



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MANILA, PHILIPPINES



## INTERPRETING YOUR GRANT AGREEMENT

A PUBLICATION OF USAID / MANILA, OFFICE OF  
FOOD FOR PEACE AND VOLUNTARY COOPERATION  
(OFFPVC), FOR ITS PVO CO-FINANCING PROGRAM

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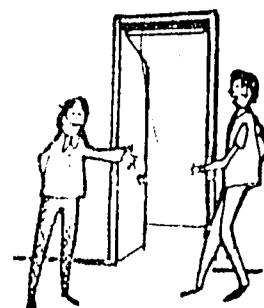
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## INTRODUCTION

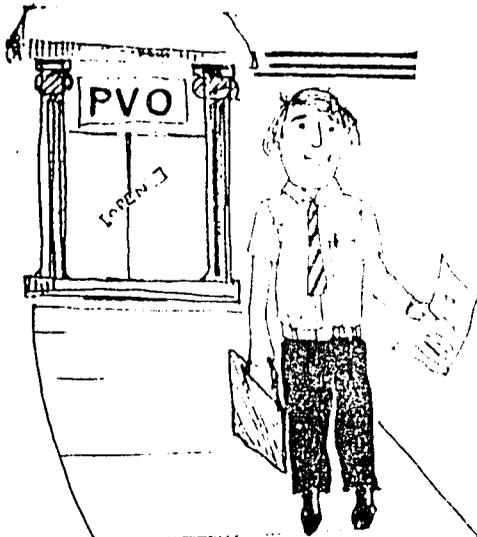
## INTRODUCTION

**CONGRATULATIONS AND MABUHAY!** You have just signed a Grant Agreement to implement a project under USAID's Private Voluntary Organization (PVO) Co-Financing Program.

This manual is intended to help you understand the provisions stipulated in that Grant Agreement. It emphasizes the need to establish adequate accountability and control over the USAID and Counterpart funds to be used in the project. PVOs participating in USAID's Co-Financing Program must necessarily have:

- 1.) An acceptable accounting system,
- 2.) A financial management system that meets the standards for fund control and accountability, and
- 3.) The ability to maintain systems and procedures that will minimize the time elapsing between the transfer of funds and the disbursement thereof.

To participate in the USAID PVO Co-Financing Program,  
a PVO must have:



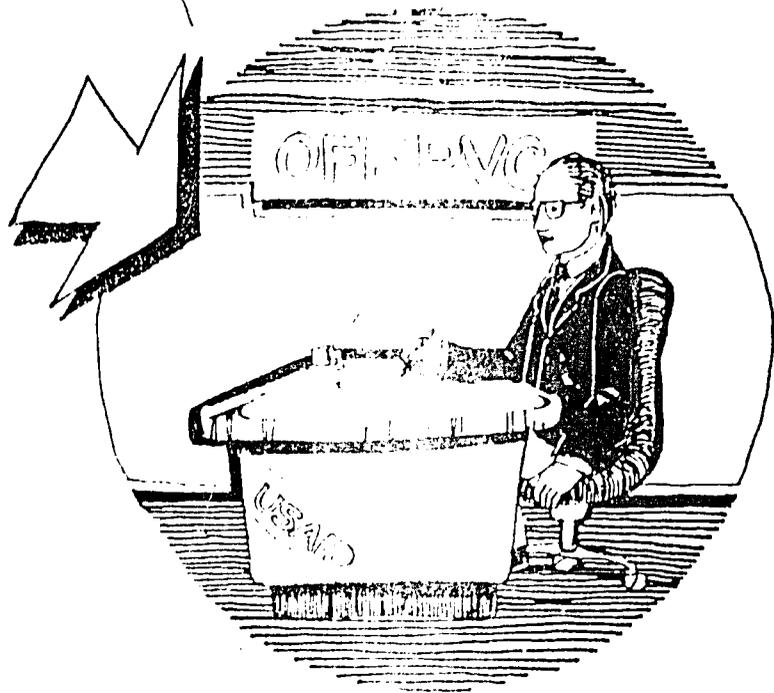
Acceptable accounting  
system

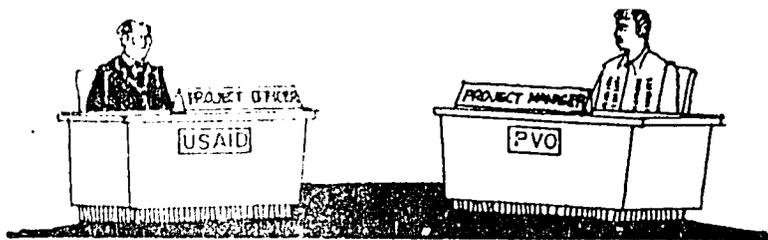


Financial management  
system



Ability to implement  
and maintain systems  
and procedures





THE ROLE OF PVO PROJECT MANAGERS  
AND USAID PROJECT OFFICERS

## THE ROLE OF PROJECT MANAGERS AND PROJECT OFFICERS

PVO Project Managers and USAID Project Officers have the common goal of attaining project objectives and success. They do, however, represent different entities and have different assigned roles. It is therefore essential that their respective roles, responsibilities, functions, and interplay with each other be clearly defined and understood.

### THE ROLE OF THE PVO PROJECT MANAGER

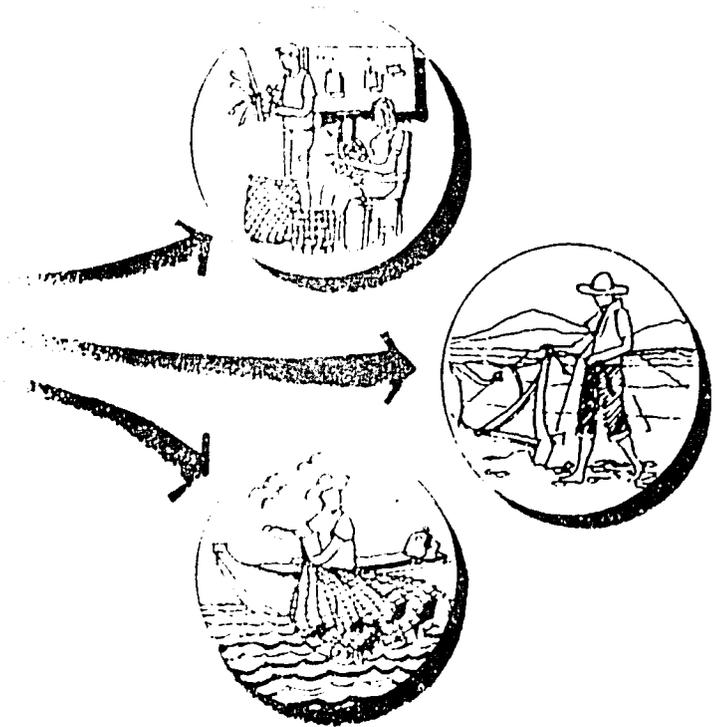
The PVO Project Manager is the appropriately designated official of the recipient PVO charged with overall management of a given AID-financed PVO Grant. This principle is consistent with the "collaborative style" of economic assistance and the recognition that development itself is a Philippine responsibility. This basic precept is set forth on page 1 of the AID Project Officers' Guidebook (1982 Edition Revised) and various AID policy enunciations.

# ROLE OF THE PVO PROJECT MANAGER

A. Implement the Project.



B. Supervise the Project.



C. Make operational decisions.



The precise role of the PVO Project Manager is a matter determined largely by the PVO , Grantee. Generally, the role assigned to the PVO Project Manager is to implement the project, supervise and make operational decisions. The extent of this role, including the level of responsibility, degree of supervision and latitude of decision making, varies from project to project and is limited only by the PVO Grantee itself and the parameters of the Grant Agreement.

#### THE ROLE OF THE USAID PROJECT OFFICER

In contrast to the PVO Project Manager, the role of the USAID Project Officer has been set by the Chief of O/FFPVC and is defined as that of the USAID monitor of the project and the facilitator of USAID actions required to support the project. The USAID Project Officer is the PVO Grantee's primary contact with USAID and is responsible for performing the following functions:

- A. Monitor all aspects of the Grant: review quarterly progress reports and conduct on-site reviews in order to (1) assure complete USAID familiarity

with the project, (2) insure that progress towards project objectives is being attained in general accordance with the project implementation plan, and (3) insure that the project is being implemented in compliance with the terms and provisions of the Grant Agreement;

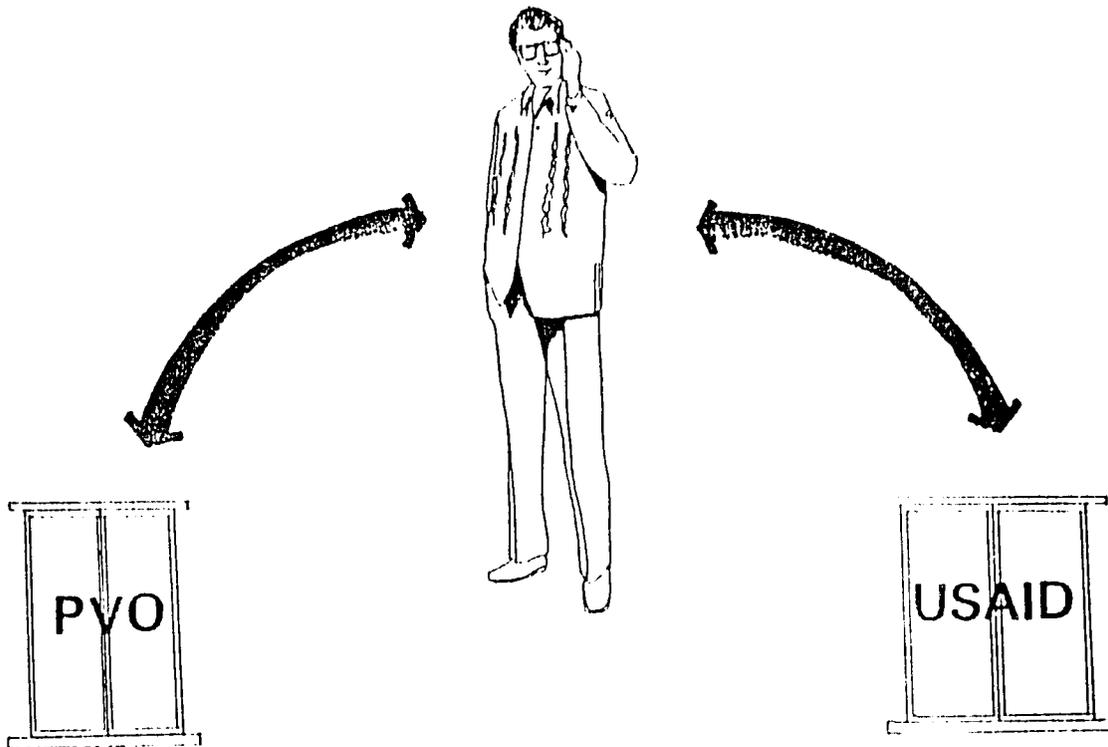
B. Maintain liaison with the PVO and provide general guidance to PVOs on AID requirements and procedures;

C. Analyze PVO requests for quarterly cash advances to assure that (1) estimated requirements are reasonable to cover a 90-day period, (2) the projected use of the advance of funds is in accordance with the approved budget of the Grant, and (3) the liquidation report for the penultimate quarter has been received and approved prior to issuance of any further cash advances;

D. Analyze quarterly liquidation reports to assure that AID funds are being expended for authorized uses in accordance with the budget implementation plan and the terms and provisions of the Grant Agreement;

- E. Review vouchers, recommend their administrative approval to the Chief of O/FFPVC, and facilitate their processing through USAID to assure timely payments to PVOs;
- F. Discuss with the PVO any problems which are identified in the monitoring process and assist with the resolution of problems of concern to USAID;
- G. Coordinate actions required to effect the issuance of Grant Amendments by working closely with the PVO, USAID Project Development Officers, the Chief of O/FFPVC, and other USAID elements involved; and
- H. Prepare project status reports and make recommendations to the Chief of O/FFPVC as are deemed necessary and appropriate.

## ROLE OF THE USAID PROJECT OFFICER



1. Monitor all aspects of the Grant.
2. Maintain liaison with the PVO and provide general guidance to PVOs on AID requirements and procedures.
3. Analyze PVO requests for quarterly cash advances.
4. Analyze quarterly liquidation reports.
5. Review vouchers, recommend approval to the Chief of O/FFPVC.
6. Discuss with PVO any problem.
7. Coordinate actions required to effect the issuance of Grant amendment.
8. Prepare project status reports and make recommendations to the Chief of O/FFPVC as are deemed necessary and appropriate.



**FINANCIAL PROVISIONS  
OF A GRANT AGREEMENT**

## FINANCIAL PROVISIONS OF A GRANT AGREEMENT

During the implementation of a Grant Agreement, the following financial provisions should be considered by the Grantee:

### 1. USAID FUNDS

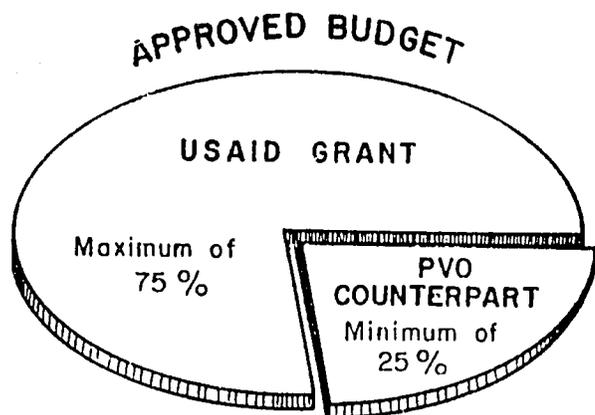
#### A. LIMITATIONS

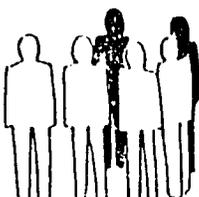
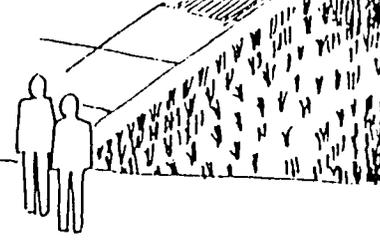
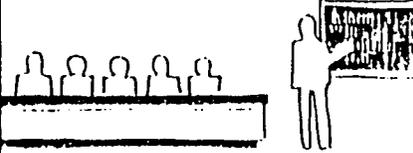
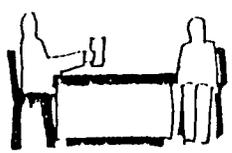
The funds provided under a Grant Agreement will be used to finance the items set forth in the budget approved by USAID. The USAID contribution to a project is specific in amount and will not exceed the amount specified and agreed upon. The PVO is required to contribute a Counterpart amount\* of at least twenty-five percent (25%) of the total project cost which may be in cash or in kind. This amount is made specific in the Grant.

The Grantee will not expend USAID funds in excess of the amount obligated under a Grant. Budget line items, except for "Other Direct Costs" (see below) may be adjusted upward or downward without prior approval from USAID if the adjustments do not exceed twenty-five percent (25%) in the aggregate. Adjustments that exceed 25% in the aggregate require prior written approval from USAID.

All expenses chargeable against "Other Direct Costs" require written approval of USAID prior to the release of funds.

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\* Counterpart - cash and other items or services pro-  
amount vided by the PVO in carrying out  
project activities under the Grant.

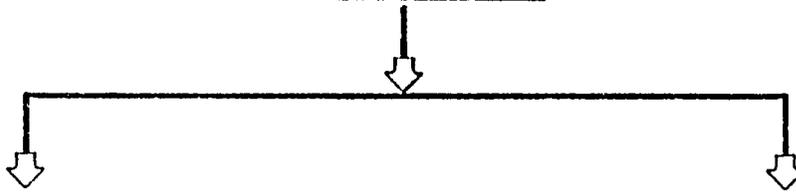
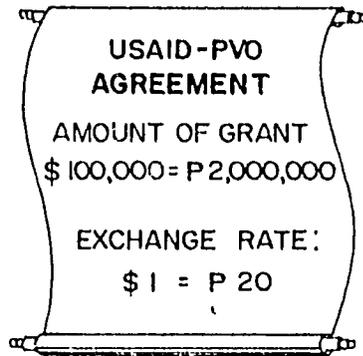


<b>PROJECT COSTS</b>		
 <b>PERSONNEL COST</b>	 <b>EQUIPMENT and COMMODITIES</b>	 <b>MONITORING and EVALUATION</b>
 <b>TRAINING</b>	 <b>LOAN FUND</b>	<p>Can be sourced for other costs not originally budgeted but are necessary for the project's success.</p> <b>OTHER DIRECT COSTS</b>

## B. EXCHANGE RATE VARIANCE

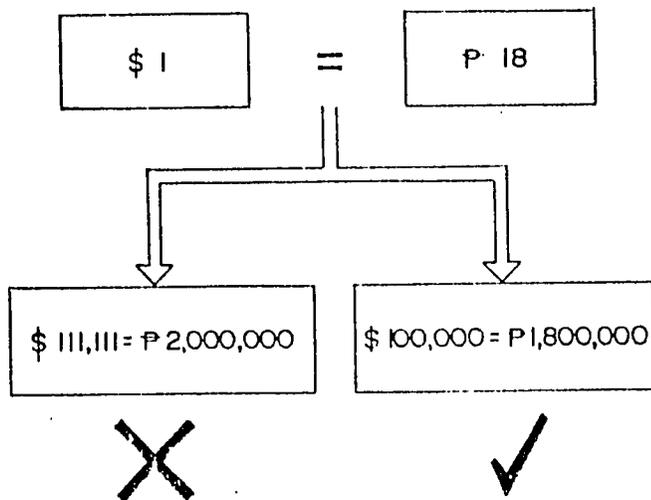
The Philippine peso to American dollar exchange rate to be used is specified in the Grant Agreement. If the exchange rate varies so that the amount of dollars necessary to purchase the pesos specified in the final peso budget is greater than the amount stated in the Grant Agreement, then the U.S. dollar limitation stated in the Agreement shall be the controlling limit to USAID's commitment. On the other hand, if the exchange rate varies so that the amount of dollars necessary to purchase the pesos specified in the final peso budget is less than the amount stated in the Grant Agreement, the remaining dollars may be used to purchase pesos for justified peso cost increases over and above peso costs listed in the original peso budget, if approved in writing by USAID, and provided that Grantee Counterpart contributions are adjusted accordingly.

The parties may agree, in writing, to increase the dollar limitation contained in the Grant Agreement if it appears that additional dollars are needed to purchase the pesos necessary to achieve the project objectives and provided that such dollars are available to the project for this purpose.

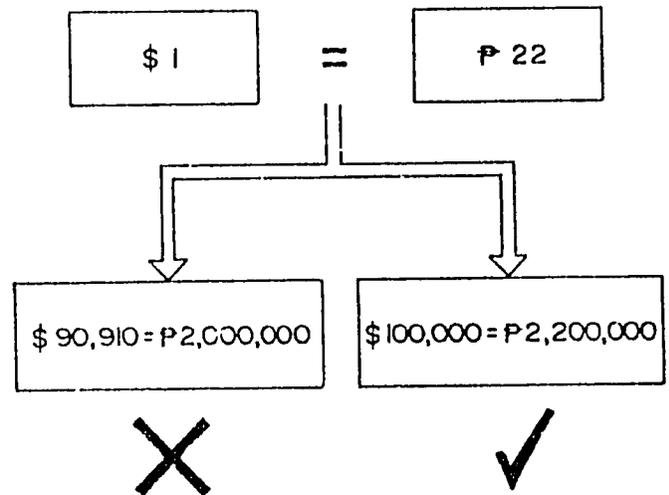


IF THE EXCHANGE RATE VARIES SO THAT THE AMOUNT OF DOLLARS NECESSARY TO PURCHASE THE PESOS SPECIFIED IN THE BUDGET INCREASES, THE DOLLAR LIMITATION, AS SPECIFIED IN THE AGREEMENT, WILL BE FOLLOWED.

IF THE EXCHANGE RATE VARIES SO THAT THE AMOUNT OF DOLLARS NEEDED TO PURCHASE THE PESOS DECREASES, THE REMAINING DOLLARS MAY BE USED TO FUND PESO COSTS LISTED IN THE BUDGET, IF APPROVED IN WRITING BY USAID.



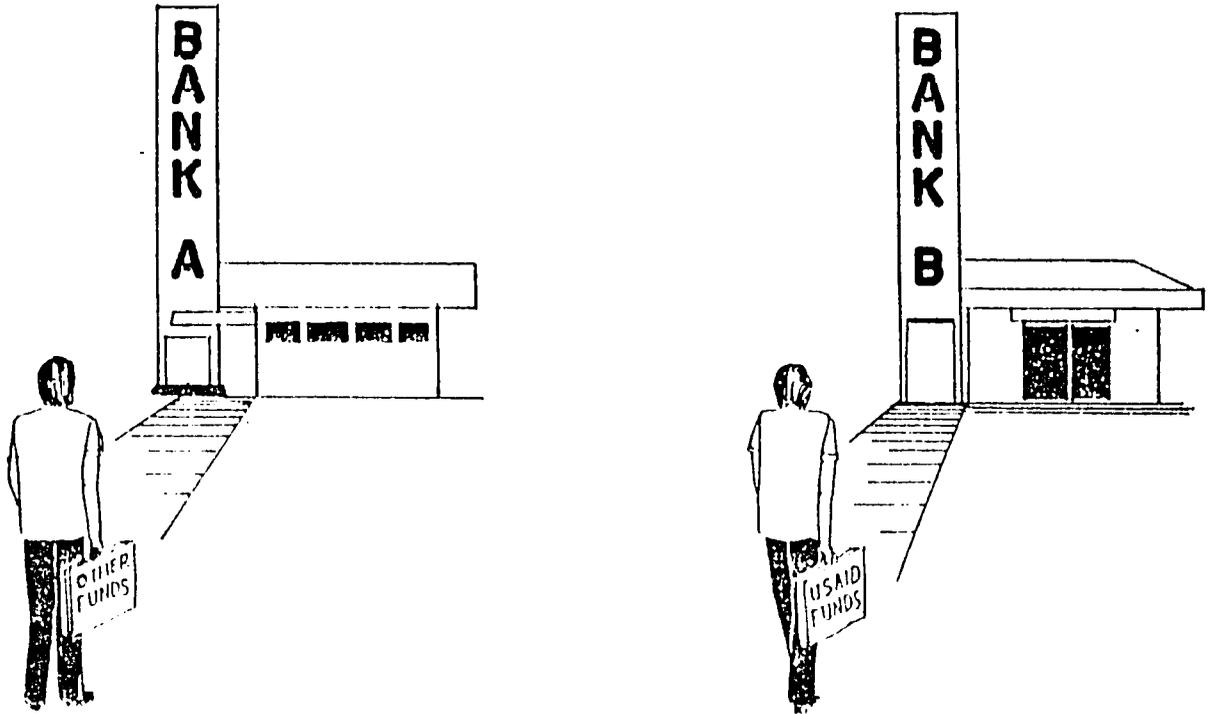
\$100,000 (EQUIVALENT TO P 1,800,000) IS THE DOLLAR LIMITATION.



THE UNUSED \$9,090.00 (\$100,000-\$90,910) MAY BE USED TO FUND PESO COSTS LISTED IN THE BUDGET AFTER USAID'S WRITTEN APPROVAL.

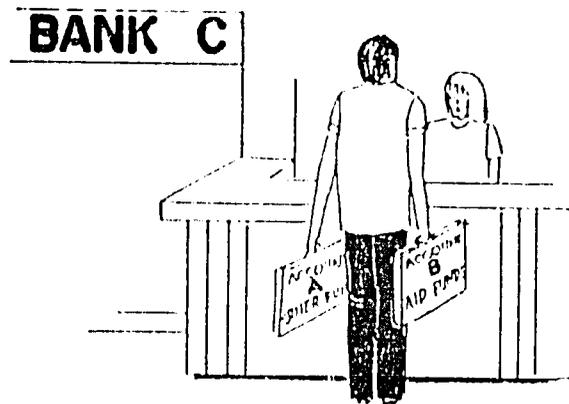
### C. SEPARATE BANK ACCOUNT

USAID funds from this Grant may not be mingled with other Grantee owned or controlled funds including other resource funds. The Grantee will deposit all USAID cash advances in a separate, non-interest bearing bank account and will make all disbursements for goods and services under the budget line items from this account.



1. Separate banks

OR



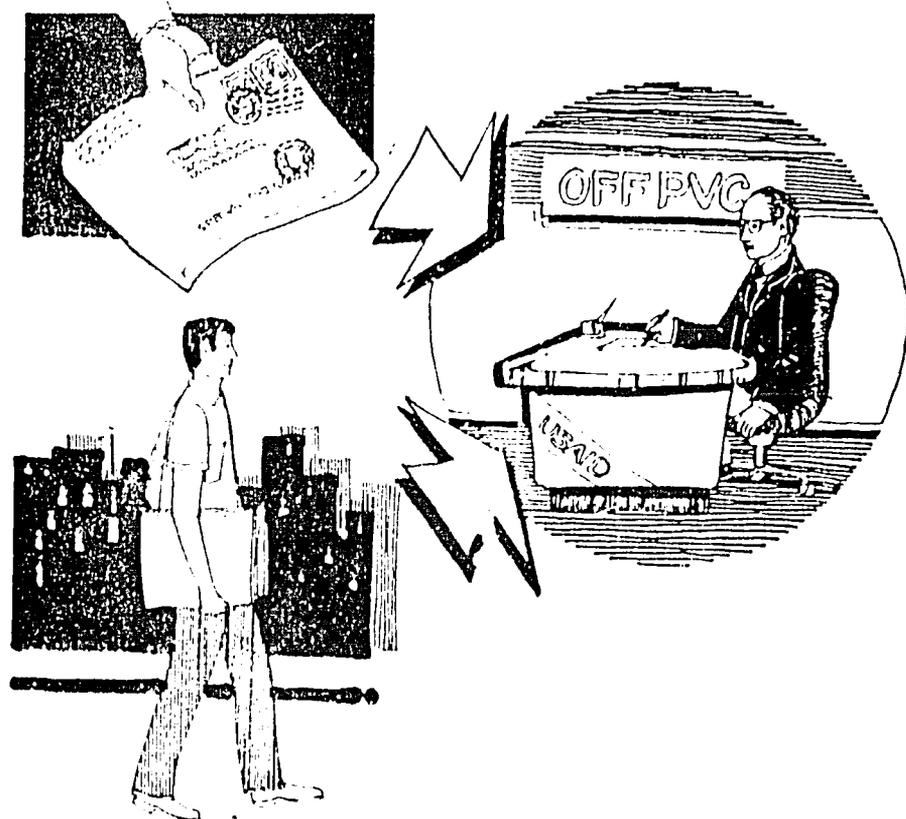
2. The same bank but under separate accounts.

- USAID funds shall not be mingled with other Grantee funds,
- USAID funds shall be deposited in a separate, non-interest bearing bank account,
- Disbursements from this account shall be in accordance with the budget line items as approved for the project.

## D. PAYMENT PROCEDURES

### USAID RELEASE OF ADVANCES

An advance of funds equivalent to an amount necessary for ninety (90) days of project expenses may be requested by the Grantee (see Request for Cash Advance, PVO Form 3, Exhibit 3). Grantee's request must show monthly breakdown of the advance being requested and be submitted at least one month before the period covered by the advance.

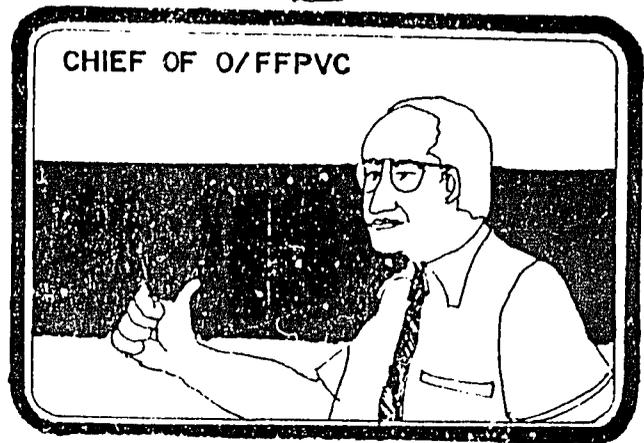
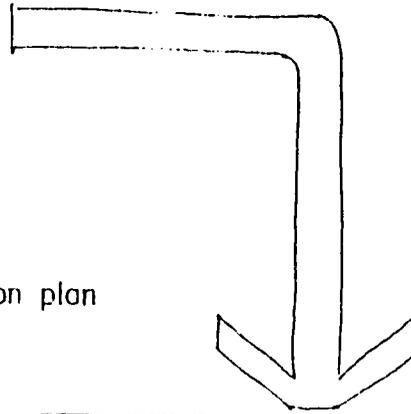


Grantee submits Request for Cash Advance thirty (30) days before the start of the quarter.

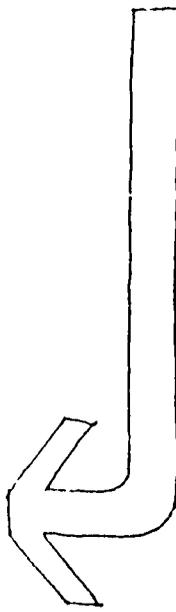
USAID reviews documents submitted



Checks request and implementation plan  
Recommends approval



APPROVAL



To  
PVO



Verifies and prepares check

## DISBURSEMENT OF USAID FUNDS

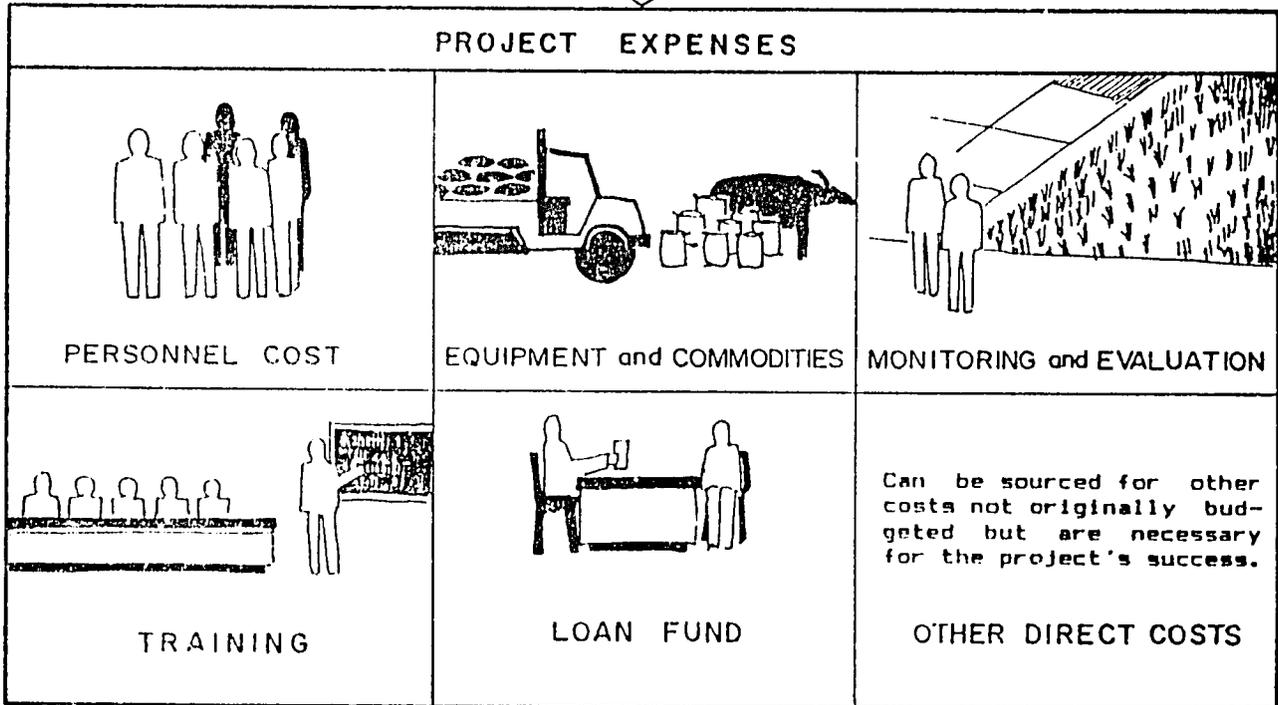
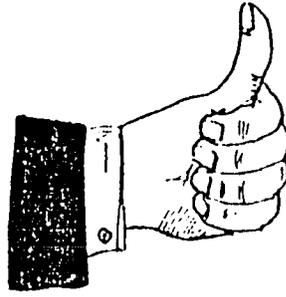
Grantee should disburse USAID funds in accordance with the budget line items of the project. The following provisions should be considered in the payment of salaries, wages and consultant's fee:

- Personnel budgeted under a Grant will work full-time on the project unless otherwise indicated. Salaries and wages are to be set forth as separate line items for each position.
- Each consultant's\* fee must be set forth as a separate line item.
- Payment of honoraria is not allowable.

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\* Consultant - expert or professional hired by the PVO for temporary technical services.





Grantee should disburse USAID funds in accordance with the budget line items approved by USAID.

## LIQUIDATION OF USAID ADVANCES

The Grantee shall submit a quarterly certified Expenditure Report (also called a Liquidation Report, Form 4, Exhibit 4) indicating all costs in accordance with the budget line items of the project. Copies of pertinent supporting documents (i.e. receipts, invoices, travel authorizations, purchase orders, payroll sheets, used tickets, etc.) and other financial statements and certifications may be required. The quarterly financial reports should include the running total of Counterpart contribution and a summary of Counterpart expenditures for the quarter.

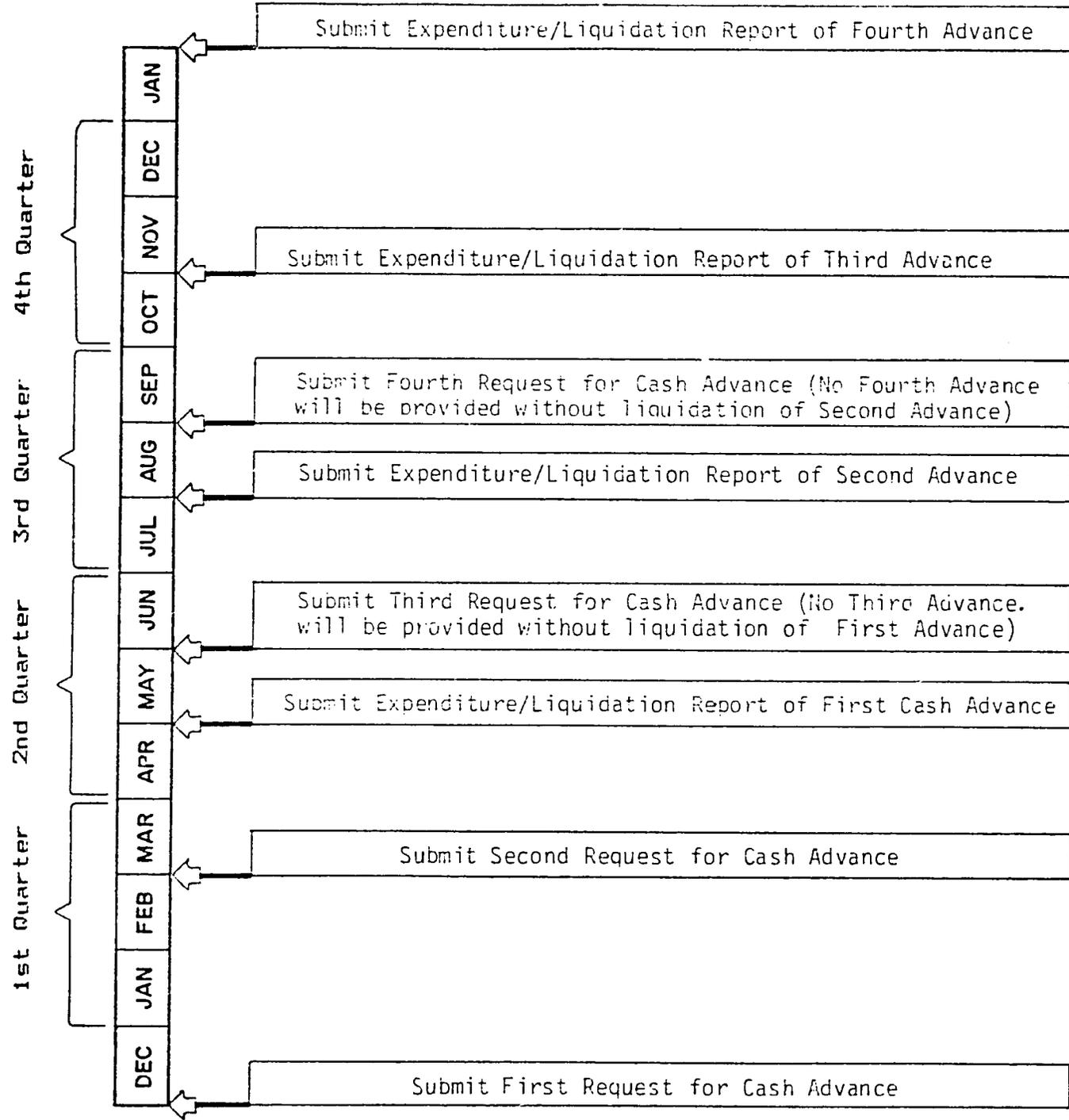
Expenditure Reports are to specifically include the following detailed information:

- Salaries and wages are to be set forth as separate line items for each position, indicating the incumbent's name, whether full-time or part-time (i.e. one-fourth, one-half, etc.), rate of pay and total cost for period claimed.
- The fee paid a Consultant who is hired by the PVO must be set forth as a separate line item which clearly indicates the type of consultancy service, the consultant's name, period of time employed, rate of pay (i.e. hourly, daily, weekly, monthly, etc.), and total cost for period claimed.
- Payment of honoraria, however designated, is not permitted.

The Expenditure Report must be treated as a separate report from the Request for Cash Advance. Liquidation of a previous advance is not necessary before USAID can grant a subsequent advance. The Grantee does not have to submit a Request for Cash Advance simultaneously with an Expenditure Report.

However, USAID will not provide a third advance without liquidation of the first advance. At no time can a Request for Cash Advance be processed by USAID if the next-to-last cash advance has not yet been liquidated. Reports on expenditures to liquidate advances must be submitted to USAID within one month following the close of each quarter. Any portion of the advance not liquidated by the final Expenditure Report filed under the project, must be refunded within ninety (90) days after the project completion date in the form of a check payable to the "Treasurer of the United States".

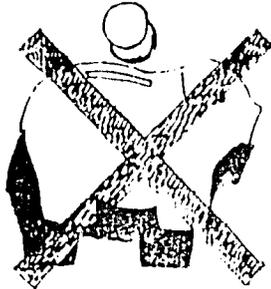
**ILLUSTRATIVE SCHEDULE FOR SUBMISSION  
OF REQUEST FOR CASH ADVANCE & EXPENDITURE/LIQUIDATION REPORT**



#### E. INTEREST INCOME FROM USAID CASH ADVANCES

Cash advances from USAID should not earn interest. In cases where cash advances earn interest, such interest cannot be considered program income. Grantee is required to submit all interest income earned from cash advances to USAID.

## INTEREST FROM USAID CASH ADVANCES



USAID cash advances to Grantee should not earn interest.



In cases where cash advances earn interest .....



- Grantee is required to submit all interest income from cash advances to USAID.
- Interest from cash advances are NOT considered program income.

## 2. COUNTERPART CONTRIBUTIONS

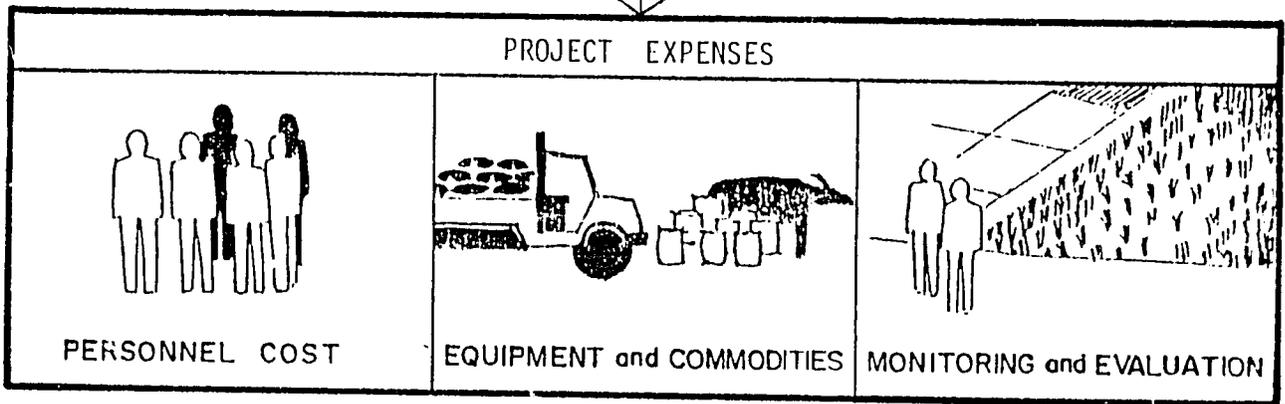
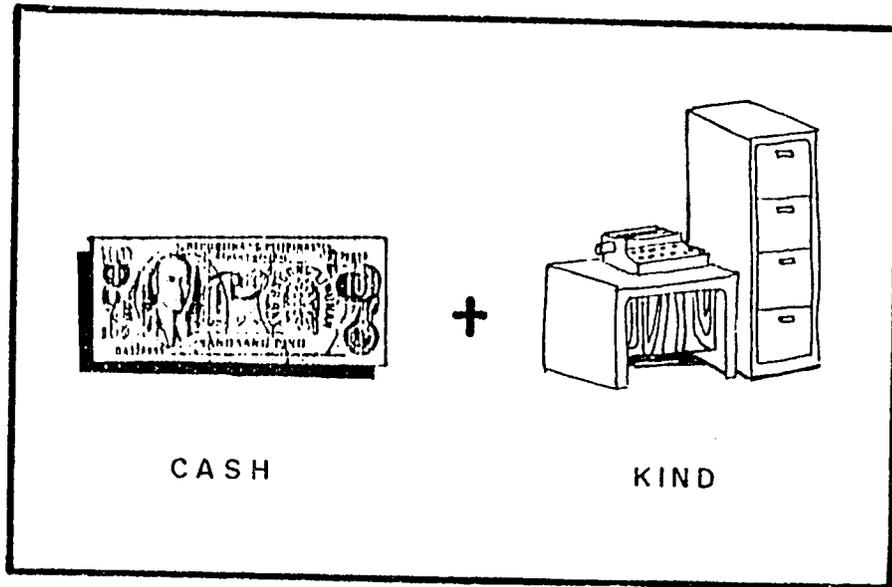
### A. LIMITATIONS

The Grantee should be guided by the following questions before including any account as Counterpart contribution:

Are Counterpart contributions

- verifiable from the Grantee's records?
- necessary and reasonable for proper and efficient accomplishment of project objectives?
- types of charges that would be allowable?
- provided for in the approved budget when required by USAID?
- included as contributions for any other USAID funded project? \*
- paid by the U.S. Government under another Grant or Agreement? \*
- in conflict with other provisions? \*

-----  
\* If so, these are unallowable Counterpart Contributions.



## B. VALUATIONS

### 1. IN-KIND CONTRIBUTIONS

#### a. Services Volunteered to the Project

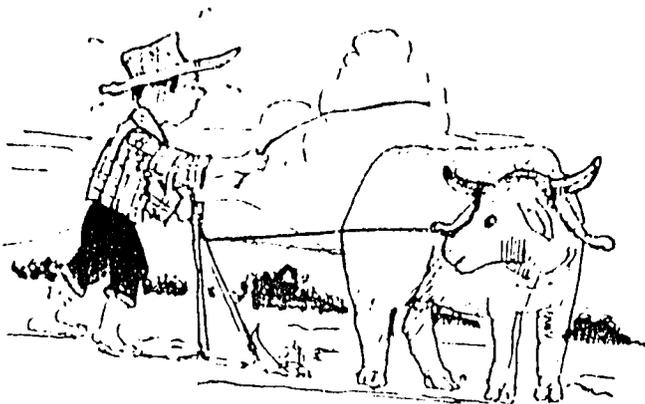
Volunteer services may be counted as counterpart if the service is an integral and necessary part of an approved budget.

The approximate value of the individual's time is based on local salaries paid for similar services multiplied by the amount of time actually spent on the project.

#### b. Commodities

Contributions can be calculated either by:

- Using an acceptable method of depreciation, based on the original purchase price and estimated life of commodity, the depreciation accumulated during the Grant period becomes the contribution; or
- The approximate local value of similar commodities, if rented locally, can be considered the value of the contribution. (For items purchased new, solely for the project's use, the contribution is described in the succeeding discussions).

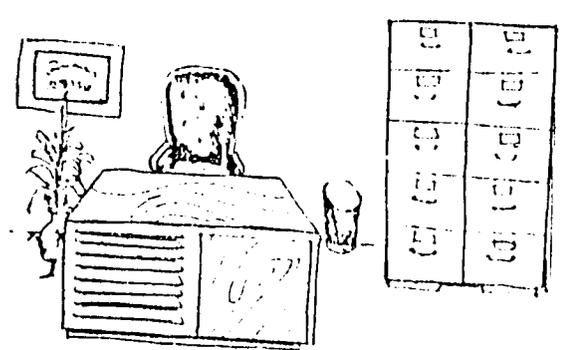
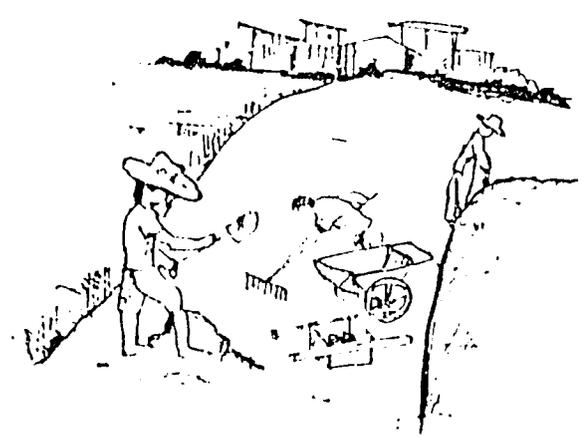


KIND

BASIS OF COMPUTING VALUE

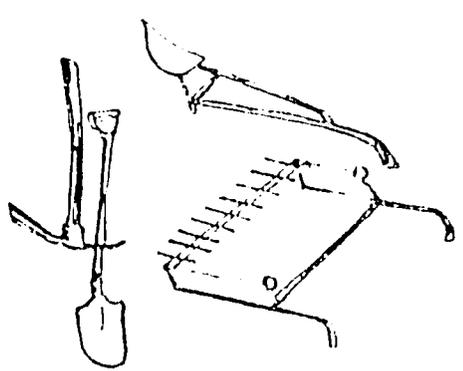
Services

Local salaries paid multiplied by number of hours/days spent on the project



Commodities

- 1) Using PVO's method of depreciation, accumulated depreciation during the Grant period becomes the contribution, or
- 2) Approximate local value of similar commodities.



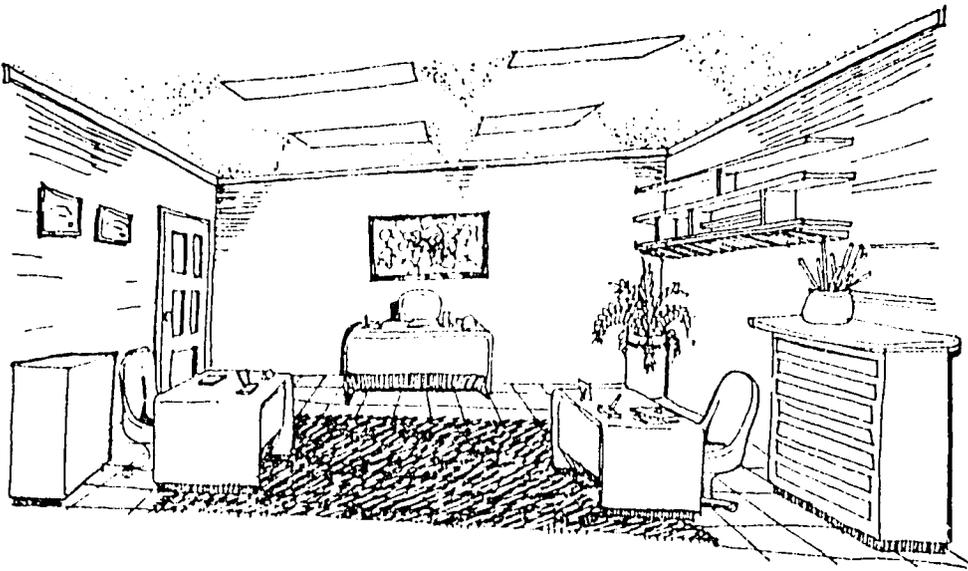
c. Use of Space and Land

-----

The value of donated space for office use and meetings shall not exceed the fair rental value of comparable space. The value should be established based on an independent appraisal of comparable space in a privately owned building in the same locality. If rent is actually paid for office space, it is considered a cash contribution as discussed in the succeeding topic. The provision of land for agricultural projects should be calculated based on its fair market value.

**KIND**

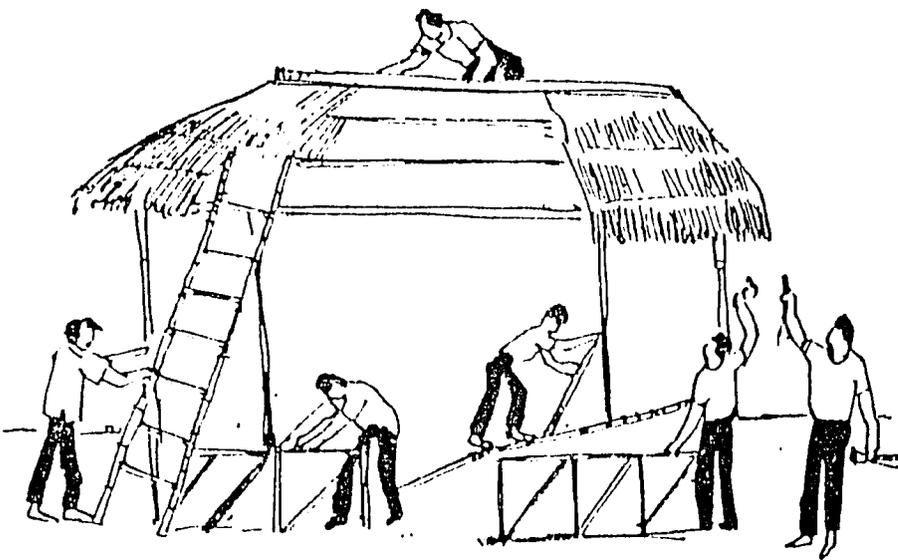
**BASIS OF  
COMPUTING VALUE**



**Use of  
Space**

**1) Local Rent  
Scale**

**2) Fair Market  
Value**



## 2. CASH CONTRIBUTIONS

### a. Cash Funds

-----  
Actual value of cash fund to be contributed.

### b. Service Provided by Individuals

-----  
Actual salary paid the individual, including all benefits, multiplied by the percentage of time actually spent working on the project.

### c. Consumables

-----  
All consumables such as per diem, office supplies, etc., are calculated at actual value.

### d. Commodities

-----  
For items purchased new, solely for the project's use, the purchase price is the contribution, but no depreciation is considered.

### e. Rent, Electricity, Water, Legal and Other Service Fees

-----  
Rent and other service fees are based on the actual amount spent for these services (usually the total bill times the percentage of space or amount of time spent for the project).

**CASH CONTRIBUTION**

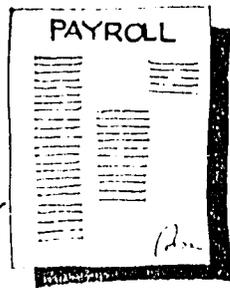
**PAYMENT FOR**

**BASIS OF COMPUTING VALUE**



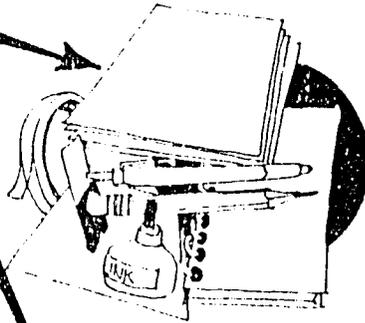
Cash funds

Actual value of cash contributed



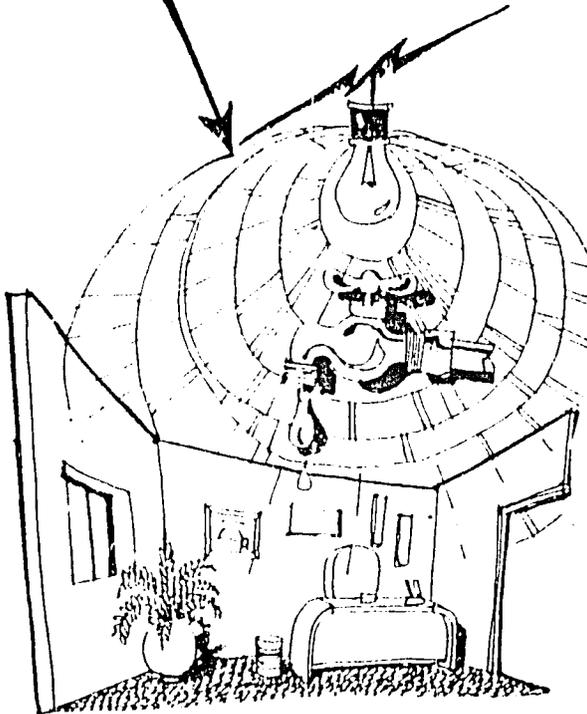
Services

Actual salary paid including all benefits multiplied by % of time actually spent on the project



Consumables or Commodities (purchased new, solely for project's use)

Actual value OR Purchase Price



Electricity, water, rent and other services

Actual amount spent multiplied by % of amount or space for the project

### C. OTHER DIRECT COSTS

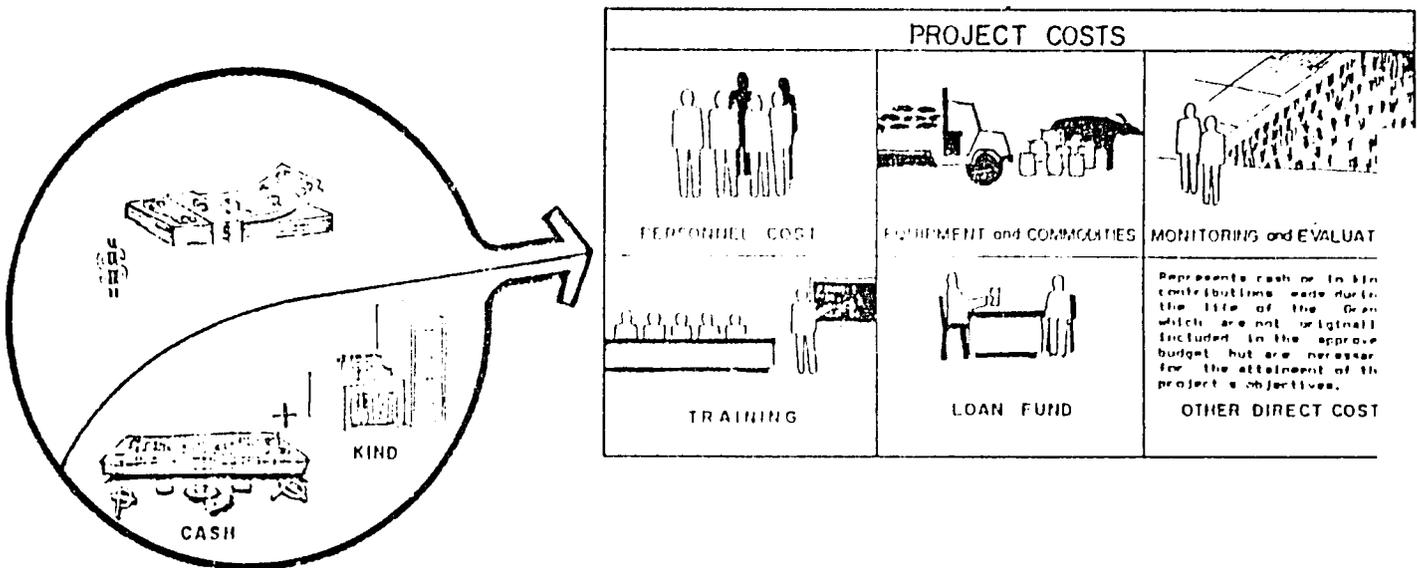
A Counterpart contribution of other direct costs can be provided in cash or in kind as needed during the life of the Grant. Generally, other direct costs are limited to 10% of the total Counterpart contribution.

Represents cash or in kind contributions made during the life of the Grant which are not originally included in the approved budget but are necessary for the attainment of the project's objectives.

OTHER DIRECT COSTS

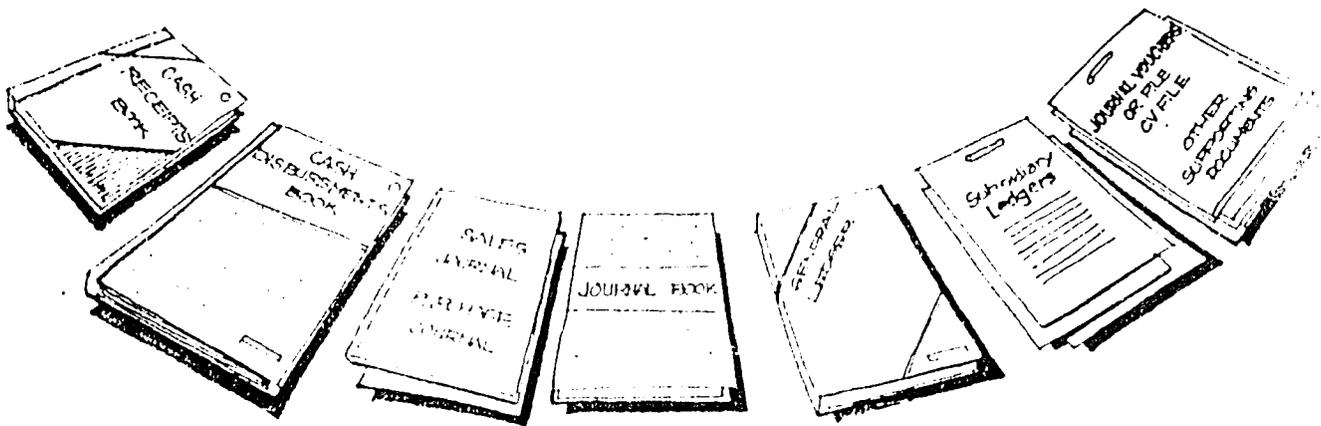
**D. OTHER FUNDS**

Other funds to be used during the life of the project, such as generalized activity funds to be programmed in detail during the life of the Grant, can be cash or in-kind, and when programmed, will be calculated based on the foregoing discussion.



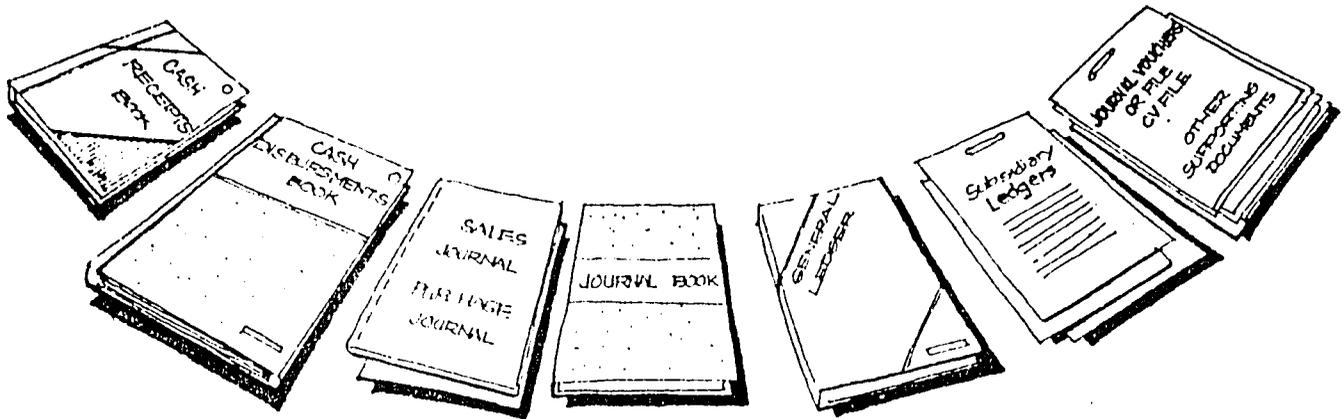
### 3. BOOKS OF ACCOUNTS

Grantee shall keep and maintain separate financial accounting records for USAID funds. Books of accounts will be available for inspection by USAID representatives at anytime during the life of the project under the Grant. Audit rights are retained by USAID for up to three (3) years after completion of the project.



Set A - For General Funds and/or Other Funds

- \* Accounting records for USAID Grant funds must be separated from the records of other funds.
- \* Books of accounts will be available for inspection at anytime during the life of the project by USAID representatives.
- \* Audit rights are retained by USAID for up to three (3) years after completion of the project.

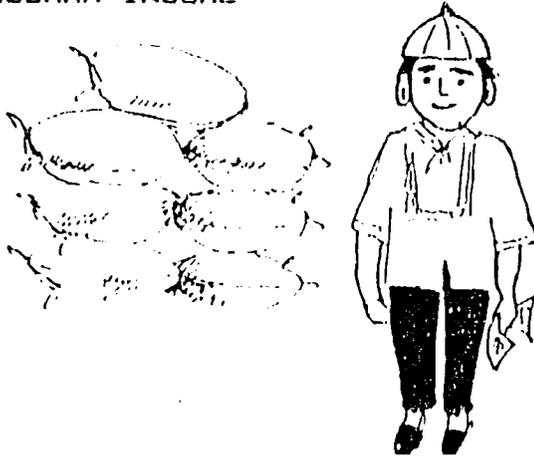


Set B - For USAID Grant Funds

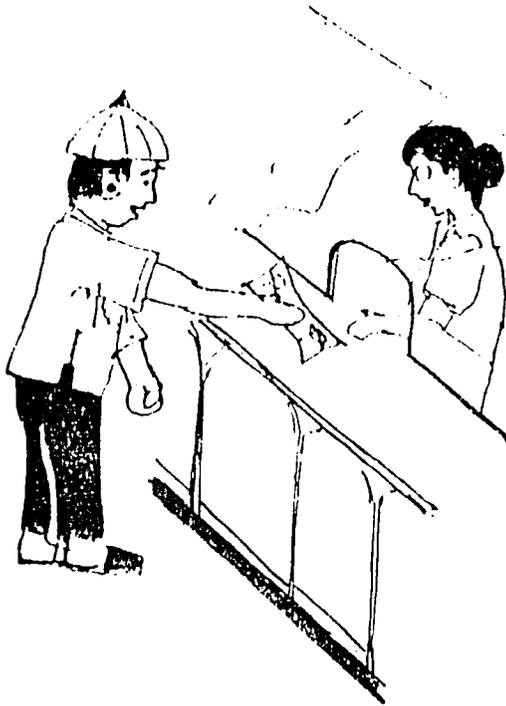
#### 4. PROGRAM INCOME

Grantee is authorized to use program income for program purposes rather than refunding to USAID provided the income is used to continue and/or expand the activities originally planned. Program income earned through USAID funded activities may revert to a "revolving fund". This income may be used by the Grantee in the above-mentioned ways, without accountability to USAID after termination of the project period, provided that prior to the expenditure of such reflows the Grantee informs USAID of the plan of operations and keeps USAID informed of actual activities for the life of this project. Project funds or cash advances are not supposed to earn interest, except in the case of funds loaned under the capital assistance or credit component of the project. Interest on cash advances cannot be considered program income and should be refunded to USAID.

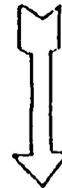
## PROGRAM INCOME



Beneficiary pays loan (principal amount plus interest) to Grantee



Program Income



- To continue or expand activities
- For other development programs of the PVO

- Program Income includes:
  - \* Interest earned from loans extended to beneficiaries;
  - \* Income from sales proceeds of products.
- Grantee shall inform USAID of plan of operations prior to expenditure of program income.
- Grantee shall keep USAID informed of actual activities.

## 5. SUBPROJECT CLOSE-OUT PROCEDURES:

This Section prescribes uniform close-out procedures for PVO Co-Financing Grants.

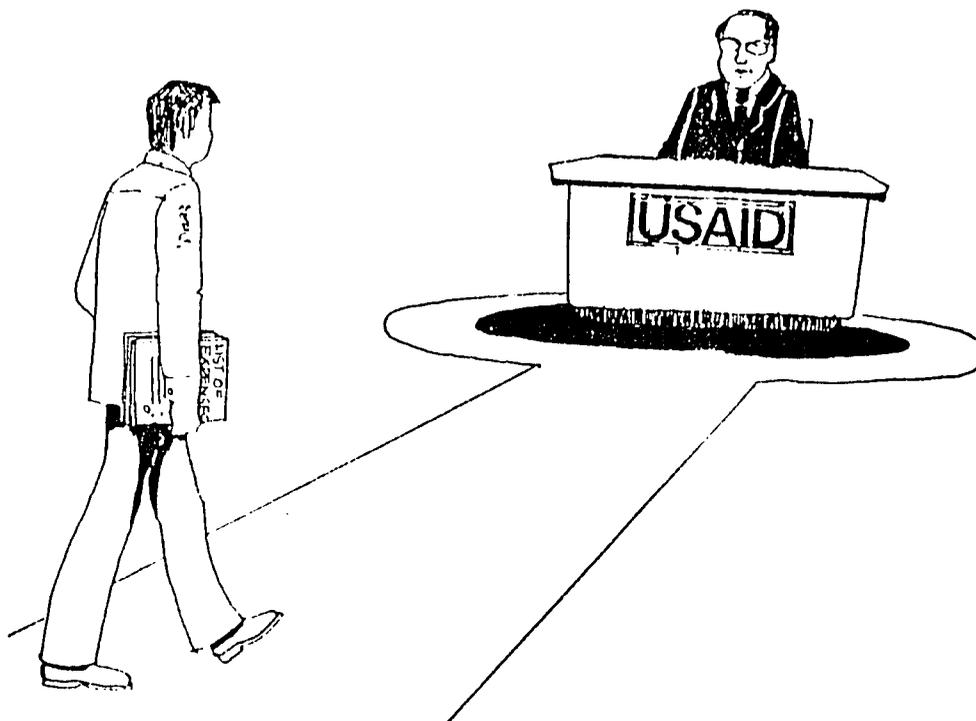
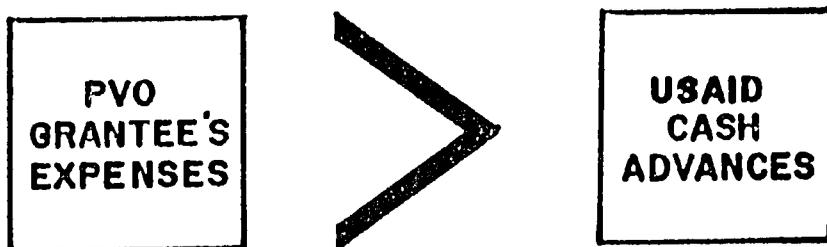
A. The following definitions shall apply for the purpose of this section: 1) Close-out. The close-out of a Grant Agreement is the process by which AID determines that all applicable administrative sections and all required work of the Grant Agreement have been completed by the PVO Grantee and AID. 2) Project Assistance Completion Date (PACD). The Project Assistance Completion Date is the date on which all work under the Grant Agreement is completed or the date on the award document, or any supplement or amendment thereto, on which AID sponsorship ends. 3) Disallowed Costs. The Disallowed costs are those charges to a Grant Agreement that AID or its representative determines to be unallowable in accordance with the applicable federal cost principles or other conditions contained in the Grant Agreement.

B. AID close-out procedures include the following requirements: 1) Upon request, AID shall make prompt payments to a PVO Grantee for allowable reimbursable costs under the Grant Agreement

being closed out. 2) The PVO Grantee shall immediately refund any balance or unobligated and unencumbered cash that AID has advanced or paid and that is not authorized to be retained by the PVO Grantee for use in other Grants or Agreements. 3) AID shall obtain from the PVO Grantee within ninety calendar days after the agreement, any financial, final evaluation, and other reports required as a condition of the Grant Agreement. 4) The PVO Grantee shall account for any property acquired with AID funds or received from the Government in accordance with OMB Circular AID-110 entitled "Property Management Standards." 5) In the event a final audit has not been performed prior to the close-out of the Grant Agreement, AID shall retain the right to recover an appropriate amount after fully considering the recommendation on questioned costs, resulting from the final audit.

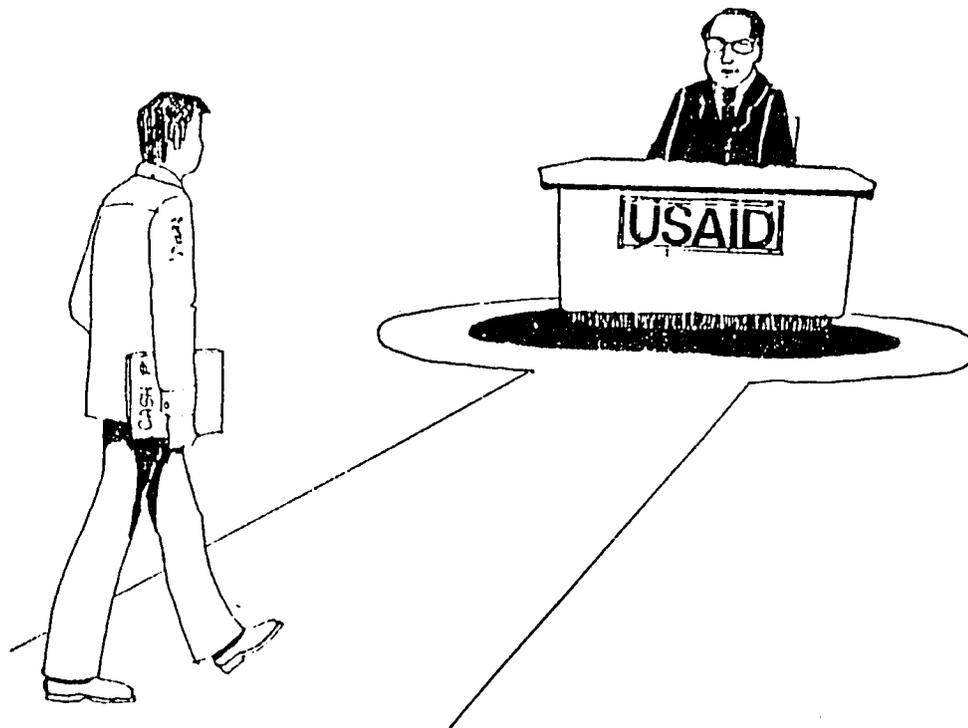
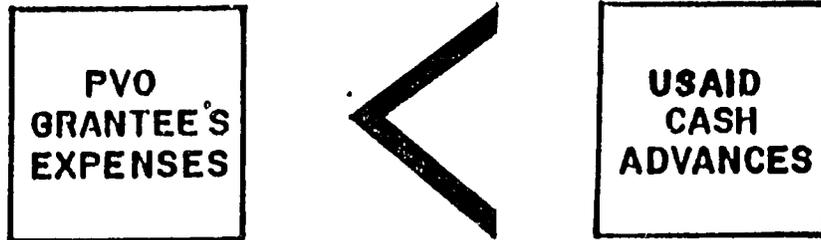
**CLOSE-OUT PROCEDURES**

- A. If PVO Grantee's expenses exceed USAID Cash Advances.



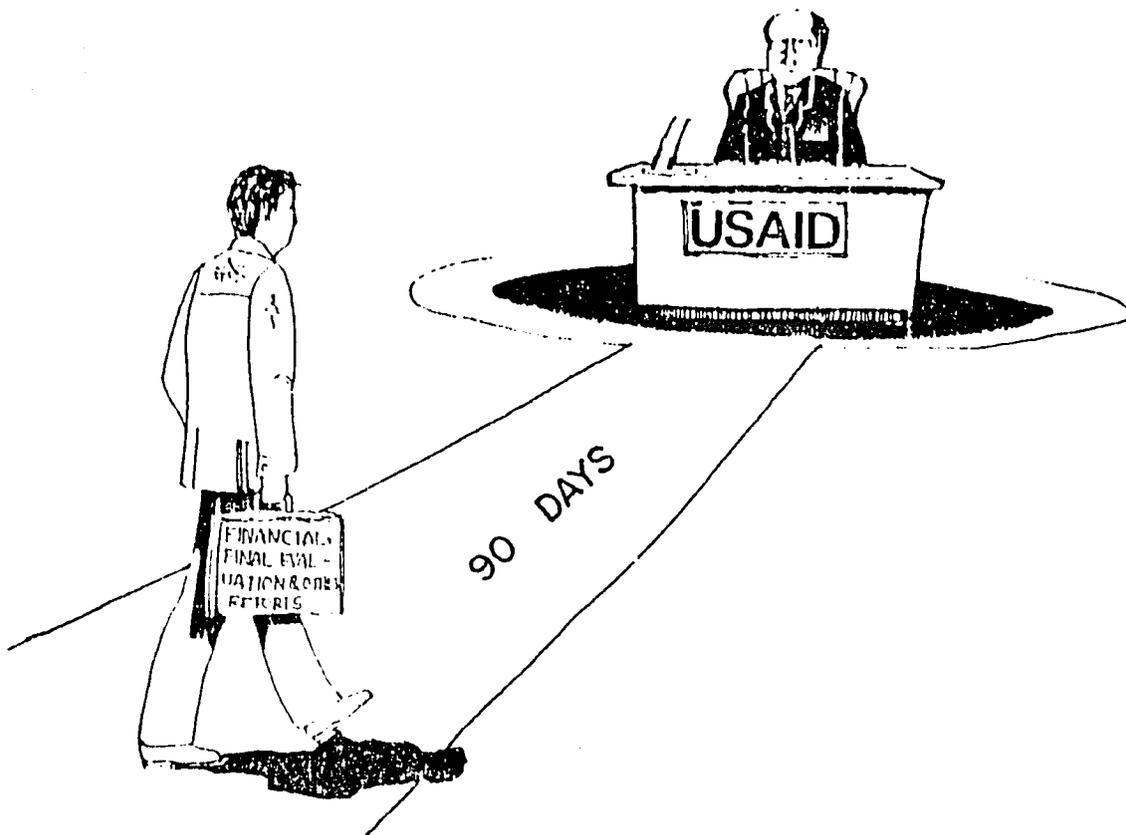
PVO Grantee shall request USAID for reimbursement of allowable costs under the Grant Agreement being closed-out.

B. I-  
e)

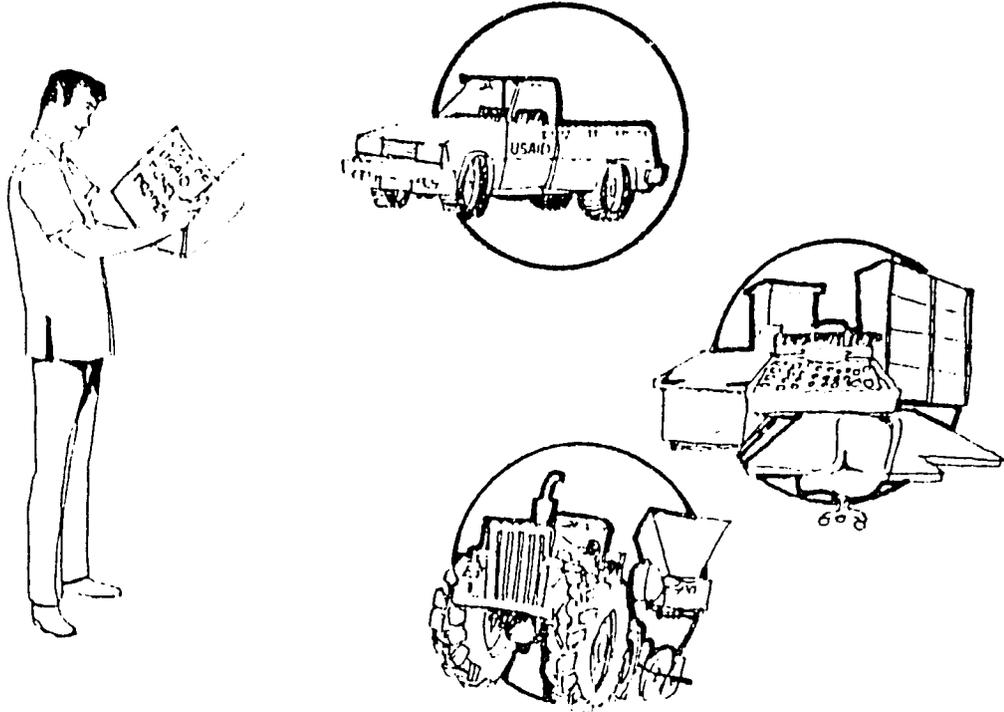


The PVO Grantee shall immediately refund any balance or unobligated and unencumbered cash that USAID has advanced or paid and that is not authorized to be retained by the PVO Grantee for use in other Grants or Agreements.

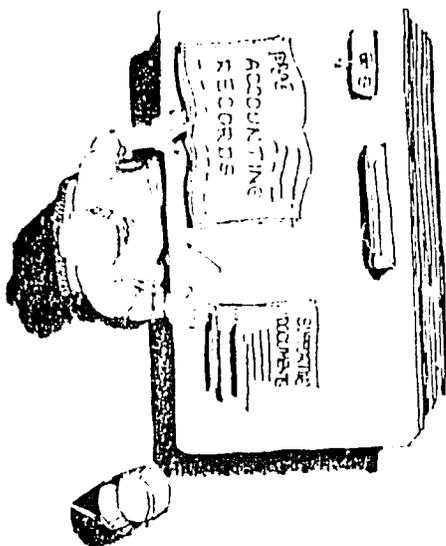
C. AID shall obtain from the PVO Grantee within ninety (90) calendar days after the close-out agreement any financial, final evaluation, and other reports required as a condition of the Grant Agreement.



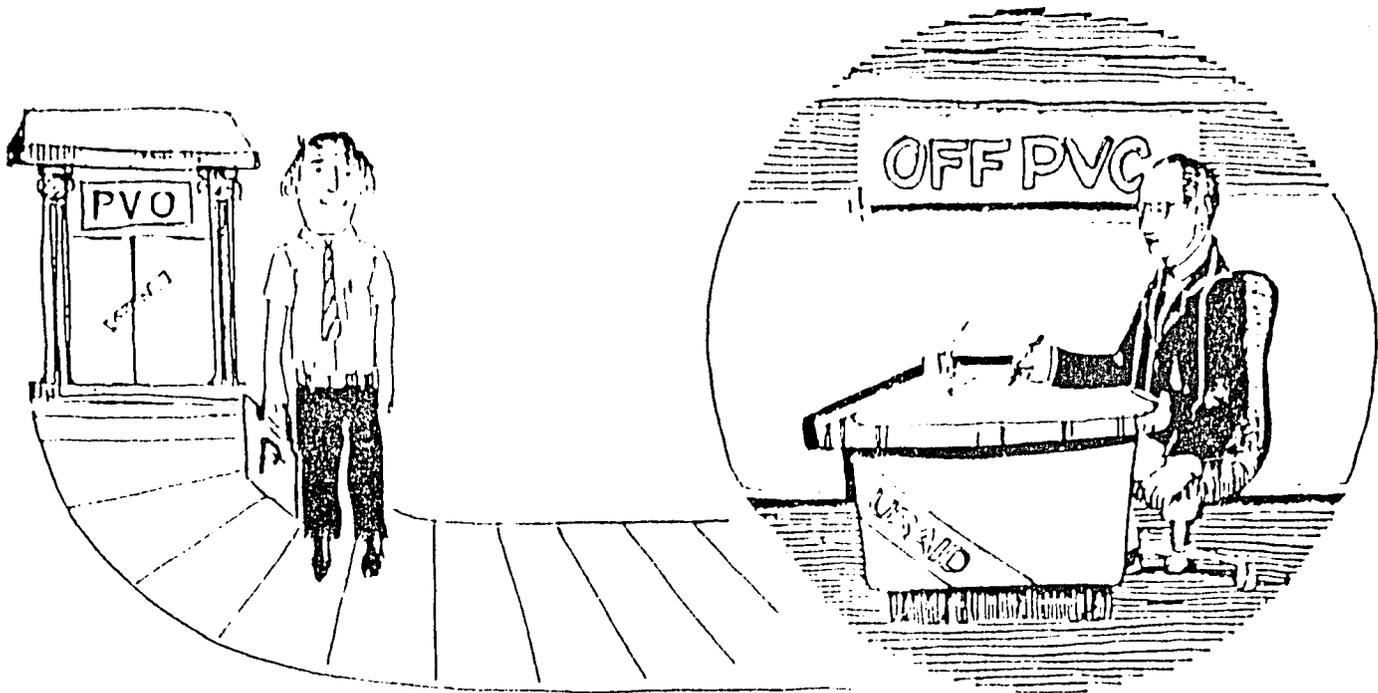
D. The PVO Grantee shall account for any property acquired with AID funds or received from the government.

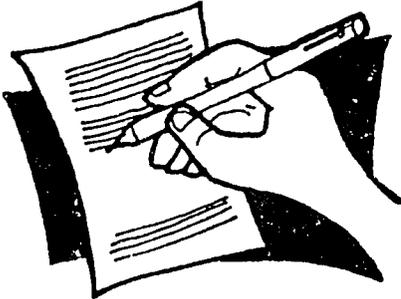


E. Final Audit on the PVO Grantee.



F. AID shall retain the right to recover an appropriate amount after fully considering the recommendation on questioned costs resulting from the final audit.





**REPORTING  
REQUIREMENTS**

## REPORTING REQUIREMENTS

1. Immediately after the approval of the Grant, the PVO is required to submit to the USAID Project Officer\* one copy of each of the following:

### A. IMPLEMENTATION PLAN

The Implementation Plan is a listing of scheduled activities of the project from the start of its implementation up to the completion stage. The Implementation Plan will include activities such as the gathering of baseline data, training, etc., and will list the individuals who are responsible for every activity, timeframe of each activity, related budget line items from both USAID and Counterpart funds, and other resources needed to support the activity.

\* The Project Officer is the AID official responsible for initiating, implementing and monitoring the performance of a Contractor or Grantee in achieving the ends of the project.

## **B. FIRST REQUEST FOR CASH ADVANCE**

Together with the Implementation Plan, the PVO must submit the first Request for Cash Advance by using Form 3 (Exhibit 3). As previously stated, this must be submitted to the USAID Project Officer upon approval of the Grant Agreement. This request must show the monthly breakdown of projected expenses for the first quarter. (For discussion of subsequent Requests for Cash Advance, see page 35: Quarterly Request for Cash Advance.)

2. Within six (6) months from date of signing of the Grant Agreement, one copy of each of the following reports must be submitted to the USAID Project Officer:

**A. EVALUATION PLAN**

The Evaluation Plan will indicate the purpose of the evaluation, what aspects of the project will be evaluated, how the evaluation will be carried out, who will participate in the evaluation, and when the different evaluation activities are scheduled.

A series of evaluations may be undertaken by the PVO to meet program requirements.

**B. BASELINE REPORT**

The Baseline Report should provide a socio-economic profile of the beneficiaries in relation to the broader population. The Baseline Report should focus on the key indicators necessary for evaluating and monitoring the progress, results and impact of the project.

### 3. QUARTERLY REPORTS

A. Thirty (30) days BEFORE the start of the quarter, one copy of each of the following reports must be submitted to the USAID Project Officers:

#### a. QUARTERLY IMPLEMENTATION PLAN

This report outlines in detail the activities to be undertaken during the next quarter, the persons responsible for such activities and the budget required to carry out these activities. To prepare this report, the PVO must use PVO Form 1 (Exhibit 1).

#### b. QUARTERLY REQUEST FOR CASH ADVANCE

This request, prepared by using PVO Form 3 (Exhibit 3), must show the monthly breakdown of the budget line items that are required for the next quarter. It has to be emphasized that the Request for Cash Advance must be submitted at least one month before the period covered by the cash advance. USAID needs at least one (1) month to process such request. In the event disbursements by the PVO are faster than projected, the PVO should request the next cash advance prior to the regular schedule to ensure that funds will not run out.

**B. Within thirty (30) days AFTER the end of the quarter, one copy of each of the following reports must be submitted to the USAID Project Officers:**

**a. QUARTERLY PROGRESS REPORT**

This report must include a discussion of the status of project implementation and must fully describe the project activities by making a comparison between planned activities and actual activities. This report must be prepared by using PVO Form 2 (Exhibit 2).

**b. QUARTERLY EXPENDITURE REPORT**

This report must indicate all costs incurred during the past quarter which are in accordance with the budget line items of the project. This report should include the running total of both USAID funds and Counterpart contribution and the actual expenditures for the quarter drawn against the USAID funds and the Counterpart contributions. This report must be prepared by using PVO Form 4 (Exhibit 4).

The Expenditure Report, which is also called Liquidation Report, should specifically include the following detailed information:

- b.1 Salaries and wages are to be set forth as separate line items for each position, indicating the incumbent's name, whether full-time or part-time (i.e. one-fourth, one-half, etc.), rate of pay, and total cost for period claimed;
- b.2 The term Consultant's fee is to be used in appropriate cases. The fee paid a Consultant who is hired by the PVO must be set forth as a separate line item which clearly indicates the type of consultancy service, the consultant's name, period of time employed, rate of pay (i.e., hourly, daily, weekly, monthly, etc.) and total cost for period claimed.
- b.3 Payment of honoraria is not permitted regardless of designation.

The Expenditure Report or Liquidation of Advances must be treated as a separate report from the Request for Cash Advance, that is, liquidation of a previous cash advance is not necessary before USAID can grant an advance for the following quarter. However, USAID will not provide a third advance before the next-to-last cash advance has been liquidated.

The Expenditure Report must be prepared by using PVO Form 4 (Exhibit 4) and must be certified by the PVO authorized representative. Copies of pertinent supporting documents (i.e., receipts, invoices, travel authorizations, purchase orders, payroll sheets, used tickets, etc.) may be required as well as other financial statements and certifications.

If Expenditure Reports are found by USAID to have any discrepancies, the PVO is informed in order to correct such discrepancies and avoid any delay in the processing of its Request for Cash Advance.

#### **4. YEARLY REPORTS\***

##### **A. AUDITED FINANCIAL STATEMENTS**

The Grantee must submit to the USAID Project Officer one copy of the annual financial statements of the Grantee. These financial statements must be audited by an independent Certified Public Accountant. These must be submitted within four (4) months after the end of the accounting year.

##### **B. ANNUAL BUDGET**

The Annual Budget is the projected operations of the Grantee interpreted in financial terms. It will include all projects of the Grantee to be implemented for the ensuing year. It will present the expected monthly revenues and expenses of the Grantee. One copy must be submitted to the USAID Project Officer during the first month of the budget year.

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\* Necessary to maintain status as a USAID registered PVO.

## 5. FINAL REPORTS

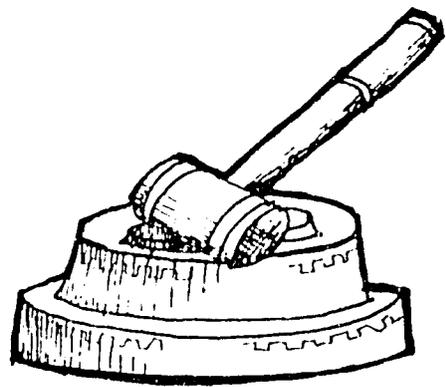
### A. FINAL EVALUATION

The Final Evaluation will analyze the effectiveness of the project processes and the potential and actual impact this project will have and has had on target beneficiaries, especially on their capability to manage their own development within a community context. Project activities and their results will be analyzed in such a way as to enable other interested communities and organizations to determine if the methodologies used are appropriate and feasible for expansion and/or replication. One copy of this report should be submitted to the USAID Project Officer within ninety (90) calendar days after the Grant Completion Date.

## B. FINAL REPORT

The Grantee will prepare a detailed Final Report of the project based on the experience gained through the life of the project. This report will document project experience including all conditions and factors which have affected the progress of the project. This report will also indicate which of the project activities will continue to operate under direct management and supervision of the Grantee and/or other indigenous groups. The report will be designed as a basic resource document for possible replication in similar areas by other groups.

The PVO has the option of consolidating the Final Report and the Final Evaluation Report but must indicate the desire to do so to the USAID Project Officer before the completion of the Grant. One copy of this report should be submitted to the USAID Project Officer within ninety (90) calendar days after the Grant Completion Date.



**MANDATORY PROVISIONS  
OF A GRANT AGREEMENT**

**MANDATORY PROVISIONS OF A  
GRANT AGREEMENT**

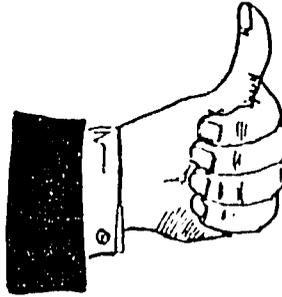
**1. ALLOWABLE COSTS**

The Grantee will be reimbursed for costs incurred in carrying out the purposes of the Grant where those costs are determined by the Grant Officer\* to be reasonable, allocable, and allowable in accordance with the terms of the Grant and applicable cost principles.

- a) Reasonable. Shall mean those costs that do not exceed those which would be incurred by an ordinarily prudent person in the conduct of normal business.
- b) Allocable. Shall mean those costs which are necessary to the Grant.
- c) Allowable. Shall mean those costs which must conform to any limitations set forth in the Grant.

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\* Grant Officer - The Contract or Grant Officer is the AID official (Director or CO) who is authorized to enter into and administer contracts, grants or cooperative agreements on behalf of AID. He is the only official authorized to obligate or bind the Government to an agreement.

## **ALLOWABLE COSTS**

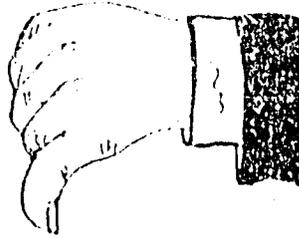


**Costs which are:**

- \* Reasonable**
- \* Allocable**
- \* Allowable**

d) Unallowable costs, direct or indirect, include but are not limited to the following examples: advertising, bad debts, contingencies, entertainment, fines and penalties, interest on loans taken out by the PVO firm in connection with other business activities not directly related to the Grant, fund raising, investment management costs, losses on other awards, taxes, first-class air fare unless specifically approved, certain relocation costs, professional service costs incurred in connection with litigation against the U.S. Government, and organization or reorganization costs. Additionally, public information service costs are unallowable as indirect costs. The applicable cost principles do authorize some of the above-listed unallowable costs in appropriate circumstances. Prior to incurring a questionable or unique cost, the Grantee should obtain written notice from the Project Officer that the USAID Grant Officer has (or has not) ruled the cost as allowable.

## UNALLOWABLE COSTS



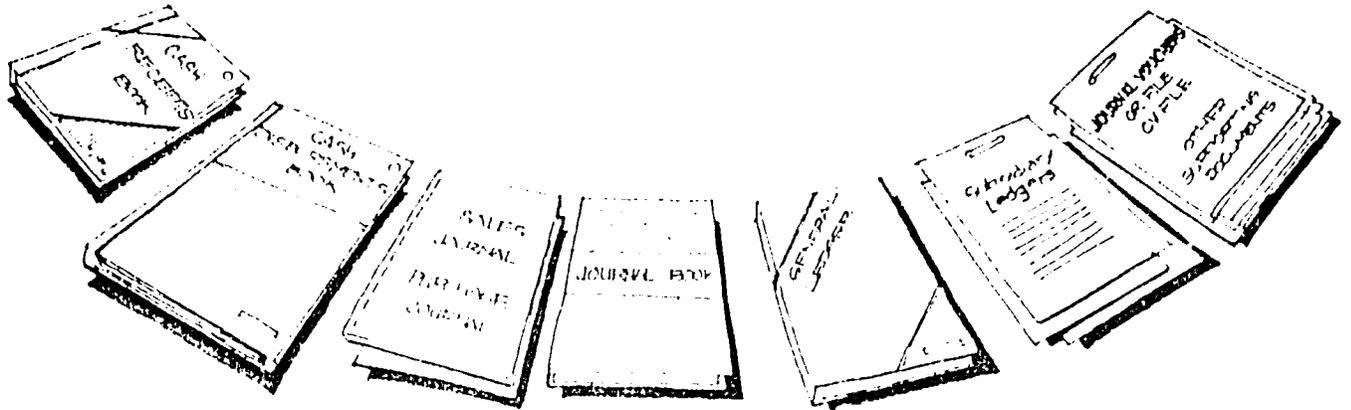
- \* Advertising
- \* Bad Debts
- \* Contingencies
- \* Entertainment
- \* Fines and penalties
- \* Interest
- \* Fund Raising
- \* Investment Management Costs
- \* Losses on Other Awards
- \* Taxes
- \* First class Air Fare, unless specifically approved
- \* Certain Relocation Costs
- \* Professional fees in connection with litigation against the U.S. Government
- \* Organization and Re-organization Costs
- \* Public Information Service Costs
- \* Other Costs determined by the Grant Officer as unallowable

## 2. ACCOUNTING, AUDIT, AND RECORDS

a) The Grantee must maintain, in accordance with the Grantee's usual accounting procedures, books, records, documents, and other evidence which can substantiate charges to the Grant. The Grantee's financial management system must provide the following:

- (1) Accurate, current and complete disclosure for each AID-sponsored project or program in accordance with the reporting requirements of this Grant. While AID requires reporting on an accrual basis, the Grantee will not be required to establish an accrual accounting system but should develop accrual data for its reports through analyzing documentation on hand.
- (2) Records that adequately identify the source and application of funds for AID-sponsored activities. These records must contain information pertaining to other U.S. government authorizations, obligations, unobligated balances, assets, outlays, and income.

## ACCOUNTING, AUDIT AND RECORDS



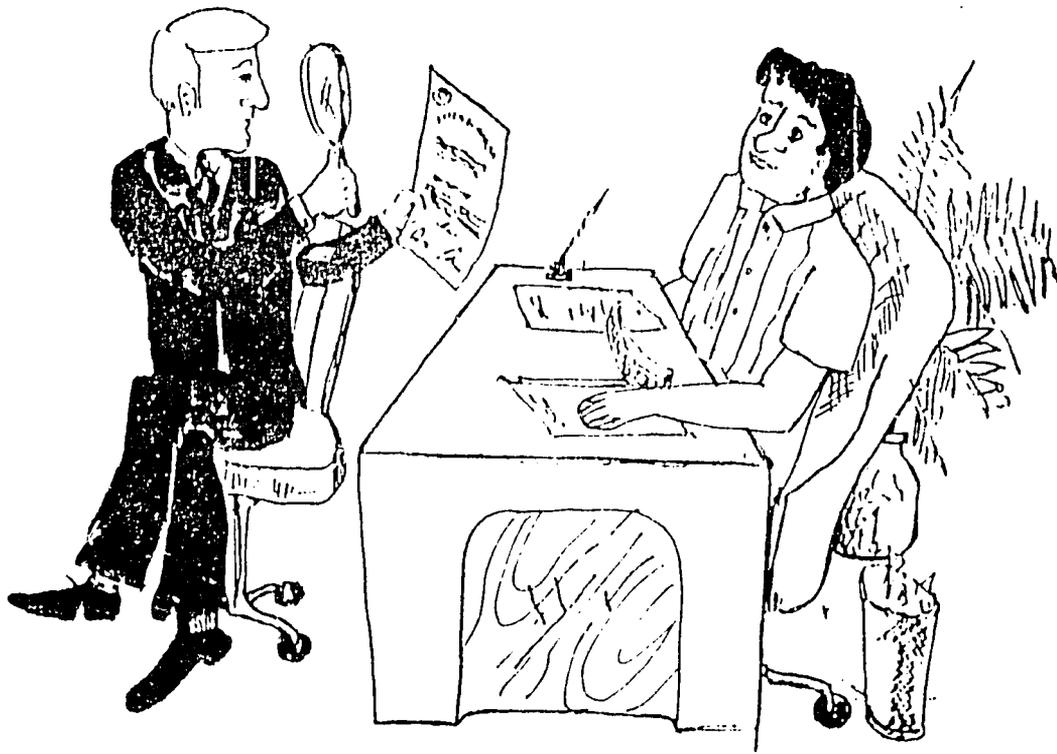
Grantee must maintain books, records documents and other evidence in accordance with generally accepted accounting procedures.

The Grantee's financial management system must provide the following:

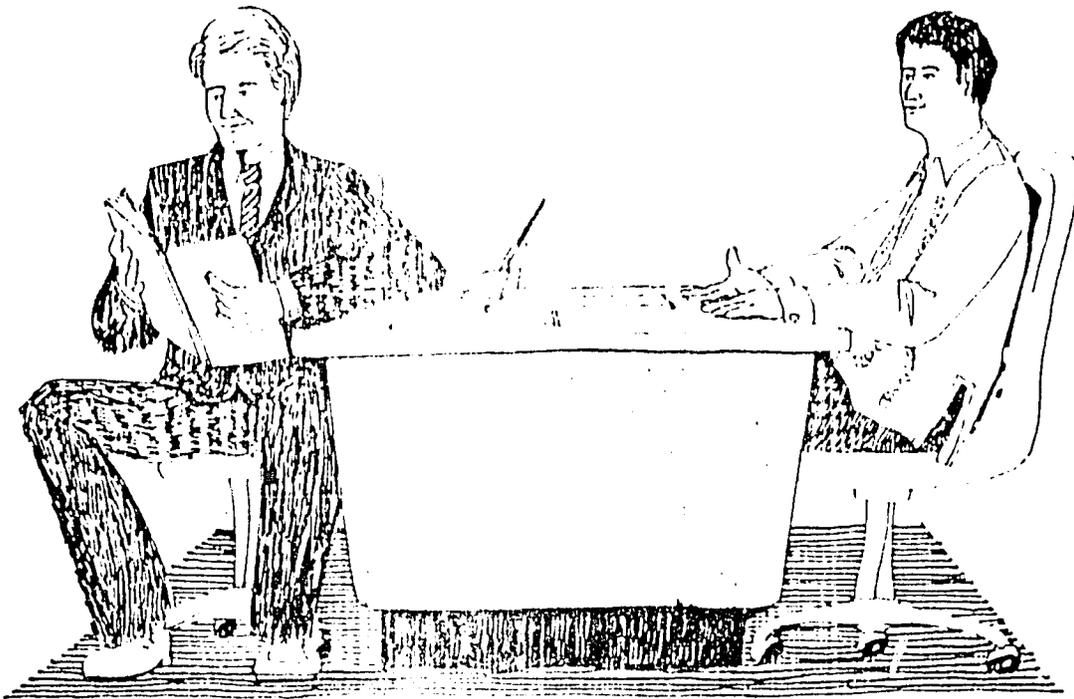
- \* Accurate, current, complete disclosure,
- \* Records that identify source and application of funds,
- \* Effective control and accountability for all funds, property and other assets,
- \* Comparison of expenditures with budget amounts, and
- \* Accounting records supported by documentation.

- (3) Effective control over and accountability for all funds, property, and other assets. Grantees must adequately safeguard all such assets and must ensure that they are used solely for authorized purposes.
- (4) Comparison of actual outlays with budget amounts for each Grant. Financial information should be related to performance and unit-cost data whenever appropriate.
- (5) Accounting records, supported by documentation, that at a minimum, identify, segregate, accumulate and record all costs incurred under the Grant. These records should fully disclose: (i) the amount and disposition by the Grantee of the Grant funds, (ii) the total cost of the project, (iii) the amount of project funds supplied by other sources, and (iv) all other records that will facilitate an effective audit.

- b) The Grantee must preserve these records and make them available for examination and audit by AID and/or the Comptroller General of the United States or their authorized representatives until (1) the expiration of three years from the date of termination of the Grant or (2) as long as necessary for an on-going audit to be completed unless written approval has been obtained from the Grant Officer to dispose of the records. AID follows generally accepted accounting principles and auditing standards in determining that there has been proper accounting and use of Grant funds. The Grantee agrees to make available any further information requested by AID with respect to any question arising as a result of the audit.
- c) The Grantee will require subgrantees to adopt the standards in paragraph (b) above.



Grantee must preserve and make available all pertinent records of the Grant for examination and audit by USAID and the Comptroller General of the United States or other authorized representatives.



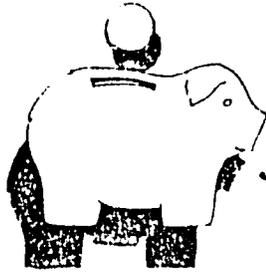
Grantee will also require subgrantees to preserve and make available all accounting records for examination and audit by USAID and the Comptroller General of the United States or their authorized representatives.

### 3. REFUNDS

- a) If use of the AID funds results in accrual of interest to the Grantee or to any other person to whom the Grantee makes AID funds available, the Grantee must refund to AID the amount of interest accrued.
- b) Funds obligated by AID but not disbursed to the Grantee at the time the Grant expires or is terminated will revert to AID, except for such funds encumbered by the Grantee by a legally binding transaction applicable to the Grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant must be refunded to AID.
- c) If, at any time during the life of the Grant, or as a result of final audit, it is determined by AID that funds it provided under this Grant have been expended for purposes not in accordance with the terms of this Grant, the Grantee must refund such amount to AID.

## REFUNDS

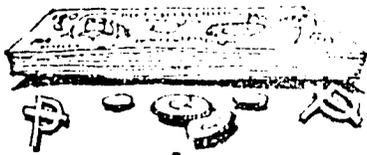
Grantee is required to  
refund to USAID:



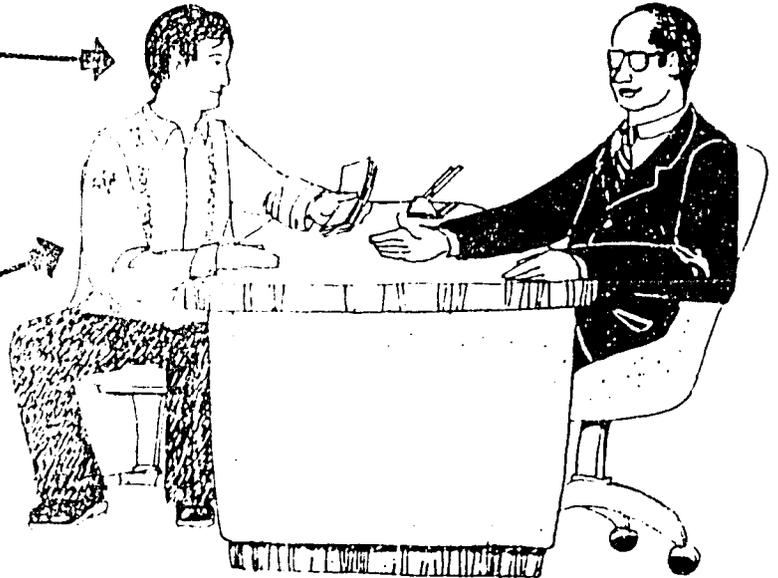
1. Interest from USAID  
Cash Advances



2. Unexpended Funds



3. Funds used in payment  
of unallowable costs



#### 4. REVISION OF GRANT BUDGET

a) The approved Grant budget is the final expression of the Grantee's program as approved during the Grant-award process.

b) The Grantee should immediately contact the Project Officer to request approval from the Grant Officer when there is reason to believe that within the next thirty (30) calendar days a revision of the approved Grant budget will be necessary for any of the following reasons:

(1) (a) To change the scope or the objectives of the project.

(b) To revise the funding allocated among the project objectives if the revision involves more than 25% of the budget. (Revisions of 25% or less do not need prior approval.)

(2) Additional funding is needed.

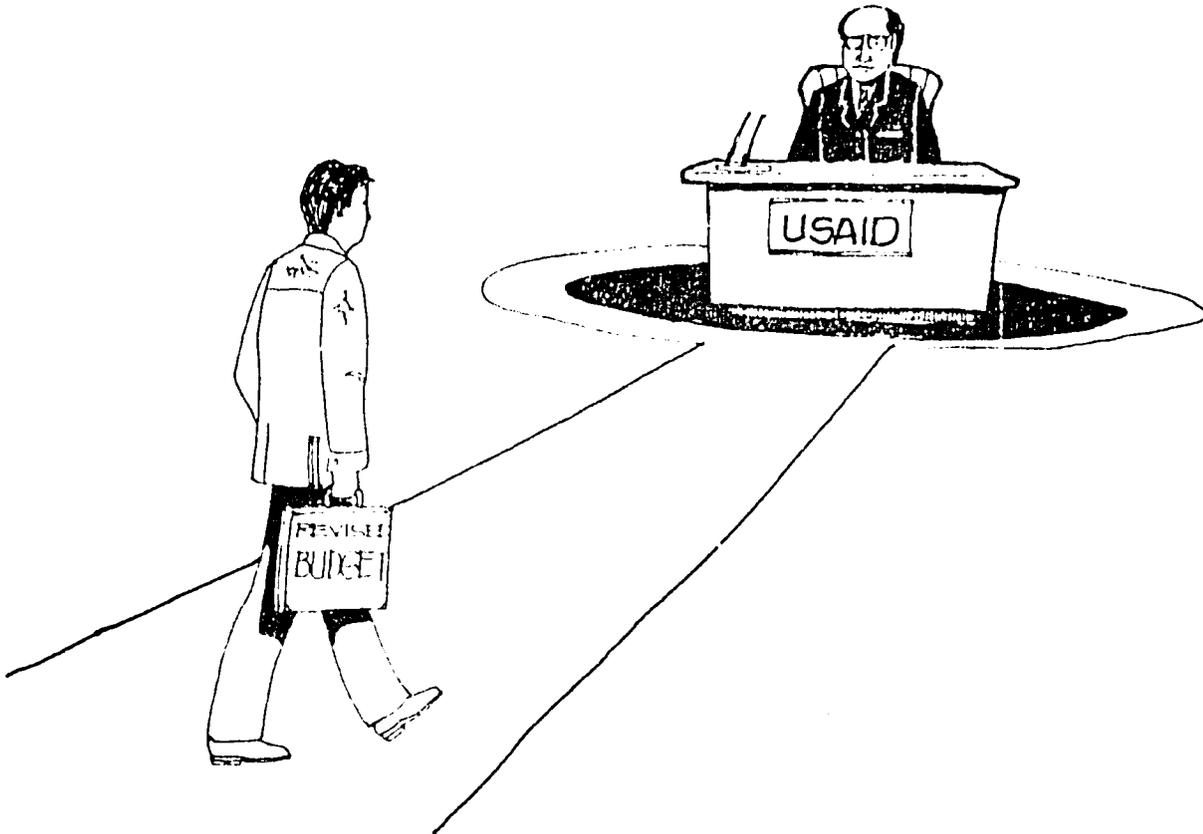
(3) The Grantee expects the amount of AID authorized funds to exceed its needs by more than \$5,000.00 or five percent (5%) of the AID award, whichever is greater.

- (4) The Grantee wishes to use funds from the "other direct costs" line item.
- (5) The Grantee intends to contract or subgrant any of the work under the Grant, and such contracts or subgrants were not included in the approved Grant budget.
- c) Except as required by other provisions of a grant specifically stated to be an exception from this provision, the Government\* shall not be obligated to reimburse the Grantee for costs incurred in excess of the total amount obligated under the Grant. The Grantee is not obligated to continue performance under the Grant (including actions under the "Termination" provision) or otherwise to incur costs in excess of the amount obligated under the Grant, unless and until the Grant Officer has notified the Grantee in writing that the obligated amount has been increased and has specified the new Grant total amount.

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\* "Government" as stated above stands for the U.S. Government which is represented (in your Grant Agreement) by the U.S. Agency for International Development.

## REVISION OF GRANT BUDGET



Grantee should immediately contact the Project Officer to request approval from the USAID Grant Officer when there is reason to believe that within the next thirty (30) calendar days, a revision of the approved Grant Budget will be necessary because the Grantee needs to:

- \* change the scope of work,
- \* request more funds, or
- \* restructure the budget.

## 5. TERMINATION AND SUSPENSION

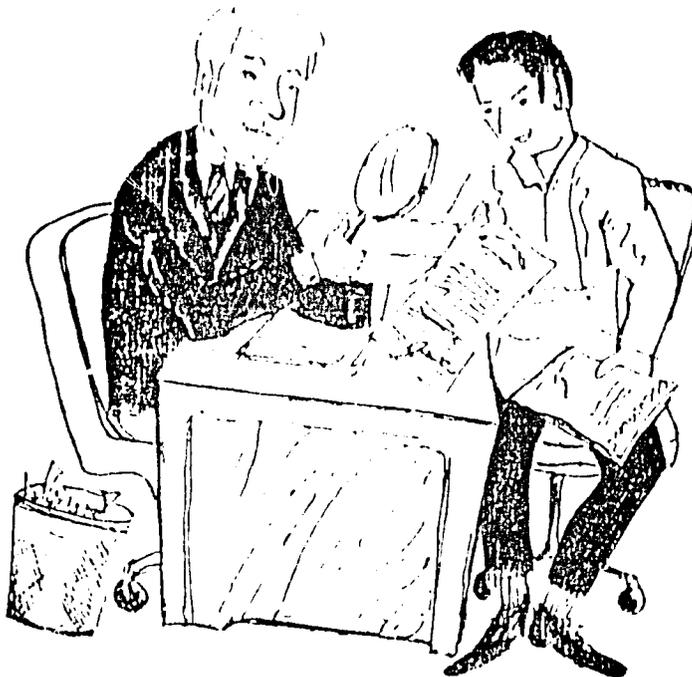
A Grant may be terminated:

- a) **For Cause.** A Grant may be terminated for cause at any time, in whole or in part, by the Grant Officer upon written notice to the Grantee, whenever it is determined that the Grantee has failed to comply with the conditions of the Grant.
  
- b) **For Convenience.** A Grant may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the Grant would not produce beneficial results commensurate with the further expenditure of funds. Both parties will agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the Grant Officer to the Grantee.

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

TERMINATION AND SUSPENSION

FOR CAUSE



Mismanagement of Funds

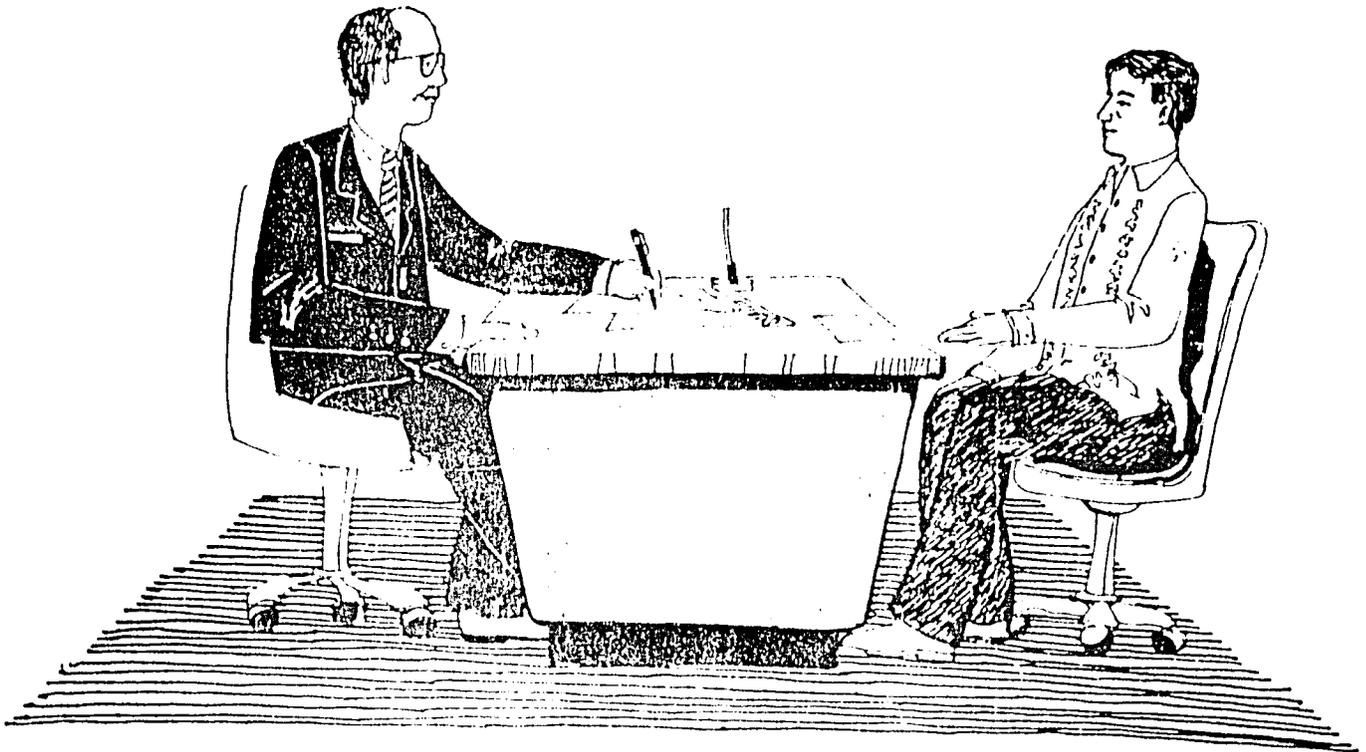


Failure to comply with the conditions of the Grant

**d) Suspension: Termination for Changed Circumstances.**

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

## FOR CONVENIENCE



A Grant may be terminated for convenience, if both parties agree that the continuation of the Grant would not produce beneficial results commensurate with the further expenditure of funds, or it may be suspended if assistance is no longer in the interest of the United States or if applicable laws have been suspended.

### Termination Procedures:

- \* Minimize expenditures
  - \* Grantee repays all unexpended funds within thirty (30) days
- OR
- \* Grantee claims unpaid AID obligations within ninety (90) days

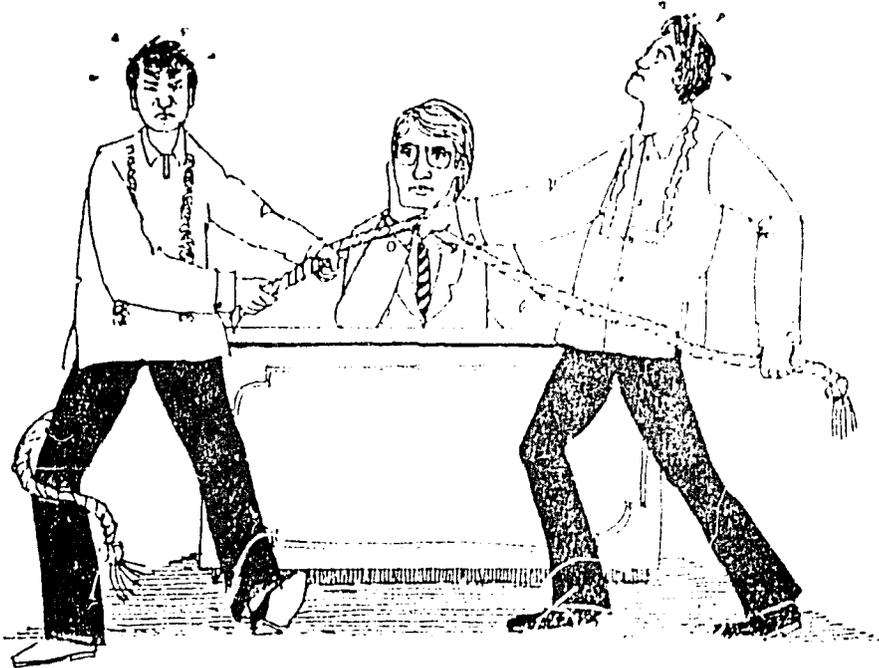
### Suspension Procedures:

- \* Incur no further obligations unless essential
- \* AID may terminate after sixty (60) days

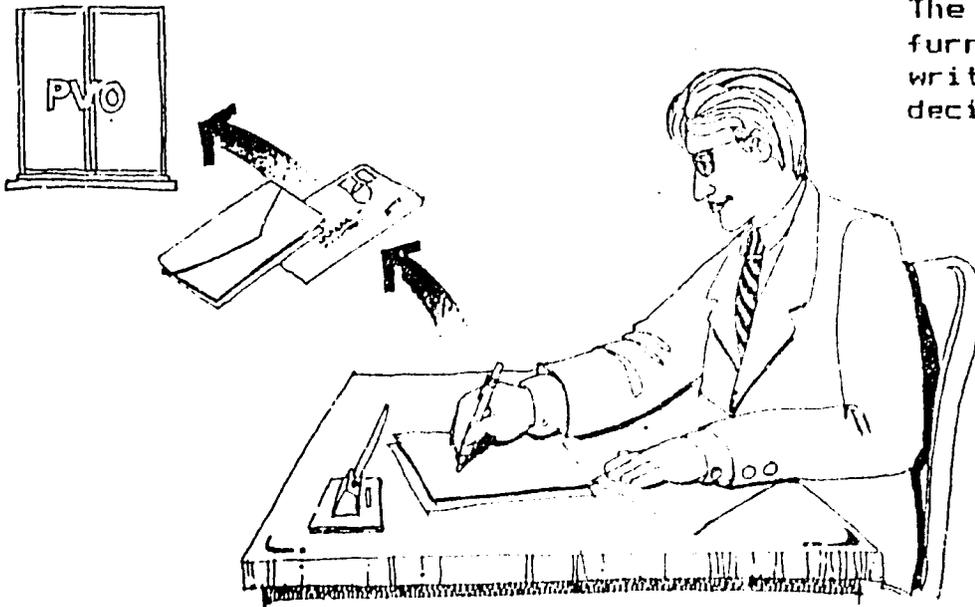
## 6. DISPUTES

- a) Any dispute under this Grant will be decided by the AID Grant Officer. The Grant Officer will furnish the Grantee a written copy of the decision.
- b) Decisions of the AID Grant Officer will be final unless, within thirty (30) days of receipt of the decision of the Grant Officer, the Grantee appeals the decision to the Administrator of AID. Any appeal made under this provision must be in writing and addressed to the Administrator, Agency for International Development, Washington, D.C. 20523. A copy of the appeal should be concurrently furnished to the Grant Officer.
- c) In connection with any appeal proceeding under this provision, the Grantee will be given an opportunity to be heard and to offer evidence in support of its appeal.
- d) A decision under this provision by the Administrator or an authorized representative will be final unless overruled by a court of competent jurisdiction.

## DISPUTES



Any dispute/s under a Grant shall be decided by the USAID Grant Officer



The Grant Officer shall furnish the Grantee a written copy of the decision

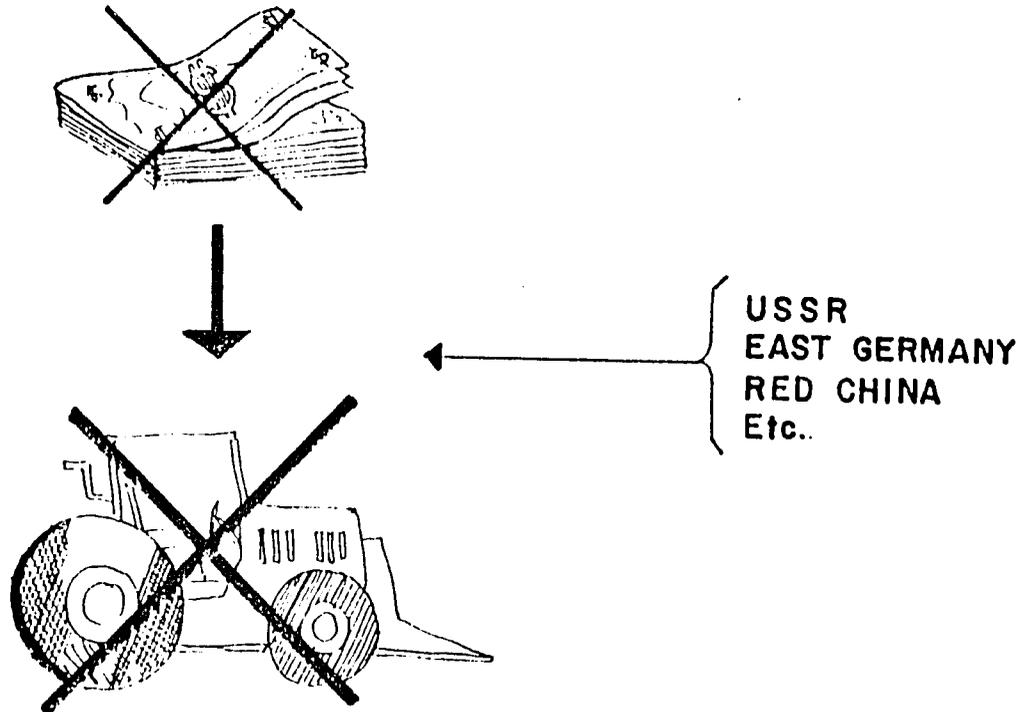
**7. INELIGIBLE COUNTRIES**

Unless otherwise approved by the AID Grant Officer, no USAID funds can be used to purchase items/commodities made by or services provided by countries ineligible to receive U.S. assistance under the Foreign Assistance Act of 1961, as amended, or under Acts appropriating funds for foreign assistance. The Project Officer will have a complete list of ineligible countries.

**8. NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS**

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

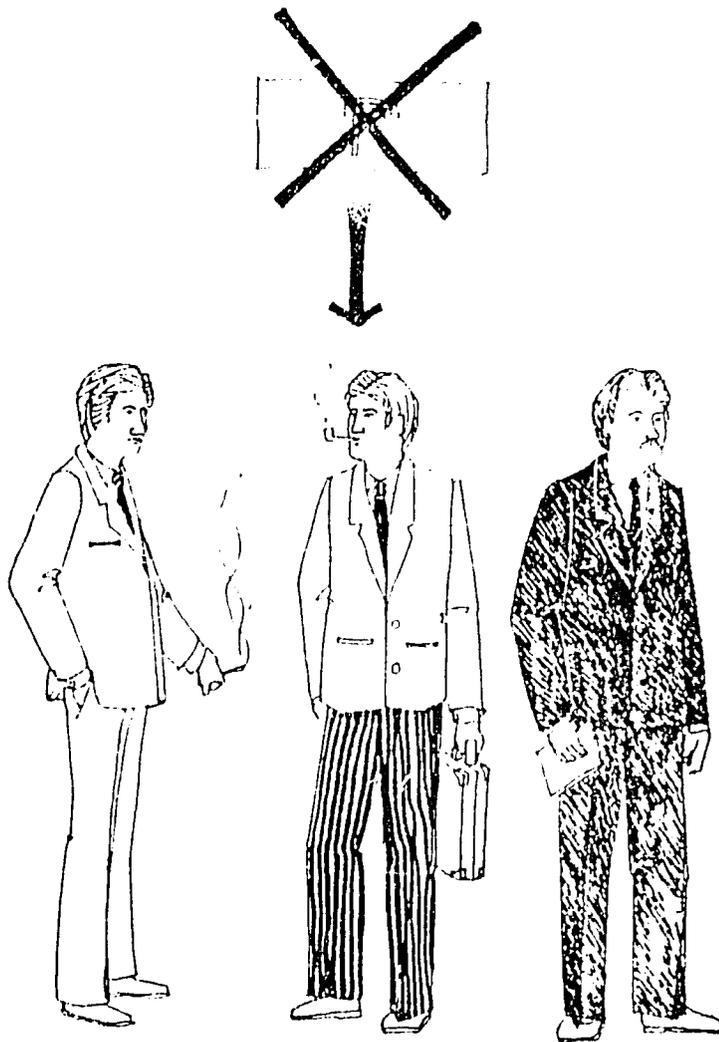
**INELIGIBLE COUNTRIES**



Unless otherwise approved by the USAID Grant Officer, no funds will be expended for costs incurred in countries ineligible for assistance.

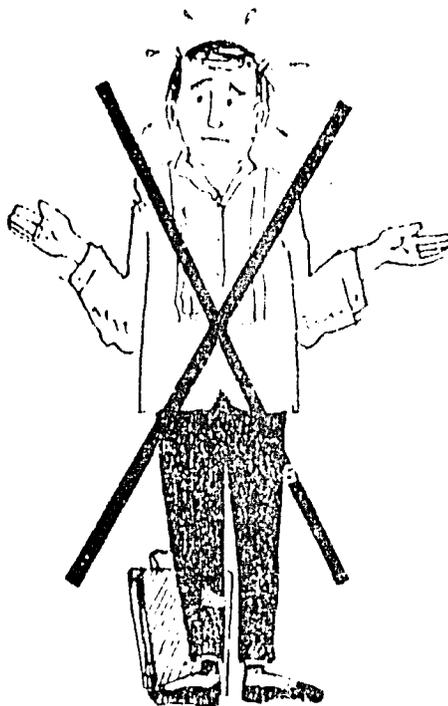
**9. U.S. OFFICIALS NOT TO BENEFIT**

No member of or delegate to the U.S. Congress can benefit from this Grant.



**10. COVENANT AGAINST CONTINGENT FEES**

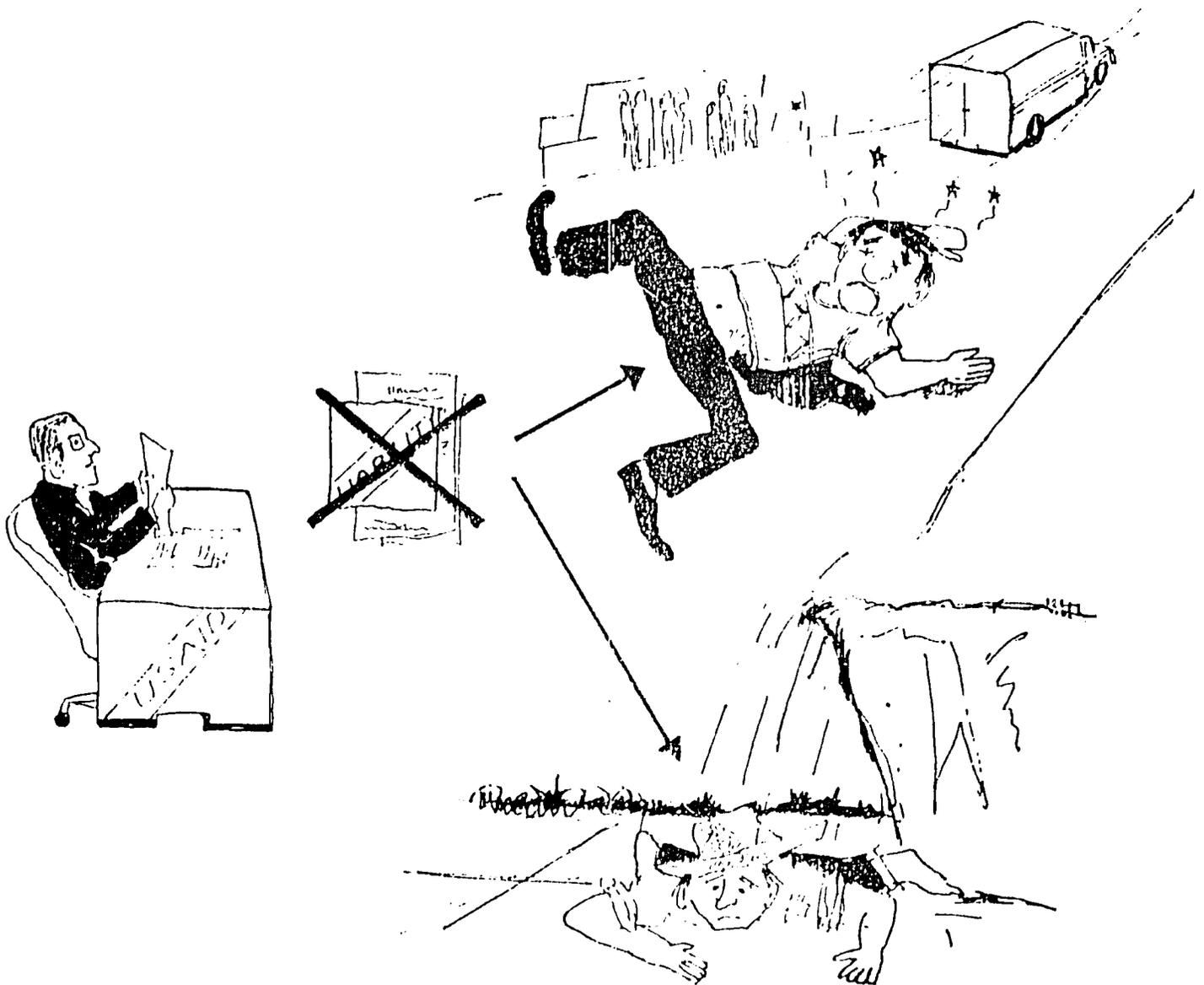
The Grantee certifies that no person or selling agency has been employed or retained to secure this Grant for a commission, percentage, brokerage, or contingent fee except bona fide employees or bona fide established commercial or selling agencies maintained by the Grantee for the purpose of securing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



**AGENT TO SOLICIT GRANT**

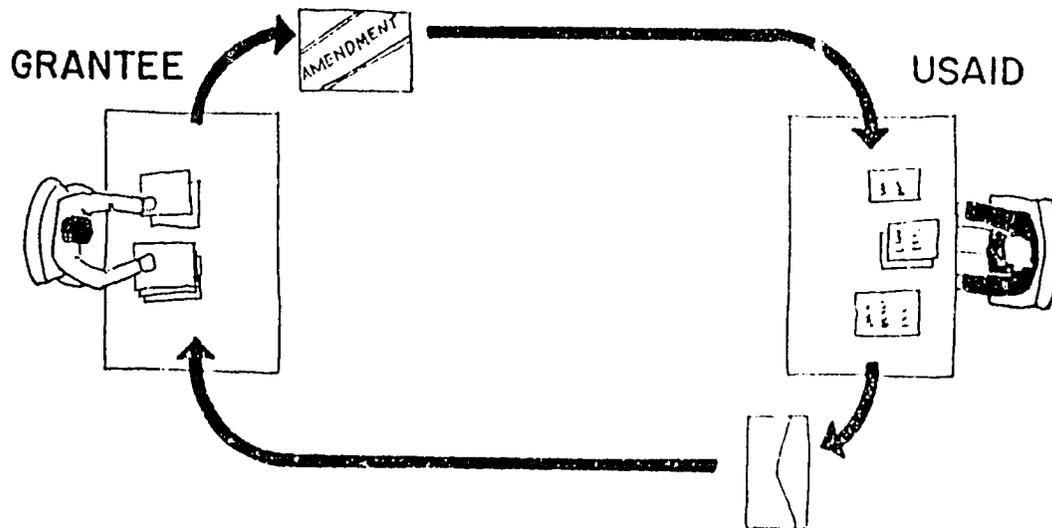
## 11. NONLIABILITY

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



## 12. AMENDMENT

The Grant may be amended by formal modifications to the basic Grant document or by means of an exchange of letters between the Grant Officer and an appropriate official of the Grantee.



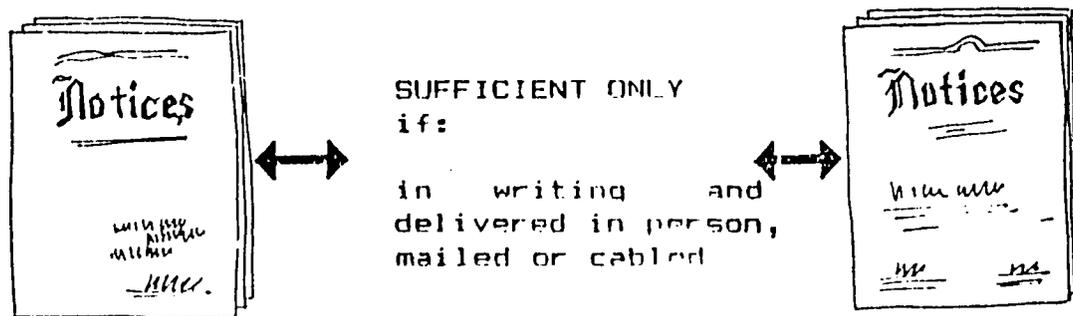
13. NOTICES

Any notice given by AID or the Grantee must be in writing and delivered in person, mailed, or cabled as follows:

To the AID Grant Officer, at the address specified in the Grant.

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

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



GRANTEE

USAID

Notice given to the USAID Grant Officer and the Grantee shall be mailed or delivered at the address specified in the Grant.



PVO FORM 2  
PROGRESS REPORT  
QUARTERLY

- A. Name of PVO: \_\_\_\_\_
- B. Project Title and Grant No.: \_\_\_\_\_  
\_\_\_\_\_
- C. P A C D : \_\_\_\_\_
- D. Date of Last Report: \_\_\_\_\_
- E. Date of Last Evaluation: \_\_\_\_\_
- F. Project Funding LOP: Grant: \_\_\_\_\_
- G. Counterpart: \_\_\_\_\_
- H. Expenditure to date: Grant: \_\_\_\_\_
- I. Counterpart: \_\_\_\_\_
- J. Project Purpose: (Use additional pages, if necessary) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- K. Activities for the Period: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- L. Outputs: (Cumulative, if possible) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- M. Issues/Problems this Quarter and Planned Actions  
to resolve Issues/Problems: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- N. Contractors/Consultants: \_\_\_\_\_  
\_\_\_\_\_

Prepared by: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

PVO FORM 3

REQUEST FOR CASH ADVANCE

PERIOD: \_\_\_\_\_ TO \_\_\_\_\_  
 GRANT NO. : \_\_\_\_\_  
 GRANT TITLE: \_\_\_\_\_

- 1. Amount Authorized P \_\_\_\_\_
- 2. Total Cash Advances Received \_\_\_\_\_
- 3. Total Disbursements to Date \_\_\_\_\_
- 4. Accrued Payables to Date \_\_\_\_\_
- 5. Unexpended Cash Advances  $\underline{2 - (3 + 4)}$  \_\_\_\_\_
- 6. Cash Requirement for this Period \_\_\_\_\_
- 7. Cash Advance Requested (6-5) \_\_\_\_\_

Details of Projected Expenditures for the Period:

MONTHLY BREAKDOWN

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	
A. Personnel Costs*	P _____	P _____	P _____	P _____
B. Equipment & Commodities	_____	_____	_____	
C. Monitoring & Evaluation	_____	_____	_____	
D. Training	_____	_____	_____	
E. Administrative & Travel	_____	_____	_____	
F. Loan Fund*	_____	_____	_____	
Total Required for the Period				P _____

The undersigned hereby certifies: 1) that the above represents the best estimates of funds needed for expenditures to be incurred over the period described; 2) that expenses under any previous advances are progressing in accordance with projections; 3) that appropriate refund or credit to the grant will be made in the event funds are not expended; 4) that appropriate refund will be made in the event of disallowance in accordance with the terms of this grant and, 5) that any interest accrued on the funds made available herein will be refunded to the USAID.

PVO: \_\_\_\_\_  
 \_\_\_\_\_

Project Director/Authorized Representative  
 Date Signed: \_\_\_\_\_

NOTE: One (1) copy of the Request for Cash Advance should be submitted to the USAID PVO Project Manager thirty (30) days before the start of the next quarter.

Attached Implementation Plan

