

DEVELOPMENT ALTERNATIVES, INC / USAID
PALESTINIAN ENTERPRISE DEVELOPMENT PROGRAM
GRANTS ADMINISTRATION HANDBOOK

DAI Grants Administration Handbook

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I. INTRODUCTION

This handbook provides guidance to DAI implementation teams on the responsible award and management of grants, consistent with USAID regulations and DAI policy. Effective management of grants is complex, and the wide variety of country and technical contexts in which we work can present implementation challenges. Fortunately, implementation teams have access to DAI's broad resource base of grants professionals who can provide answers, advice, and creative solutions to grant management problems. Use this handbook as your guide to the award and management of grants, and contact your project associate or contracts administrator with any questions that may arise.

II. GRANT TYPES

DAI staff must ensure that grant proposals are consistent with USAID grant rules and regulations, and that budget items are allowable costs as defined by OMB and USAID. To aid in this process, this section summarizes different grant-making mechanisms as outlined in the USAID Automated Directives System (ADS). The ADS provides written guidance to USAID employees and contractors on policies and operating procedures, delegations of authority for conducting Agency business, and references for other applicable USG regulations as necessary.

Most grant recipients will be local non-governmental organizations and will be governed by the USAID regulations pertaining to "Non-US Non-Governmental Recipients." In certain cases, US-based NGOs, PVOs, local government units, and international groups will also receive funding. Each of these types of recipients is governed by its own set of regulations, which will be detailed in this manual.

There are five basic grant types which cut across recipient categories: the Fixed Obligation Grant, the In-Kind Format Grant, the Simplified Format Grant, the Standard Format, and the Limited Scope Grant Agreement. The majority of the grants will be implemented using the Simplified Format. However, the nature of the activity and the type of recipient may call for occasional use of the other grant formats. The descriptions in the sections below permit project management to evaluate which format, given its associated requirements and parameters, is appropriate and practical for each grant activity.

Any revisions to the grant formats contained in this manual require prior written authorization from the USAID Contracting Officer before a grant is issued.

Acquisition and Assistance Policy Directive (AAPD) 02-19 Implementation of E.O. 13224 Certification Regarding Terrorist Financing dated January 3, 2003 is a requirement for all grants issued under this contract.

From the Required as Applicable Clauses of the Standard Provisions for Non-US, Nongovernmental Recipients Clause 24, PROHIBITION OF ASSISTANCE TO DRUG TRAFFICKERS (JUNE 1999) is a mandatory requirement for all grants issued under this contract where performance of the award will take place in "Covered" Countries. The list of covered countries can be found in ADS 206 (see 206.3.3)) Pursuant to Section 579 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 2003, Prohibition on Taxation of United States Assistance, all grants issued under this contract must include a requirement for

grantees to report on the assessment of foreign taxes on transactions financed with U.S. foreign assistance funds. (See Annex S)

A. Grants to Non-U.S. Non-Governmental Organizations

The requirements for this type of award are contained in several applicable federal regulations and USAID administrative standards. These regulations include:

- Mandatory Standard Provisions for Non-U.S. Non-Governmental Recipients with Required As Applicable Standard Provisions for Non-U.S. Non-Governmental Recipients (see Annex L);
- ADS 303;
- OMB Circular 122 “Cost Principles for Non-Profit Organizations” (see Annex N); and
- 22 CFR Part 226, in particular 226.20 through 226.28.
- Certification Regarding Terrorist Financing (see Annex Q)
- Certificate Regarding Drug Trafficking (see Annex R)
- Section 579 Reporting on Payment of Foreign Taxes (see Annex S)

A.1. In-Kind Grants

DAI will pursue in-kind grants, where appropriate. Goods and services will be procured directly by DAI while working closely with the grantee, and then delivered to the grantee or to the grant activity. All procurement done on the grantees’ behalf by DAI will be done in compliance with DAI’s procurement regulations.

A.2. Simplified Grants

Where possible, DAI will utilize USAID simplified grants for non-U.S. organizations. The simplified format shall be used only when the grant meets the following conditions (per ADS 303.5.15):

1. All costs to be charged to the grant are identified in the grant text and do not include international airfares or indirect costs;¹
2. Any goods to be purchased by grantee meet the rules governing local cost financing, and no single item having a useful life over one year and an acquisition cost of \$5,000 or more shall be purchased;
3. Sub-agreements, if any, must meet the same conditions listed here for simplified grant formats.
4. The Grantee is required to sign the Debarment and Suspension certification and any other required certifications, and
5. The Recipient shall receive any payments on a reimbursement basis.

¹ Exceptions to international travel are found in 303.5.15a as follows: Simplified Format Grants to Non-U.S. Organizations. Agreement Officers are authorized to modify the format described at 303.5.15 to include support of international travel or the purchase of equipment as long as the applicable Standard Provision for those types of costs are attached to the small grant award (See 303.5.15) (See Mandatory Reference, Standard Provisions for Non-U.S. Nongovernmental Recipients).

A.3. Fixed Obligation Grant

Where appropriate, DAI will have the option of utilizing the fixed obligation grant format. This allows for the award of a grant for very specific program elements without the requirement that DAI monitor the actual costs subsequently incurred, as all costs are covered on a benchmarked reimbursement basis. It is intended for use to support specific projects where there is a certainty about the cost, and in which the accomplishment of the purpose or milestone in the grant is readily discernible. Due to the streamlined nature of the fixed obligation grant, this format should be used whenever possible. The fixed obligation grant mechanism is well-suited to the limited management capabilities of many potential DAI/USAID grantees and to the flexible and responsive design of the program. It is important to understand, however, that it may be used only to support specific projects where there is a certainty about the cost, and where the “benchmarks” in a grant are readily discernible².

A discussion by the Grants Manager of the appropriateness of this type of grant and the appropriate benchmarks to the project will be included in the documentation of the grant negotiations. Partial payments may be set up at different stages including the submission of a complete work-plan, after partial implementation, or upon demonstration of achieved results, and the payment amounts should reflect the relative value of the benchmarks achieved or the programmatic objectives that are sought. Payment is always made on a reimbursement basis.

A.3.a. Fixed Obligation Grant Format Requirements

In addition to assuring that the grant will meet the applicable conditions (#1-#5) described above for the simplified format, the Grants Manager must also certify (or ensure) the appropriateness of issuing a fixed obligation grant based on the following factors:

1. Programmatic accomplishments or results are easily identified and quantified, and are established in grant benchmarks;
2. There is very limited risk that there will be changes to the project;
3. There is adequate cost information (historical or unit pricing) available to determine and negotiate the fixed price of the grant, which may include an amount based on the grantee’s demonstrated indirect costs;
4. Negotiations ensure to the extent possible that the funds budgeted will be the actual cost of the effort;
5. Grantees will be informed, through a clause in the grant format, of the right of DAI a/o USAID to terminate the grant in whole or in part should the grantee become insolvent during performance of the award; and
6. At the end of the grant, grantees must certify in writing to DAI that the activity was completed. If the grantee cannot certify completion, it shall be expected to make appropriate refunds.

² The applicable USAID policy governing Fixed Obligation Grants is in ADS chapter 303.5.15b. <http://www.usaid.gov/pubs/ads/300/303.doc>.

A.3.b. Fixed Obligation Grant Implementation Plan

A detailed implementation plan will be developed by the grantee, in collaboration with DAI grants or technical personnel. The implementation plan will include:

- Result or results to be achieved (measurable goals);
- Responsibilities and contributions of each party to the grant;
- Well defined benchmarks and verification requirements for each achieved benchmark (including analyzed costs);
- Type of payment mechanism (in-kind or reimbursement payment) and payment amounts per benchmark; and
- Timelines for achievement of results and deliveries.

Benchmarking FOGs is very important. While achievement of a benchmark is necessary to trigger a disbursement, it is not necessary to make a disbursement for every benchmark. The following is an example of an activity that would conform to the FOG benchmark requirements:

Example : Training component

Activity Goal: Training of 50 community leaders in becoming “peer trainers”

Benchmark 1: Training site identified and logistics organized by week 1;

Benchmark 2: Training staff finalizes training program and participants identified and invitations sent out by day 9;

Benchmark 3: Participants arrive and training commenced by day 14; and

Benchmark 4: Training successfully completed.

As noted in the FOG criteria on the previous page, budgets must be precise and based on actual costs. This requirement fits very well with the DAI mechanism. The FOG criteria allow for a determination that the grantee will accomplish the goals of the grant and the specific objectives needed to achieve successful grant implementation. Before any DAI grant is awarded, the PED Cluster Manager, Grants Manager and procurement staff must work with the potential grantee to refine the budget, determining what is needed to accomplish the activity, and what the exact costs are. This kind of project design ensures that DAI’s staff is taking all necessary steps to identify costs and determine the cost reasonableness of the grantees approach to grant implementation.

A.4. Standard Grant Format

If a grant situation does not meet the above conditions for a simplified, in-kind or fixed obligation grant, DAI will follow the standard grant format and include all required or necessary Standard Provisions for Non-U.S. Non-Governmental Grantees. Under these procedures, recipient organizations must demonstrate sufficient financial and management responsibility before the grant can be awarded. (See grant format samples attached as appendices.)

B. Grants to U.S. Non-Governmental Organizations

The requirements for this type of award are contained in several applicable federal regulations and USAID administrative standards. These regulations include:

- Mandatory Standard Provisions for U.S. Non-Governmental Recipients with Required As Applicable Standard Provisions for U.S. Non-Governmental Recipients (see Annex M);
- Mandatory Standard Provisions for U.S. Non-Governmental Recipients when Activities are Undertaken Outside the US (see Annex M);
- ADS 303;
- OMB Circular 122 “Cost Principles for Non-Profit Organizations” (see Annex N); and
- 22 CFR Part 226, in particular 226.20 through 226.28.
- Certification Regarding Terrorist Financing (see Annex Q)
- Prohibition of Assistance to Drug Traffickers (see Annex R)
- Section 579 Reporting on Payment of Foreign Taxes (see Annex S)

B.1. Standard Format Grants

Grants to U.S. Non-Governmental Organizations (NGOs) can use the four (4) types of grant agreements as described above. These grants will be managed the same way as other grants under this project. Cash disbursements, however, will normally be made by the home-office backstopping team into the US bank account of the NGO. The budgeting and grant approval process will be led by the DAI field team. Grant agreements with a US organization must include the Standard Provisions for US Non-Governmental Recipients when Activities are Undertaken Outside the US (ADS 303.7, Mandatory References). These references are included as Annex M.

B.2. Limitations on Grant Awards to U.S. Based Organizations

In accordance with ADS 302.5.6, the total value of any individual grant to any U.S. organization shall not exceed \$25,000.

C. Grants to Public International Organizations (PIOs)

The requirements for this type of award are contained in several applicable federal regulations and USAID administrative standards. These regulations include:

- ADS 308, Public International Organizations;
- ADS 308.7. A list of USAID-approved PIOs;
- ADS 303;
- Mandatory PIO provisions (ADS 308.5.15);
- Certification Regarding Terrorist Financing;
- Certificate Regarding Drug Trafficking
- Section 579 Reporting on Payment of Foreign Taxes

C.1 Limits on Grant Awards to PIOs

Approval of grants to PIOs will be governed by procedures established by the USAID Contracting Officer.

C.2 Using Grants to PIOs

Grant agreements with PIOs are appropriate when the organization is on the approved PIO list and pre-award determination is made that all of the following conditions are met:

- Support for a PIO's program or activity (either an expansion of its current program or the initiation of a new program or activity) is considered to be an effective and efficient way to achieve a particular development assistance or disaster relief objective;
- The program and objectives of the PIO are compatible with those of DAI;
- A predetermination of responsibility has been made concerning the PIO (reference ADS 303.5.9) and their ability to perform the program in a responsible manner has been predetermined; and
- Grants are made for specific programs of interest to USAID, and do not augment a PIO's general operating budget, or supplement the assistance granted under Section 301 of the FAA.

While competition is not required for grants to PIOs, there is one important restriction: USAID may not make a grant to the United Nations or its specialized agencies that establishes a fund to which USAID is the sole contributor. This regulation is applicable because of a dispute between the USG and the UN, where the UN does not permit the General Accounting Office audit rights. Providing there is proper authorization, USAID can still make grants to the UN as long as those monies are not being contributed to a specialized fund for which USAID is the only source of funding. DAI will follow these requirements when considering a PIO for a grant.

C.3 Conditions for a PIO Grant

- At the conclusion of a PIO grant, the grantee will furnish the U.S. government with a final report on activities carried out under this grant. This includes a final program report and a final financial report containing sufficient details to reconcile any outstanding payments and complete any outstanding disbursements.
- The grantee must keep financial records--including documentation to support entries on accounting records and to substantiate charges against the grant--that follow generally accepted accounting practices. All such financial records shall be maintained and available for audit for at least three years after the final disbursement of funds under this grant.
- The grantee must confirm that the grant account will be audited in accordance with established procedures under appropriate provisions of the financial regulations and rules of the United Nations.

D. Grants to Third Country Non-Governmental Organizations

In certain instances, USAID will make grants through DAI to private, non-governmental organizations that are neither based in the U.S. nor the project host country. Project staff must verify that these organizations are registered outside of the U.S., and that they are

indeed private non-governmental organizations (not affiliated with the United Nations or a foreign government). If so, these grantees fall into the general category of “Non-U.S. Organizations” and grants can be implemented as described in Section A for Standard Grants, Fixed Obligation Grants, In-Kind Grants or Simplified Format Grants. The USAID Field Representative shall approve grants to Third Country Non-Governmental Organizations up to \$100,000. Approval of grants over \$100,000 will be governed by procedures established by the USAID Contracting Officer.

E. Grants to Local Governments

USAID’s criteria and procedures for grants include a reference to working with regional and local government authorities. Occasionally, small grants will be awarded to local government units. The implementation of these grants will follow the same procedure as program grants to the other types of recipients described above. However, according to the ADS 350.5.2, the grant must be in the format of a Limited Scope Grant Agreement (LSGA).

Special Note: In accordance with Section A.25 of the PED Contract, “Prohibition Against Cash Assistance to the Palestinian Authority,” no cash grants will be awarded to the Palestinian Authority; to any municipality or other local government unit; or to any full-time or part-time employee or official of any of the foregoing entities. This restriction applies to payments of any kind, including salaries, stipends, fees, honoraria, per diem, and so forth. This restriction does not apply to the provision of in-kind assistance, such as technical assistance, training, equipment, supplies, or the construction of public works. Therefore, grants awarded to the Palestinian Authority under the PED Contract will follow the in-kind grant format.

E.1 Limited Scope Grant Agreements with Foreign Governments

Normally, USAID implements large grants to cooperating country governments within the framework of a Strategic Objective Grant Agreement (SOAG). However, a LSGA is considered appropriate for funding less complex activities. LSGAs are used to fund specific activities of limited scope, duration or funding. The LSGA must include a title page in LSGA format (see Annex F for model); Annex 1, Standard Provisions (See Annex F); and an optional Annex 2, Activity description.

E.2 LSGAS Title Page and Optional Annex 2 - Activity Description

Except as provided below or unless there is an exception, the Title Page or Activity Description Annex must contain or substantively address the following (see [Annex F](#)):

- a. Activity Title and DAI Activity Number.
- b. Description of the Results or Activity.
- c. Purpose. A statement to the effect that DAI and the Grantee agree to carry out the Activity described in the Agreement in accordance with (a) the terms of the Agreement and (b) any general agreement between the two governments regarding economic or technical cooperation or the title of the specific general agreement.
- d. DAI/USAID Contribution.

- (1) A statement as to the authority for the grant and the amount being granted, for example, "DAI, as authorized by the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee U.S.\$_____ (the "Grant") to be expended as described in this Agreement."
- (2) Incremental Funding. If the LSGA is to be incrementally funded, before proceeding, future funding increments by DAI must be made subject to (1) the availability of funds by USAID for that purpose and (2) the mutual agreement of the Parties at the time of each subsequent increment.

* e. Grantee Contribution: The Grantee's total estimated contribution must be stated. See Internal Mandatory Reference [USAID Exchange Rate Policy Guidance](#) for exchange rate guidance. However, section 2.41 of the Exchange Range Rate Policy Guidance does not apply and the host government contribution can be stated in local currency units. The exchange rate(s) used must be stated in the agreement. See **ADS 350.3.5** for the requirements on the host government minimum 25 percent contribution. Pursuant to ADS 350.3.5.1, the minimum 25 percent contribution is not applicable to grants under this contract. There must be a provision for the Grantee to report on its contribution at least annually in a format to be agreed upon with USAID.

- f. Completion Date.
- g. Contents. A statement as to what constitutes the LSGA, for example, "This Agreement consists of (a) this Title Page, (b) Annex 1, Standard Provisions Annex, and (c) Annex 2, Activity Description."
- h. Addresses (optional).
- i. Signatures and Dates. The LSGA must be signed by the parties and dated.

E.3. LSGA Annex 1 - Standard Provisions

Except as provided below or unless there is an exception, the text of following standard provisions is mandatory (the actual text is in the model [LSGA](#)).

- a. Article A. Definitions.
- b. Article B. Implementation Letters.
- c. Article C. USAID Contribution.
- d. Article D. Grantee Contribution.
- e. Article E: Completion Date.
- f. Article F: Utilization of Goods and Services.
- g. Article G: Taxation. For guidance on the use of this clause, see **ADS 350.3.1.3**.
- h. Article H: Reports and Information, Agreement Books and Records, Audits, and Inspections. For guidance on the use of this clause, see **ADS 350.3.1.3**.

- i. Article I: Other Payments.
- j. Article J: Information and Marking.
- k. Article K: Rate of Exchange.
- l. Article L: Procurement of Goods and Services.
- m. Article M: Suspension, Termination, and Other Remedies.
- n. Article N: Investment Promotion. See ADS 225.
- o. Article O: Language of Agreement. Mandatory only when there is a foreign language version that will be signed by the Parties.
- p. Article P: Bilateral Populating Activities. If the LSGA will finance population activities, the Operating Unit is required to insert the language set forth in Article O in the agreement and implementation letter. If it is necessary to consider substantive alternative language, the Operating Unit must consult with the cognizant RLA or GC in Washington.
- q. Article Q: Prohibition on Assistance to Drug Traffickers. See [ADS 206](#) to determine if the clauses in 206.3.12 are required.
- r. Article R: Workers Rights. See ADS 225

F. Exemptions to Competition (for all grant recipients and types)

Some grants under the DAI contract will not be awarded competitively, usually because of exclusive or predominant capability. In such instances, a memorandum to the grant file must document that the activity and recipient qualify according to one of the following exemptions to competition (from ADS 303.5.5d):

1. **Small Awards:** Grants under \$50,000, with a term of no more than one year, are exempt to the competition requirements. Many of the USAID/DAI activities will fall under this category, but it is important to note that grants awarded non-competitively as a Small Award may not be amended to add funds beyond \$50,000 or extended beyond one year.
2. **Unsolicited Application:** Unsolicited applications are exempt to competition. The USAID country representative shall certify that this proposal was unsolicited, that it represents a unique, proprietary or innovative activity, that the funding of the project is an appropriate use of USAID funds, and that it fits within a strategic objective of USAID.
3. **Exclusive or Predominant Capability:** Grants awarded non-competitively owing to a grantee's exclusive or predominant capacity must be justified with a memorandum describing in sufficient detail the uniqueness of the proposed activity and recipient, and documenting how other options were explored.

III. PROPOSAL DEVELOPMENT PROCEDURES

A. Proposal Categories

Grants of less than \$50,000 awarded under this project will usually be issued on a non-competitive basis, by direct solicitation for a specific activity or through unsolicited proposals. Grants over \$50,000 must be selected through a competitive process or be justified based on one of the exceptions to competition in 303.5.5d, such as an unsolicited proposal that is unique, innovative or of proprietary capability. DAI may also exercise the option to solicit proposals competitively through a Request for Applications (RFA) process.

B. Proposal Format

The grant proposal format may vary in accordance with the technical specifications and capacity of the potential grantee. Nonetheless, proposals should try to adhere to the following format:

1. Cover Letter
3. Application Document
 - Background
 - Statement of Objectives
 - Project Activities and Implementation Plan (including benchmarks, for a Fixed Obligation Grant)
 - Monitoring and Reporting Plan
 - Expected Results and Proposed Performance Indicators
 - Budget
 - Statement of Cost Sharing (including potential grantees contribution in money or in-kind).
4. Organization Introduction
 - Statutes, charters, regulations governing the organization, if available.
 - List of relevant organization leadership and/or team members. Include curricula vitae, academic training and institutional affiliations if available.

C. Minimum Eligibility Criteria for FOG and Simplified Format Grants

In order to meet the minimum eligibility criteria for FOG and simplified format grants, the potential grantee must meet the following criteria:

1. Be a US or non-U.S. organization (NGO, PVO, community association, local university or business) or other in-country organizations working within DAI program areas;
2. Be an organization with demonstrated experience or capacity in the field of their proposed activity;
3. Show evidence of institutional capability in areas pertaining to the proposed activity.

D. Selection Criteria

DAI will determine if the grantee is responsible to administer the grant funds. USAID retains the approval of all grants issued under this contract and provides the technical direction over the grants. The USAID Country Representative will be significantly involved in establishing selection criteria for choosing grant recipients.

Pre-Award Responsibility Determination

The recommendation or selection of an application in accordance with established procedures does not guarantee an award. An applicant must demonstrate that it possesses, or has the ability to obtain, the necessary management competence to practice mutually agreed upon methods of accountability for funds and other assets provided. While 22 CFR 226 does not cover awards to non-U.S. recipients, DAI shall rely on the standards established in that regulation in determining whether potential non-U.S. recipients are responsible. To assist in making this determination, DAI staff shall conduct an informal survey that would generally include a review of the applicant's recent audited financial statements, projected budget, cash flow, organization chart, and applicable policies and procedures (e.g., accounting, purchasing, property management, personnel). The level of scrutiny and review required shall be proportional to the complexity of the grant program contemplated and the total amount of the grant. In cases that require further information, the candidate will provide evidence of financial management and responsibility by submitting a completed "Accounting System and Financial Capability" questionnaire (see Annex G). DAI may also verify financial responsibility and institutional capability by inspections, letters from other donors, and/or on-site visits.

IV. REVIEW AND APPROVAL PROCEDURES

A. Grant Approval Process

All grant applications undergo a review and selection process to ensure objective and effective evaluation of proposals. DAI will make a determination of responsibility of the grantee, which includes a determination of their financial, and management responsibility. When appropriate, the USAID Country Representative will work with the DAI Chief of Party to decide how to incorporate an appropriate grant application and proposal format into the DAI and USAID systems and databases.

B. Approved Grants

Once the grant application is reviewed and found to have potential by the program staff, the appropriate PED Cluster Manager (CM) and Grants Manger will negotiate a budget with the grantee. Once the budget is finalized, the CM approves the budget and submits it for approval to the Grants Manager. Once the proposed grant and budget are approved the CM generates a Grant Agreement to be reviewed and approved by DAI and USAID, and signed by the Chief of Party (or his/her designee) and a grantee representative. This Agreement, which includes the details of the disbursement schedule and the associated benchmarks, is entered electronically into the grant database. The format must conform to the grant format appropriate to the nature of the grant and kind of grantee receiving the grant. It must be clearly indicated whether the grant is one of the following: FOG, In-Kind, Simplified, Standard, Standard USNGO, LSGA or PIO.

The Chief of Party/Agreement Officer or his/her designee is responsible for ensuring the following procedures and decisions are completed before grant implementation begins:

1. That a determination has been made that the grant will be in-kind or in cash; (*If cash payments are made a financial and managerial assessment will be carried out. An evaluation questionnaire must be completed and evaluated to ensure that the grantee meets minimum financial and managerial qualifications when deemed necessary depending on previous experience and existing capacity.*) See Annex G for questionnaire.
2. That all budgeted costs have been verified for allowability, allocability and reasonableness.
3. That the implementation plan and detailed benchmarks and disbursement schedule are complete, realistic and accurate.

Once the grant agreement is signed, a preliminary meeting between the CM or his/her designee and the grantee is imperative. It is often helpful also to involve other DAI staff from grants, procurement and finance who aid in grant implementation. This meeting is intended to ensure that the grantee has complete understanding of the grant terms and conditions. DAI staff will discuss in detail with the grantee all the various reports and obligations that are required of them during project implementation, including facilitating DAI's right to inspect the work in progress, the grantee's management systems, and audit following completion of the grant activity. The CM will also confirm the scope of the activity, implementation plan and timetable (benchmarks and schedule of disbursement) with the grantee.

C. Grant Policies

C.1. Payment to Host Country Government Employees

1. Definition of Host-Country Government (HCG) Employee: A HCG employee is an employee paid by the HCG, occupying an established position, temporary or permanent, part-time or full-time, within a host-country government institution. A host-country institution is an organization in which the government owns at least a 50% share or receives at least 50% percent of its financial support from the government.

2. Types of Payments: There are two categories of payments to HCG employees: those that are considered salary supplements and those that cover other costs not considered salary supplements. *For PED, refer to Special Note below.*

- A. Salary Supplements: These are payments made that increase an employee's base salary for the performance of his/her regular duties or for work performed during regular office hours. In most cases, these are not acceptable (except for university professors/lecturers). Exceptions where payments are allowable (for other government employees outside of the university system) are as follows:
1. If the government official is providing services outside of his/her normal working hours.
 2. If the government official is on leave without pay from their government post during the time he/she is providing services to us.
 3. If the government official is on annual leave from the government at the time that he/she is providing services to us.

In addition, it is important to remember the following:

Policy Making Officials shall not receive USAID payment of salary supplements in any form (including USAID payments for project related work conducted outside normal working hours). Policy-Making officials are defined as high-level elected or appointed officials such as those serving in the cabinet or in the immediately subordinate sub-cabinet position.

- B. Additional Payments not in the form of salary supplements: possible payments are: food and lodging, travel, and honoraria for university professors.
1. Food/Lodging/local transport costs are permissible for program or project related activities provided that such reimbursement is made on an actual cost reimbursement basis or it is paid at a consistent host-country rate.
 2. National transport costs are allowable for government officials in special cases where Host Country Government Officials are traveling in country with a US government official.
 3. International Travel is also permissible if the USAID Mission Director or from USAID Washington if there is no USAID Mission Director.
 4. Honoraria may be paid to university employees and to members of research institutions, who are HCG employees solely by virtue of their position in a university or research institution, carrying out project-related activities outside their normal duties.

Special Note: In accordance with Section A.25 of the PED Contract, "Prohibition Against Cash Assistance to the Palestinian Authority," no cash will be provided to the Palestinian Authority; to any municipality or other local government unit; or to any full-time or part-time employee or official of any of the foregoing entities. This restriction applies to payments of any kind, including salaries, stipends, fees, honoraria, per diem, and so forth. This restriction does not apply to the provision of in-kind assistance, such as technical assistance, training, equipment, supplies, or the construction of public works. In-kind grants for conferences may include lodging, food and transportation, however all arrangements and expenses will be borne by DAI on behalf of the PA.

C.2. Use of U.S./International Consultants

1. An international consultant can be used under a grant if the organization is the recipient of the grant (such as the International Center for Not-for-Profit Law or Carter Center) with which this consultant is affiliated, and the grant is not to the consultant as an individual.
2. If a local NGO grantee partner wishes to hire an international consultant as part of a grant from USAID, DAI must verify the following:
 - International consultant's salary- this needs to be checked for reasonableness, with well-documented salary history for the requested rate.
 - The local NGO grantee must verify that they have hired the consultant, with a formal employee contract, Scopes of Work, time sheets, etc drawn up between the consultant and the NGO.
 - The NGO grantee must pay the consultant's salary directly.

C.3. Use and Disposition of Project Income

Program Income is defined as income earned by the grantee that is directly generated by a supported grant activity or earned as a result of the grant award. It may result from activities integrally related to the grant, or from activities which are incidental to the main purpose of the grant. Program income may be earned both from grantee activities and from services provided by an individual performing a role in the grant activity. The time-frame for earning program income is any income earned by a grantee during the grant period. "During the grant period" means between the effective date of the Grant Agreement and the end date of the grant as reflected in the final financial report.

Examples of program income include:

1. Fees for services performed and for the sales of services, e.g., sale of computer time
2. Use or rental of real or personal property acquired with grant funds
3. Sale of commodities or items fabricated under the grant, e.g. publications
4. Payments of principal and interest on loans made with grant funds
5. Any donations that are solicited by the grantee during a grant activity

The Grantee will inform DAI of any program income generated under the grant and agrees to USAID's disposition of such program income which is in accordance with 22 CFR 226.24. Program income earned under this agreement shall be applied and used in the following descending order:

1. Added to funds committed by USAID and the recipient to the project or program, and used to further eligible project or program objectives;
2. Used to finance the non-Federal share of the project or program; and
3. Deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based.

If the terms and conditions of the award do not specify how program income is to be used, then number 2) shall apply automatically. Grantees who are commercial organizations may not apply Option 1) to their program income.

Recipients shall have no obligation to the US government regarding program income earned after the end of the project/grant period.

Costs incident to the generation of program income may be deducted from gross income to determine program income, provided that these costs have been charged to the award and they comply with the applicable rules for allowable costs under grants.

Unless terms and conditions of the award provide otherwise, recipients shall have no obligation to the US government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award.

C.4. Rights to Intellectual Property

This provision is applicable when publications are financed under the award.

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

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

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

(c) The grantee shall provide DAI one copy of all published works developed under the award with lists of other written work produced under the award. At the end of the project, DAI shall submit one electronic or one hard copy of final documents (electronic copies are preferred) to PPC/CDIE/DIO at the following address:

USAID Development Experience Clearinghouse (DEC)
ATTN: Document Acquisitions
1611 Kent Street, Suite 200
Arlington, VA 22209-2111
Internet e-mail address: docsubmit@dec.cdie.org
Homepage: <http://www.dec.org>

Electronic documents may be submitted on 3.5" diskettes or as e-mail attachments, and should consist of only one electronic file that comprises the complete and final equivalent of the paper copy; otherwise, a hard copy should be sent. Acceptable software formats for electronic documents include Microsoft Word, WordPerfect, Microsoft Excel and Portable Document Format (PDF). Each document submitted to PPC/CDIE/DIO should include the following information: 1) descriptive title; 2) author(s) name; 3) award number; 4) sponsoring USAID office; 5) date of publication; 6) software name and version (if electronic document is sent).

(d) In the event grant funds are used to underwrite the cost of publishing, in lieu of the publisher assuming this cost as is the normal practice, any profits or royalties up to the amount of such cost shall be credited to the grant unless grant agreement has identified the profits or royalties as program income.

(e) Except as otherwise provided in the terms and conditions of the grant, the author and/or the grantee is free to copyright any books, publications, or other copyrightable materials developed in the course of or under this award, but USAID reserves a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use the work for Government purposes.

V. IMPLEMENTATION PROCEDURES

A. Cost Sharing Requirements

It is usually expected that the grantee will make some contribution to the activity for which they are seeking funding. This can be either in-kind (such as labor and materials) or cash. The purpose of the matching requirement is to leverage additional resources towards achieving the program's objectives and to give the grantee a stake in the outcome of the activity. Where possible, DAI will facilitate cost sharing with the grantee.

B. In-Kind Disbursements

In-kind disbursements relieve grantees of some of the administrative requirements of cash grants and help to protect the integrity of the procurement process. Instead of making payments directly to the grantee, DAI staff where appropriate will procure in-kind contributions and deliver them upon completion of benchmarks identified in the implementation plan.

For most USAID-funded grants DAI will attempt to use in-kind disbursements exclusively. Based on past experience, a well-organized project procurement unit and accurate information about the availability and pricing in all areas of operation have been the key elements for efficient and successful in-kind disbursements.

C. Cash Disbursements

In the event that cash disbursements are necessary, DAI must ensure that the grantees have the ability to comply with 22 CFR 26, Parts 226.20-226.22. The Mandatory and Required Applicable Standard Provisions for Non-U.S., Non-Governmental Recipients that apply to cash disbursement grants will be incorporated into the grant agreement where applicable.

The financial questionnaire (see Annex G, "Financial Management Adequacy of Potential Grantee-Simplified Version") is used to assist in the process of evaluating a grantee's financial management capability. DAI may also verify financial responsibility and institutional capacity by inspections of annual financial statements, audit reports, letters from other donors, and/or on-site visits. DAI will ensure that the grantee's systems permit it to identify, segregate, accumulate and properly record all costs incurred under the grant.

Cash payments will be provided in such a way as to minimize the potential for waste or fraud. Payments based upon the recipient's incremental progress are acceptable. Reimbursement based on presentation of receipts and other justifying documents is the

other authorized method of payment. These two methods of cash disbursement are described below:

Incremental Payments. In order to qualify for payments, the grantee's accounting and financial management systems must conform to standards for funds control and accountability required under USAID and Federal regulations (ADS 303.5.9 and 22 CFR 226.20 – 226.22). New grantees are free to use their existing accounting systems, so long as they meet those applicable standards as set forth in the CFR, the applicable Standard Provisions, and the financial questionnaire.

Other guiding principles to cash advance disbursements include:

- Funds shall not be commingled with other recipient owned or controlled funds.
- Grantees should liquidate any prior advances before new advances are released; and
- Advances shall be limited to the minimum amounts needed to meet current disbursement needs and only if a pre-award determination of responsibility has been made.

After the budget has been negotiated and the grant agreement has been signed, the grantee shall begin receiving disbursements for each upcoming benchmark (which should be at least monthly.) Benchmarks must be achieved before the specified disbursement is made.

DAI shall make every effort to determine the grantee's ability to manage and financially support the grant award. Evaluating ability of a grantee to perform in accordance with the grant agreement is the sole responsibility of DAI.

Reimbursements. If a grantee's financial management systems do not conform to standards for receiving incremental payments, the grantee may still be eligible to receive reimbursements. As benchmarks are achieved, the grantee can submit the DAI Reimbursement Request form (based on Standard Form 1034 "Public Voucher for Purchases and Services Other Than Personal" and SF 1034A, Continuation of SF 1034). Each reimbursement shall be identified by the grant number and shall state the total costs for which reimbursement is being requested. The grantee shall attach all receipts and other appropriate documentation. This type of disbursement mechanism requires that the grantee have adequate cash flow. All fixed obligation grants and simplified grants must be issued on a reimbursement basis.

VI. NEGOTIATED PAYMENT SYSTEM

DAI's program approach and grant implementation systems are designed to be able to continue programming even when the Regional Security Officer or other U.S. Government officials have restricted travel to areas for personnel working on government contracts.

Building on DAI policy to implement grants by in-kind procurement whenever possible, the Negotiated Payment System uses grantee representatives as DAI agents in areas where DAI procurement staff is forbidden to travel by the RSO or where travel by employees would be unreasonably expensive. Following the normal procurement policy (see Table on P. 24 in Paragraph D. of this handbook), DAI procurement staff will make arrangements with the vendors in remote locations via telephone/email/fax to the extent possible. Where known

market prices are not available for supplies or services, they will solicit bids, negotiate the prices and payment terms, and receive written confirmation from the vendor. DAI finance staff will then prepare an incremental payment to the grantee in the negotiated amount and the grantee will pay the vendor, returning to DAI appropriate receipts and other documentation.

In certain locations, even if the RSO has not explicitly forbidden travel, it is logistically difficult for DAI staff to communicate directly with the vendor, or expensive to send DAI staff to negotiate in-person. In these circumstances, as approved by the DAI Chief of Party or his/her designee, the grantee can be authorized to negotiate with the vendor on DAI's behalf. The grantee will present appropriate DAI procurement staff with the bid(s) they have obtained. DAI staff will prepare a memorandum to the file certifying that the prices obtained by the grantee are reasonable and within normal market rates for that region. The Chief of Party or his/her designee will then authorize payment to the grantee, which will in turn pay the vendor, and present DAI with the appropriate receipts and other documentation.

A typical scenario for use of the Negotiated Payment Mechanism is as follows:

- 1) A local journalists' training conference is scheduled. The in-kind grant budget consists of 3 days hotel accommodations, including meals, for the participants, payment for the local trainers, and the production of T-shirts and bags for the event.
- 2) The RSO has restricted personnel travel to the area for security concerns and there are no good phone lines or email contact with the hotel, print shops, and other businesses in the area.
- 3) The DAI Team Leader or his designee determines that, in this case, procurement responsibility can be delegated to the grantee.
- 4) DAI procurement staff presents the budget for the activity to the grantee and instructs them on proper procurement procedure for purchases planned for in the grant.
- 5) The grantee solicits prices from the hotel and print shops and submits the bids to DAI Procurement Staff.
- 6) DAI Procurement Staff documents (in a Memorandum of Negotiation to the file) that the costs, as submitted, are reasonable, allowable and allocable according to the ADS criteria.
- 7) DAI Finance advances the money directly to the grantee to pay the vendor.
- 8) The grantee pays for the negotiated services or materials and submits all appropriate receipts to DAI to clear the advance.
- 9) As a safeguard, DAI will make no further disbursements on this grant activity until the Negotiated Payment advance is justified and cleared. At each and every disbursement of negotiated payments, the grant manager will communicate to the grantee the urgency of clearing the payment advance rapidly. Late clearance of Negotiated Payments should be reported to the COP and should be tracked until cleared.

E. Monitoring and Reporting

According to the federal grant regulations, the most frequent type of reporting DAI can require from the grantee is quarterly (see Annex H, "Sample Format for Reporting Summary"). In addition to periodic reports, a final technical and financial report is also required. For in-kind grants, the organization's reporting need only to include procurement issues (stock of expendable items, list of non-expendable items procured and inventoried, and so on). In the final activity report, as per FOG requirement, the grantee needs to specify that the activity was completed.

It is important that the grantee understand and agree in writing that DAI personnel or authorized representatives have the right at all reasonable times to make site visits to review project accomplishments and management control systems and to provide technical assistance as may be required. If DAI (or USAID) personnel make a visit to grantee premises, the grantee shall provide all reasonable facilities and assistance for the safety and convenience of DAI representatives in the performance of their duties. All site visits and evaluations shall be performed in such a manner as to not unduly delay work in progress.

Grants under implementation will have a customized monitoring plan when deemed necessary by program staff. This plan should be flexible and dictated internally by the amount, length and complexity of the grant, as well as accessibility of the grantee's location.

F. Amendments and Extensions

Fixed obligation grants are employed only when a risk of changes to the grant is minimal. Nonetheless, under rare circumstances where an amendment is necessary, the grantee is required to request prior approvals for any deviations to the budget or project plan. The Grantee should contact the CM to discuss the possibilities of amending the grant. The following deviations will be considered:

- Change of key personnel specified in the award;
- Addition of funding and/or revision of funding allocation among project objectives (not to exceed award limitations, or \$50,000 for those proposals awarded and justified under Exemption From Competition as a Small Award); and
- Change of duration of the project (not to exceed the one year threshold).

The award may be amended by formal modifications to the basic award document or through an exchange of letters or forms between the DAI grant manager and the official of the grantee that originally signed the grant.

Amendments and extensions should be avoided by conducting thorough pre-implementation cost analysis and budget review. Nonetheless, unavoidable changes in circumstances may necessitate an amendment or extension. Period of performance changes or extensions are preferable to cost amendments whenever possible.

Amendments shall be made by formal modifications to the basic award document or by means of an exchange of letters or forms between the DAI Grant Manager and an appropriate representative of the grantee organization. These amendments will be preserved in the grant file.

G. Suspension and Termination

Language must be included in the grant agreement giving DAI and USAID the right to terminate a grant, in whole or part, or suspend payments, should the grantee become insolvent during the performance of the award or should the grantee not meet their responsibilities as set forth in the Grant Agreement. A termination letter will be placed in the grantee's file and include the following:

- The reasons for the termination;
- The effective date; and
- The portion terminated (in case of partial termination).

The exact language of the provision, which is always attached to the Grant Agreement, can be found in Annex L: Mandatory Standard Provisions for Non-U.S., Nongovernmental Recipients under #5 Termination and Suspension.

H. Records and Audits

Records. The recipient shall maintain financial records, supporting documents, statistical records and all other records pertinent to the award in accordance with generally accepted accounting principles formally prescribed by the U.S., the cooperating country, or the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) to sufficiently substantiate charges to this award. Accounting records that are supported by documentation will, as a minimum, be adequate to show all costs incurred under the award, receipt, and use of goods and services acquired under the award, the costs of the program supplied from other sources, and the overall progress of the program. Unless otherwise notified, the recipient records and sub-recipient records which pertain to this award shall be retained for a period of three years from the date of submission of the final expenditure report and may be audited by USAID and/or its representatives. DAI will open a grant file for each award and follow the guidance as set forth in Supplementary Reference ADS 303 "File Documentation Guidelines".

The exact language of the provision, which is always attached to the Grant Agreement, can be found in Annex L: Mandatory Standard Provisions for Non-U.S., Nongovernmental Recipients under #2 Accounting, Audit and Records.

I. Grant Files and Project Closeout

USAID reserves the right to conduct financial reviews or audits, and to otherwise ensure the adequate accountability of organizations expending USG funds. The grant files will contain the essential documents to demonstrate that the grant was successfully completed and that funds were spent prudently with costs justified.

In order to prepare the grant files for closeout, the project will maintain an on-going official grant "Master File" or binder, which includes only the documents that need to be preserved in case of audit. This file will be clearly organized and easy to understand. An auditor with very little prior knowledge of the project will be able to quickly review the file and conclude whether the grant funds were used for their designated purpose, whether systematic and

competitive procurement procedures were used, and whether all funds were properly accounted for. At closeout, project staff will also ensure that all entries in the grants management database are complete, which will help guide an auditor through DAI's grants management system.

The Master File will include:

1) Grant Documents

- Proposal from grantee
- Signed grant approval from USAID
- Negotiation Memorandum
- Signed Grant Agreement
- Signed Addenda to agreement, where applicable
- Any extensions or additional approvals from USAID (including print-outs of approval emails), where applicable
- Grant Budget and any budget amendments
- Grant correspondence
- Grantee Certifications
- Grantee determination of responsibility

2) Procurement Documents

- Bidding documentation (see section VI, Procurement Procedures)
- Procurement Negotiation Memorandum
- In-kind agreements with vendors, if used
- If a single item worth \$5,000 or more was given to a grantee, the file must include an inventory list of such goods and equipment.

3) Financial Documents

- Financial reports from grantee (these can be stored separately, if organized by grant number)
- The financial documents themselves may be included in the grant file, or there can be a spreadsheet that cross-references grant payments with separate field-based Finance Department files. This permits an auditor to look up original receipts and other financial documentation for each grant as needed.

4) Reporting and Evaluation Documents

When applicable, the file shall include the determination of responsibility of the grantee.

- Final reports from grantee, when required
- Reports on payment of foreign taxes
- Monitoring reports
- Impact assessments
- Additional demonstration of activities (i.e. photographs, cassette tapes of radio PSA, video tapes of conference events, newspaper clippings, and so on.)
- Grant paperwork beyond a single copy of the items on this checklist can be disposed of after closeout.

J. Language

It is USAID policy that English shall be the official language of all award documents. If an award or any supporting documents are also provided in a foreign language it must be stated in each version that the English language version is the only official version (see ADS 303.5.17).

VII. PROCUREMENT PROCEDURES

A. Procurement Standards

USAID/DAI will establish standardized written procurement procedures. These procedures shall provide, at a minimum, that:

- DAI (or the grantee, if receiving cash), will avoid purchasing unnecessary items;
- Where appropriate, DAI or the grantee will determine whether lease and purchase alternatives is the most economical and practical procurement; and
- The recipient will document a price or cost analysis in its procurement files in connection with every procurement action. Price analysis will be accomplished in various ways, including the comparison price quotations submitted, and market prices, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.
- For procurement elements or awards greater than \$10,000, further requirements may apply as found in the PROCUREMENT OF GOODS AND SERVICES (OCTOBER 1998) clause from the Standard Mandatory Provisions for Non-U.S., Nongovernmental Recipients.

B. Allowable Costs/Eligibility Rules for Goods and Services

Definitions:

Reasonable Cost: Means those costs which are generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business.

Allocable Costs: Means those costs which are incurred specifically for the award.

Allowable Costs: Means those costs which are reasonable and allocable and conform to any limitations in the award.

Cost Principles: which costs are allowable, allowable with prior approval, or allowable by type of grantee (U.S. NGO, non-U.S. NGO, etc.)

It is DAI's goal to ensure that costs incurred are in accordance with the applicable set of Cost Principles under the Mandatory Standard Provision for Non-U.S., Non-Governmental Recipients (Allowable Costs). DAI will determine which costs are allowable, allowable with prior approval or unallowable, for Non-U.S. Non-Governmental grantees.

The following guidelines will be used during the budget review stage of grant proposal evaluation, before the grant agreement is approved, to determine if a questionable cost is allowable:

1. Review OMB Circular A-122, Attachment B, a list of "Selected Items of Cost" which describes what is and is not allowable, or allowable under what circumstances (for example, "alcoholic beverages: Costs of alcoholic beverages are unallowable").
2. Review ADS 312 "Eligibility of Commodities" for more information if an item to be procured is a restricted good or service.

3. Determine whether the costs are reasonable, allocable and allowable.
4. Contact the DAI home office for review and decision when appropriate.
5. Prior to incurring a questionable cost, obtain USAID's Contracting Officer written determination on whether the cost will be allowable. (This should be done even for cash disbursements, as DAI is accountable for the use of funds provided to the grantees.)

DAI will also adhere to the list of restricted goods and services clause from the list in ADS 312 "Eligibility of Commodities". The following restricted goods and services shall not be procured without the prior approval of the USAID/OP Contracting Officer:

- Agricultural commodities*;
- Motor vehicles;
- Pharmaceuticals;
- Pesticides;
- Used equipment;
- Contraceptives; and
- Fertilizer.

Waivers on Agricultural Commodities (ADS E312.5.3a2e): Depending on the source origin designation of the DAI contract, a geographic source waiver, in accordance with ADS Chapter 310, may be required if the commodity is to be purchased from a country not eligible under the agreement. If a proposal is to procure an agricultural commodity, DAI staff must review ADS 312 and obtain USAID waiver if necessary before the grant is implemented³. DAI will work with the USAID Office of Procurement to obtain appropriate and necessary waivers prior to procurement.

For a complete list of the restricted goods please refer to ADS 312.5.4

The following clause from Mandatory Standard Provisions for Non-U.S., Nongovernmental Recipients shall apply to all grants issued under this program:

USAID ELIGIBILITY RULES FOR GOODS AND SERVICES (SEPTEMBER 1998)

This provision is applicable when the costs for goods or services will be paid for with USAID funds. This provision is not applicable if the recipient is providing for the goods or services with private funds as part of a cost-sharing requirement, or with Program Income generated under the award.

³ Refer to ADS 312 "Mandatory Reference, USAID Commodity Eligibility Listing" for a list of restricted commodities.

C. Source, Origin, and Nationality⁴

The authorized geographic code for the proposed project is listed in as 000. DAI's program is designed to adhere to these requirements.

D. Recommended Procurement Procedures, by Dollar Amount

Procurement Amounts	Action(s) Taken	Forms To File
If total anticipated price is less than \$500	Purchase as needed at market price—no paperwork other than receipt for billing purposes needed.	None
If total anticipated price (total payment to vendor, not per item) is between \$500 and less than \$2500	Bid or documented verbal price quote. Three quotes are recommended, but not mandatory. Memo to File must include: - Company names - tel. # - date contacted - price quoted	Memo to File
If total anticipated price is between \$2500 and less than \$100,000	Requires three written bids from vendors. Create a Bid Comparison Matrix. Must stipulate Selection Criteria Must convene a bid committee to review the bids together.	Bid Comparison Matrix Copies of vendor bids Bid Decision Memo to File
\$100,000 or more	Requires formal advertisement. Issue formal bid documents, such as Request For Quotes (RFQ). Must stipulate Selection Criteria Must convene a bid committee.	Copy of RFQ and responses Bid Comparison Matrix Bid Decision Memo to file CO Approval (as needed)

The bid committee should be made up of the procurement person and 2 other people: the Chief of Party, and the Deputy Chief of Party. If either the COP or the DCOP is not available, then another person such as another CM, the Finance Specialist, or another procurement staff person should be on the committee in their place. The committee members should

⁴ References:

- Required as Applicable Standard Provision for non-U.S., Non-Governmental Recipients (#6, USAID Eligibility Rules for Goods and Services).
- Required as Applicable Standard Provision for non-U.S., Non-Governmental Recipients (#8, Local Procurement).
- ADS Chapter 310 "Source, Origin and Nationality"
- 22 CFR 228 "Rules on Source, Origin and Nationality" (although this applies solely to U.S. NGOs, it can be used as guidance).

each sign the Bid Committee form, which confirms choice of the vendor for this procurement. This document should be attached to the bidding documents and put into the file.

DAI staff should avoid the practice of purchasing off the shelf items from one vendor in an exclusive or repeated manner. For routine purchases, DAI should work with several vendors, encouraging them to improve their responsiveness. The COP may elect to draw up a short list of pre-qualified vendors, setting up a working agreement with them for routine purchases. In some countries where suppliers are plentiful, a tendering process may be used to prequalify vendors of routine, often purchased items.

E. Equipment

Equipment is defined as any tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. If equipment is deemed justified to be purchased under a grant, standard DAI procurement procedures will be followed and the Required as Applicable Standard Provision for Non-U.S. Non-Governmental Recipients (Title to and Use of Property, Recipient Title) will be incorporated into the Grant Agreement.

Under the simplified grants, the Agreement Officer must approve the purchase of equipment over \$5,000, and applicable provisions must be included in the grant format. The purchase of equipment with a value exceeding \$5,000 is not authorized under a fixed obligation grant. The project must follow standard procurement procedures.

The grantee is required to use and maintain the equipment for the purpose of the award in accordance with the applicable standard provision and as summarized below:

- The recipient is required to maintain equipment records that include the description of the equipment, the source of the equipment, the title holder, the serial number or other identification, the acquisition date, the cost of equipment, the location, use, and condition of the equipment, and any ultimate disposition data including the date of disposal and the sale price of the equipment.
- The recipient is required to take an annual physical inventory of the equipment and reconcile the results with the equipment records and submit a copy of the physical inventory to DAI .
- In the grant agreement, the grantee will agree to indemnify DAI, its Officers, and Directors, including cost of defense, for any claim made against them arising out of the Grantee's performance of this grant agreement. This indemnity shall be in excess of DAI's insurance policies, but not limited by the scope of such policies. DAI and USAID do not assume liability for third party claims for damages arising out of this grant.

F. Supplies

Supplies are all property, excluding equipment. In accordance with the applicable Standard Provisions, title to supplies and other expendable property shall vest in the grantee upon acquisition.

If, for example, an in-kind grant awarded for repairing a community meeting room was budgeted 100 sacks of cement, but only 80 sacks were used, the remaining 20 sacks would remain the property of DAI to fund a different grant needing cement. However, if this same grant were implemented through cash disbursements and the grantee purchased 100 sacks of cement but only used 80 sacks, the grantee must calculate the residual inventory. If unused supplies exceeds \$5,000 in total aggregate value upon termination or completion of the project and the supplies are not needed for other USAID or U.S. government-funded project or program, the grantee may retain the supplies for use on non-federal activities or sell them, but shall in either case compensate the federal government for its share.

G. Travel

DAI must obtain USAID Agreement Officer approval, in the approved grant document, to use grant funds in support of international travel where applicable and necessary. Guidance will be followed as set forth in the Required as Applicable Standard Provision for Non-U.S. Non-Governmental Recipients (International Air Travel and Transportation).

For grantees receiving cash disbursements for travel, the Standard Provision (referenced above) must be followed and incorporated in to the Grant Agreement. If the grant is in-kind (that is, DAI negotiates and purchases the tickets for the grantee), DAI must follow Standard Provisions when approving travel and purchasing the tickets. **In either case, the Fly America Act applies at all times.**