Federal Regulations ("CFR"), Environmental Procedures, Section 216.3(a)(1) and ADS 201.3.12.2.b, USAID/El Salvador requests a deferral of the requirement that an Initial Environmental Examination ("IEE") be completed prior to obligation in order to permit obligation in FY 2005 of the amount of $10 million in Development Assistance Funds (DA) under the SOAG before the Activity design is fully completed.

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22 CFR Section 216.2, and ADS 201.3.12.2.b require that before the obligation of funds an IEE must be completed for new projects, programs and to substantive amendments or extension of ongoing projects. Nevertheless, 22 CFR Section 216.3(a)(1) and ADS 201.3.12.2.b permit deferral of such requirement. ADS 201.3.12.2.b states, in relevant part, that "If Operating Units do not allocate resources and define such details at the pre-obligation planning stage, they must, at minimum, request and receive from their Bureau Environmental Officer a written approval of their request to defer review and incorporate appropriate conditions precedent to disbursement. This approval will ensure proper environmental review before disbursement. Operating Units must be prepared to modify and fund revisions to the SO and its activities, if necessary, in accordance with the USAID Environmental Procedure."

22 CFR Section 216.3(a)(1) states, in part, that "Activities which cannot be identified in sufficient detail to permit the completion of an Initial Environmental Examination…shall be described by including…(i) an explanation indicating why the Initial Environmental Examination cannot be completed; (ii) an estimate of the amount of time required to complete the Initial Environmental Examination; and (iii) a recommendation that a Threshold Decision be deferred until the Initial Environmental Examination is completed."

The requirements for a deferral set forth in the 22 CFR 216.3(a)(1) are presented below:

(i) Due to the transition process of the Regional Program from Guatemala to El Salvador, the funds will be obligated at the Strategic Objective Level and the detailed activities will not be planned until after the SOAG is signed. Therefore, currently there is not sufficient detail of the activities to prepare an IEE. This is the main reason that the IEE cannot be completed now.

(ii) It is expected that the IEE will be completed and submitted for your approval by December 2005. The Activity Approval Document (AAD) is planned to be completed and approved by December 2005. The AAD will meet remaining activity planning requirements (i.e. IEE); provide a more detailed description of each component and activity that will help achieve the planned results; identify implementing instruments; and make reasonable firm estimates of the costs, etc. Annex A shows the preliminary activities as described in the RPP.

(iii) Given that the IEE, as well as the Activity design, is not complete, the Mission requests your concurrence in recommending that a Threshold Decision for this activity be deferred until the IEE is completed.

<u>AUTHORITY: As set forth in ADS 204.5.6, Bureau Environmental Officers have been delegated the authority to approve all 22 CFR 216 documents. Such authority includes approval of this request for a deferral of the IEE for this Activity. In addition, as set forth in ADS 201.3.12.2.b, the Bureau Environmental Officer is responsible for approving, in writing, such requests for deferral. As a result, you have the authority to approve this request for a deferral of the IEE.</u>

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RECOMMENDATION: That you approve this request to defer review of environmental considerations so as to permit the obligation of up to $10 million in FY 2005 under a Regional Strategic Objective Grant Agreement with SG-SICA subject to the conditions on completion and approval of the IEE prior to disbursement of funds set forth above.

APPROVED: Jerry Brisco

DISAPPROVED: _____

DATE: July 18, 2005

Annex:

A. Preliminary Illustrative Activities

Drafted:	RMMayorga, SDO	Date July 6, 2005
Cleared:	SBudzina, A/SDO	Date July 7, 2005
	BBayle, A/REA B.Bayle	Date July 7, 2005
	NHoffman, A/DDIR nth	Date 7/8/05

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ANNEX A
ACTION MEMORANDUM TO THE BUREAU ENVIRONMENTAL OFFICER

PRELIMINARY ILLUSTRATIVE ACTIVITIES
REGIONAL STRATEGIC OBJECTIVE GRANT AGREEMENT:
ECONOMIC FREEDOM: OPEN, DIVERSIFIED, EXPANDING ECONOMIES

Illustrative activities described in the Regional Program Plan under under the Strategic Objective "Economic Freedom: Open, Diversified, Expanding Economies."

Result 1 - Laws, Policies and Regulations that Promote Trade and Investment.

The Central American countries want to work together for greater economic integration and find regional solutions in order to compete more effectively in international markets by reducing costs, and by expanding the Central American market for local producers of goods and services. This will require new, harmonized laws, policies and regulations among the Central American countries to promote increased trade and investment. The illustrative activities include:

- Improved Capacity to Negotiate and Implement Trade Agreements
  - Support to public-private dialogue on the Central American and Dominican Republic Free Trade Agreement (CAFTA) to implement it and other trade agreements, and to address bottlenecks or policy analysis needs
  - Technical Assistance and training for compliance with rules of origin requirements under CAFTA and other trade agreements
  - Support to assistance strategies for the CAFTA Trade Capacity Building Committee (TCB) and the Environmental Cooperation Commission for the Environmental Cooperation Agreement (ECA)

- Reduced Barriers to Trade, Investment and Market Integration
  - Technical assistance and training for analysis and implementation in support of the customs union and trade facilitation
  - Technical assistance and training to support harmonization of product norms, standards, measurements and commercial codes; and private certification of sustainable and environmentally friendly products
  - Technical assistance and training for capacity building for meeting sanitary, phyto-sanitary (SPS), and food safety standards
  - Support the expansion of standards and services in order to certify environmentally friendly and sustainable technologies, practices and production.

- Commercial Laws and Regulations more Consistent with International Commitments and Prevailing Practice
  - Revision, harmonization and distribution of commercial codes, laws and regulations
  - Support for labor modernization and voluntary compliance with labor codes

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- Technical assistance to develop legislation, regulations, policies and capacity for implementation and enforcement of key international environmental agreements and standards

Result 2 - Improved Management and Conservation of Critical Watersheds

- Improved Management and Use of Critical Watersheds
  - Design and implementation of financially self-sustaining strategies for the management of key transnational protected areas and implementation of management plans for key areas of the Mesoamerica Biological Corridor, wetlands and reefs
  - Design and implementation of strategies for environmentally sustainable tourism, and monitoring of certification activities in forestry and tourism
  - Development and institutionalization of national policies to conserve critical watersheds.

ATTACHMENT 2

ASSISTANCE CHECKLIST FOR THE STRATEGIC OBJECTIVE GRANT AGREEMENT WITH THE GENERAL SECRETARIAT OF THE CENTRAL AMERICAN INTEGRATION SYSTEM (SG-SICA) - ACTIVITY No. 519-0200

REGIONAL STRATEGIC OBJECTIVE "ECONOMIC FREEDOM: OPEN, DIVERSIFIED EXPANDING ECONOMIES"

Part A. Planning (in alphabetical order)

1. **ACTIVITY INFORMATION SHEET.** (See ADS 203.3.9) Does this activity require an Activity Information Sheet (AIS)? If so, has it been prepared or, if there is already an AIS for the activity, has it been reviewed and updated?

   See Additional Help document, database for accessing Blank AIS Template (http://www.usaid.gov/policy/ads/200/200sbj.doc), available at http://cdie.usaid.gov/npc/ (accessible only within the USAID firewall); or send an e-mail request to npctemplate@dec.cdie.org.

   Please comment.
   This provision does not apply.

2. **AGRICULTURAL ACTIVITIES (BUMPERS AMENDMENT).** (FY 2005 Act Sec. 513(b), as interpreted by the conference report for the original enactment). No funds may be used for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training) that would compete with a similar commodity grown or produced in the United States unless the activity:

   (a) Is designed to increase food security in developing countries and where such activities will not have a significant impact in the export of agricultural commodities of the United States; or

   (b) Is a research activity intended primarily to benefit American producers.

   Is this restriction applicable? Please comment.
   No activities/interventions will directly compete with United States agricultural production. The agricultural activities anticipated are to continue and complete ongoing Rural Economic Diversification activities initiated by G-CAP: USDA TA for Sanitary and Phytosanitary standars, Michigan State University TA for food industry development and Rainforest Alliance TA for certified sustainable products.

3. **COMMUNIST ASSISTANCE.** (FAA Sec. 620(h)). Arrangements should be made to ensure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of any country that is a Communist country for purposes of FAA section 620(f).

   Please comment.
   N/A

4. **ADVERSE ECONOMIC IMPACT UPON THE UNITED STATES.**

(a) **IMPACT ON U.S. JOBS: RELOCATION; EXPORT ZONES; VIOLATION OF WORKERS' RIGHTS.** (FY 2005 Act Sec. 533; see ADS 225). Assistance may not be provided:

(1) To a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business;

(2) For an activity that contributes to the violation of internationally recognized workers rights of workers in the recipient country. This is applied commensurate with the level of development of the recipient country and is not to preclude assistance for the informal sector including micro and small-scale enterprise and smallholder agriculture.

Please comment.
N/A.
(1) The program will not provide assistance to businesses located in the U.S. for any purpose. (2) The program anticipates some assistance for labor modernization and voluntary compliance with labor codes.

(b) **PRODUCTION OF SURPLUS COMMODITIES.** (FY 2005 Act Sec. 513(a)). Assistance may not be provided to establish or expand production of any commodity for export if the commodity is likely to be in surplus on world markets and substantial injury will be caused to U.S. producers of the same, similar, or competing commodities.

Is this restriction applicable? Please comment.
N/A

5. **ENVIRONMENT.**

(a) **ENVIRONMENTAL REVIEW.** (FAA Sec. 117; 22 CFR 216 (USAID Regulation 16), see ADS 204). 22 CFR 216 requires an Initial Environmental Examination, unless the proposed assistance falls within certain exceptions and other actions.

Please comment. FY 05 obligation under the Agreement will be made at the strategic objective level, before the designignActivity Design. An approval request for deferral of the Initial Environmental Examination (IEE) has been sent to the Bureau Environmental Officer (BEO). The BEO has approved the IEE deferral. The IEE will be completed along with the design of the activities to be completed by December 31, 2005.

(b) **DEBT-FOR-NATURE EXCHANGE.** (FAA Sec. 463). Assistance that will finance a debt-for-nature exchange must:

(1) Support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves; or

(2) Promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management.

Is this applicable? Please comment.
Conservation finance activities will be exploring the possibility of Debt-for-Nature Exchanges as one potential financing mechanism for ensuring sustainable funding for protected areas.

(c) **TROPICAL FOREST DEGRADATION.** (FAA Sec. 118). Funds may not be used for:

(1) The procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems;

(2) Actions that will significantly degrade national parks or similar protected areas that contain tropical forests, or introduce exotic plants or animals into such areas;

(3) Activities that would result in the conversion of forest lands to the rearing of livestock;

(4) The construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) that pass through relatively undegraded forest lands;

(5) The colonization of forest lands; or

(6) The construction of dams or other water control structures that flood relatively undergraded forest lands.

However, funds may be used for activities in (3) through (6) above if an environmental assessment indicates that the proposed activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner that supports sustainable development.

Is this applicable? Please comment.
N/A

6. **EXPROPRIATION AND LAND REFORM.** (FAA Sec. 620(g)). Assistance may not be used to finance compensation to owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President.

Is this applicable? Please comment.
N/A

7. **FAMILY PLANNING.**

(a) **ABORTIONS AND INVOLUNTARY STERILIZATIONS PROHIBITED.** (FAA Sec. 104(f); FY 2005 Act Sec. 518 and, "Child Survival and Health Programs Fund" heading under Title II). Funds may not be used:

(1) To perform abortions as a method of family planning or to motivate or coerce any person to practice abortions.

(2) To pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations.

(3) To pay for any biomedical research that relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

(4) To furnish assistance to any country or organization if the President certifies that the use of these funds by such country or organization would violate the three provisions above.

(5) To lobby for or against abortion.

(6) To furnish assistance to any organization or program that supports or participates in the management of a program of coercive abortion or involuntary sterilization.

Is this applicable? Please comment.
N/A

(b) **VOLUNTARY FAMILY PLANNING SUPPORT.** (FY 2005 Act, Title II, under heading "Child Survival and Health Programs Fund"). Funds may be made available only to voluntary family planning projects that:

(1) Offer, either directly or through referral to, or provide information about access to, a broad range of family planning methods and services (as a legal matter, Development Assistance only).

(2) Meet the following requirements:

(a) Service providers do not implement or are not subject to quotas, or targets, of numbers of births, family planning acceptors, or acceptors of a particular form of family planning (quantitative estimates or indicators for planning and budgeting purposes is acceptable);

(b) The project must not provide payment of incentives, bribes, gratuities, or financial rewards for becoming a family planning acceptor or achieving numerical target or quota;

(c) The project must not deny any right or benefit, including right of access to any program of general welfare or right of access to health care, as a consequence of any decision not to accept family planning services;

(d) The project must provide comprehensible information of the health benefits and risks of method chosen; and

(e) The project must ensure that experimental drugs and services are provided only in the context of scientific study in which participants are advised of potential risks and benefits.

(3) No applicant may be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning (as a legal matter, Child Survival and Health Programs Fund account only).

Is this applicable? Please comment. **N/A**

8. **INTERNATIONAL CONFERENCES.** (FY 2005 Act Sec. 540, see Guidance on Funding Foreign Government Delegations to International Conferences, Mandatory Reference to ADS 302, 303, 306, 308, 350, and 522). Development Assistance funds may not be used to pay the costs for participation of another country's delegation at international conferences held under the auspices of multilateral or international organizations.

Is this applicable? Please comment. **N/A**

9. **LEGISLATIVE ACTION.** (FAA Sec. 611(a)(2)). If the obligation is more than $500,000 and requires legislative action within the recipient country, there must be a basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance.

Is this restriction applicable? Please comment. N/A

10. **LOANS.**

(a) (FAA Section 122(b)). In making loans, USAID must consider the following:

(1) Information and conclusion on the capacity of the country to repay the loan at a reasonable rate of interest.

(2) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

(3) If repayable in dollars, the interest rate must be at least 2 percent per annum during a grace period which is not to exceed 10 years, and at least 3 percent per annum thereafter, but no higher than the applicable legal rate of interest of the country in which the loan is being made.

Is this applicable? Please comment.
N/A

(b) **PRODUCTIVE ENTERPRISES COMPETING WITH U.S. ENTERPRISES.** (FAA Sec. 620(d)). No FAA loan funds may be used for any productive enterprise that will compete with U.S. enterprises, unless:

(1) There is an agreement by the recipient country to prevent export for use or consumption in the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan; or

(2) If in the absence of such an agreement, the President has established import controls to effectuate that agreement.

This may also be waived by the President due to national security interest.

Is this restriction applicable? Please comment.
N/A. No loans will be provided under the program.

11. **MILITARY PURPOSES.** (FAA Sec. 531(e)). Congress has explicitly provided that ESF funds may not be used for military or paramilitary purposes (*e.g.*, combat training programs and exercises or support for the military).

Is this restriction applicable? Please comment.
N/A

12. **POLICE AND PRISONS.** (FAA Sec. 660). Assistance may not be used to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in sections 660, 119 and 534 of the FAA; Section 536 of the FY 2004 Act (permanent provision of law); Sections 534(a) (only with regard to Afghanistan), 534(g) (extends 660(b)(6) to regional activities), and 564 (community-based police assistance) of the FY 2005 Act).

Is this restriction applicable? Please comment.
N/A

13. **PUBLICITY, PROPAGANDA, AND LOBBYING.** (FY 2005 Act Sec. 539; Anti-Lobbying Act, 18 U.S.C. 1913). Assistance may not be used, intended, or designed to influence a Member of Congress, a jurisdiction or any official of any government

in the United States, to favor, adopt, or oppose, by vote or otherwise, any legislation, law, ratification, policy, or appropriation; to influence in any way the outcome of a political election in the United States; or for any publicity or propaganda purposes not authorized by Congress.[1] There are some exceptions to this general rule; please consult your ACG or RLA.

Is this applicable? Please comment. **N/A**

14. **RESTRICTIONS ON VOLUNTARY CONTRIBUTIONS TO U.N. AGENCIES.** (FY 2005 Act Sec. 502). Assistance may not be used to pay any voluntary contribution of the United States to the United Nations (including the United Nations Development Program) if the United Nations implements or imposes any taxation on any United States persons.
[New provision for FY 2005]

Is this restriction applicable? Please comment. **N/A**

Part B. Congressional Notifications

1. **GENERAL NOTIFICATION.** (FY 2005 Act Sec. 515; FAA Sec. 634A). Obligations must be notified to Congress. This is usually accomplished through the annual Congressional Presentation. It may be the subject of a Special Notification, as below. Additionally, a new Congressional Notification must be made 15 days in advance of the obligation if the amount of the obligation has increased 10 percent from that previously notified.

Is this applicable? Please comment. The FY2005 Congressional Budget Justification (CBJ) for SO596-022 (the Regional CAM SO2) was submitted to Congress and expired without objection on April 6, 2004. The FY2006 CBJ was submitted to Congress on April 8, 2005 and expired without objection on April 23, 2005.

2. **SPECIAL NOTIFICATION.** For activities, countries, and other actions requiring special notification see the Annex, "Changes Made by the FY 2005 Foreign Operations Appropriations Act to Current Law."

Is this applicable? Please comment. **N/A**

Part C. Obligating Documents

1. **SOURCE, ORIGIN, AND NATIONALITY.** (See ADS 310).

   (a) **GENERAL.** (FAA Sec. 604(a)). All procurement must be from the U.S., the recipient country or developing countries, except as otherwise

[1]See also GC Memorandum dated 5/9/97 by Jan Miller discussing OMB Circular A-122 restrictions regarding lobbying and other advocacy activities.

determined in accordance with Agency rules, including the DFA Procurement Guidance. If planning procurement elsewhere, a waiver must be obtained.

Please comment. Geographic Code 000

(b) **AUTOMOBILES – BUY ONLY U.S. MADE MOTOR VEHICLES**. (FAA Sec. 636(i)). Assistance may not be used to finance the purchase, sale, long-term lease, exchange, or guaranty of the sale of motor vehicles manufactured outside the U.S., unless a waiver is obtained.

Please comment. **N/A**

(c) **AGRICULTURAL PROCUREMENT**. (FAA Sec. 604(e)). Agricultural commodities and products thereof must be procured within the U.S. unless the commodity or product could not be reasonably produced in the U.S. in fulfillment of the particular assistance program. Waivers are available in some circumstances.

Please comment. **N/A**

(d) **CONSTRUCTION OR ENGINEERING SERVICES**. (FAA Sec. 604(g)). No engineering or construction services may be procured from advanced developing countries[2] eligible under Code 941 that have attained competitive capability in international markets, *unless*:

(1) The advanced developing country is receiving direct economic assistance under the FAA, and

(2) Its own assistance program would permit U.S. firms to compete for similar services.

Please comment. **N/A**

2. **CASH TRANSFERS – REQUIREMENT FOR SEPARATE ACCOUNT**. (FY 2005 Act Sec. 529(b)). If assistance is in the form of a cash transfer or nonproject sector assistance, all such cash payments must be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance).

[2] While GC has not formally defined the term "advanced developing countries," GC has considered both World Bank and OECD/DAC definitions of that phrase. Any questions should be brought to the relevant regional AGC.

Please comment. **N/A**

3. **CAPITAL ASSISTANCE.**

(a) **MISSION DIRECTOR CERTIFICATION/ASSISTANT ADMINISTRATOR DETERMINATION.** (FAA Sec. 611(e)). When capital assistance is proposed (for example, construction), and total U.S. assistance for it will exceed $1 million, the Mission Director must certify and the Regional Assistant Administrator must take into consideration the country's capability to maintain and utilize the assistance effectively.

Please comment. **N/A**

(b) **DEVELOPMENTALLY SOUND PROJECTS.** (Jobs Through Export Act of 1992, Sections 303 and 306(b)), Pub. L. 102-549, 22 U.S.C. 2421b and 2421d(b). If assistance is being provided for a capital activity, the activity must be developmentally sound and measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level.

Please comment. **N/A**

(c) **U.S. ENGINEERING SERVICES.** (FAA Sec. 601(d)). If using capital (for example, construction) assistance, U.S. engineering and professional services must be used to the maximum extent, consistent with U.S. interests.

Please comment. **N/A**

4. **ASSISTANCE GENERATING LOCAL CURRENCY.** (FY 2005 Act Sec. 529(a)). If assistance is furnished to a foreign government under arrangements that result in the generation of local currencies, then:

(a) USAID must:

(1) Require that local currencies be deposited in a separate account established by the recipient government;

(2) Enter into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized; and

(3) Establish by agreement the responsibilities of USAID and the host government to monitor and account for deposits into and disbursements from the separate account.

(b) Local currencies, or an equivalent amount of local currencies, can be used only to carry out the purposes of the Development Assistance or Economic Support Fund chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government.

(c) USAID should take all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account is used for the agreed purposes.

(d) If assistance is terminated to a country, unencumbered balances of funds remaining in a separate account should be disposed of for purposes agreed to by the recipient government and the United States Government.

Please comment. **N/A**

5. **PRINTING COSTS.** The Bureau for Legislative and Public Affairs (LPA) must approve printing costs of a report of study (except feasibility, design, or evaluation reports or studies) more than $25,000. [Note: While the requirement for this review is not in the FY 2005 Act, the USAID guidance still applies.]

Please comment. **N/A**

6. **ALCOHOLIC BEVERAGES AND CERTAIN ENTERTAINMENT EXPENSES.** (FY 2005 Act Sec. 548). Child Survival and Health Programs Funds, Development Assistance, or Economic Support Funds may not be used for alcoholic beverages or entertainment expenses that are substantially of a recreational nature.

Please comment. **N/A**

7. **STATE DEPARTMENT NOTIFICATION OF BILATERAL AGREEMENTS WITH AN OBLIGATION OF $25 MILLION OR MORE.** (see ADS 349 and Circular 175). The date of signing and the amount involved must be cabled to State's Office of Assistant Legal Adviser for Treaty Affairs (L/T) immediately upon signing and the full text of the agreement should be pouched to State/L/T within 20 days of signing.

Please comment. **N/A**

8. **ENGINEERING AND FINANCIAL PLANS.** (FAA Sec. 611). Before an obligation of more than $500,000, there must be:

(a) Engineering, financial, or other plans necessary to carry out the assistance; and

(b) A reasonably firm estimate of the cost to the U.S. of the assistance.

And, if the plan relates to a water or water-related land resource construction, the plan should include a computation of benefits and costs. This figure must be computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.).

Please comment. **N/A**

Drafter: RMMayorga, SDO RMM 7/19/05
Clearances: SBudzina, A/SDO AMB 7/20/05
Rose Rakas, RLA [illegible] 8/4/05
TCornick, DDIR [illegible] 8-11-05

u:/ntlpub/earthquake/regional program/SICA SOAG Assistance Checklist

Attachment 3

Preliminary Financial Information
Regional Program: SO2 Economic Freedom

	PACD	Mortgage	FY 05 Budget		
			TOTAL	Direct Obligation	SICA SOAG
TOTAL SO2 ECONOMIC FREEDOM			**$11,205,000**	**$1,260,212**	**$9,944,788**
2.1 Laws, Policies and Regulations that Promote Trade and Investment			**$6,545,000**	**$0**	**$6,545,000**
2.1.1 Improved Capacity to Negotiate and Implement Trade Agreements			**$1,240,000**	**$0**	**1,240,000**
SIECA			$640,000	$0	640,000
New Task Order			$600,000	$0	600,000
2.1.2 Reduced Barriers to Trade, Investments and Market Integration			**$4,150,000**	**$0**	**$4,150,000**
Trade			**$1,250,000**	**$0**	**1,250,000**
SIECA			$650,000	$0	650,000
New Task Order			$600,000	$0	600,000
Environment			**$1,100,000**	**$0**	**1,100,000**
CCAD			$650,000	$0	650,000
EPA	09/29/07	1,575,000	$450,000	$0	450,000
Rural Diversification			**$1,800,000**	**$0**	**1,800,000**
MSU Food Industry Dev	07/30/06	1,000,000	$500,000	$0	500,000
Rainforest Alliance	04/18/07	3,947,309	$700,000	$0	700,000
USDA PAPA (SPS)	09/30/06	1,400,000	$600,000	$0	600,000
2.1.3 Commercial Laws and Regulations More Consistent with International Commitments/Practices			**$1,155,000**	**$0**	**1,155,000**
New Task Order			$1,155,000	$0	1,155,000
2.4 Improved Use of Critical Watersheds			**$3,400,000**	**$800,000**	**2,600,000**
TNC	09/30/06	3,979,400	$1,700,000	$800,000	900,000
New Watershed Mechanism			$1,700,000	$0	1,700,000
Management, Evaluation and Audit Costs			**$1,109,788**	**$310,000**	**799,788**
Transfers			**$150,212**	**$150,212**	**0**
IT Cost Recovery			$142,212	$142,212	0
Environmental Travel Authority			$8,000	$8,000	0

Strategic Objective Grant Agreement
Convenio de Donación de Objetivo Estratégico

Between
Entre

The Government of the United States of America
El Gobierno de Los Estados Unidos de América

Acting through the United States Agency for International Development
Actuando por medio de la Agencia de los Estados Unidos para el Desarrollo Internacional

And
Y

The General Secretariat of the Central American Integration System
La Secretaría General del Sistema de la Integración Centroamericana

for the
para el

Regional Strategic Objective
Objetivo Estratégico Regional
No. 596-022

ECONOMIC FREEDOM: OPEN, DIVERSIFIED EXPANDING ECONOMIES
LIBERTAD ECONOMICA: ECONOMIAS ABIERTAS, DIVERSIFICADAS Y EN EXPANSION

Actividad de USAID No. 596-0200	USAID Activity No. 596-0200

San Salvador, El Salvador, C.A.
July , 2005
de julio de 2005

Amount: **$9,944,788**

2005/06 DV G-CAP_REG
~~SO~~: 596-M
SO- 596-022

FUNDS AVAILABLE
SIGNATURE 7/28/05 DATE

596-SA-596-0200-05-06

y para evaluar la efectividad de la Actividad. Todas las actividades bajo este Convenio están siendo diseñadas de manera que se incluyan reportes periódicos que permitan a las Partes darle seguimiento al progreso por lo menos de forma anual, hacia el logro de los Resultados específicos y sus metas.

effectiveness. All activities under this Agreement are being designed to include routine reporting that will allow the Parties to monitor on at least an annual basis progress toward achieving specific Results and targets.

Con el propósito de complementar la información recopilada y reportada por las instituciones socias participantes, también podrán ser utilizados por USAID fondos de la Donación para llevar a cabo encuestas detalladas, recolectar información de los clientes a través de evaluaciones rápidas y grupos de enfoque, investigaciones de campo y a través de detección remota y de otras técnicas apropiadas, para determinar que las actividades están logrando los Resultados esperados. Los fondos disponibles bajo esta Donación podrán ser utilizados para actividades de recolección de información necesarias para dar seguimiento al progreso hacia el logro del Objetivo y sus Resultados.

To complement data collected and reported by the participating partner institutions, Grant funds may also be used by USAID to conduct in-depth surveys, collect information from customers through rapid appraisal, and focus groups, surveys on the ground and through remote sensing, and other appropriate techniques, to determine that activities are achieving intended Results. Funds available under this Grant may be used for data collection efforts necessary to monitor progress toward the Objective and Results.

USAID coordinará con el Donatario los planes para medir y evaluar las intervenciones de la Actividad financiadas bajo este Convenio, los cuales serán definidos a través de Cartas de Implementación.

USAID will coordinate with the Grantee regarding plans for assessing and evaluating Activity interventions funded under this Agreement, which will be defined through Implementation Letters.

Drafted:	RMMayorga, SDO	Date 7/19/05	
Cleared:	EBudzina, A/SDO	Date 7/22/05	
	RKrzywda, CONT	Date 7/29	
	RRakas, RLA	Date 7/9/05	
	TCornick, DDIR	Date	

Copy: Braden Enroth/LGarcía, RCGO

FUNDS AVAILABLE
7/28/05
SIGNATURE DATE