

PD-AAI-257

522-0195 | 38

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AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES OF AMERICA AID MISSION TO HONDURAS

AMERICAN EMBASSY
TEGUCIGALPA, HONDURAS

CONFORMED COPY

SEP 30 1981

Ing. Gilberto Espinoza
President
Board of Directors
Instituto para el Desarrollo Hondureño
Tegucigalpa, Honduras

Rural Enterprise Credit Fund
Subject: OPG Grant No. 522-0195

Dear Ing. Espinoza:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Instituto para el Desarrollo Hondureño (hereinafter referred to as IDH or "Grantee") the sum of \$150,000 to provide support for a mutually agreed upon program in Honduras as more fully described in Attachment A (Project Proposal) to this Letter of Agreement.

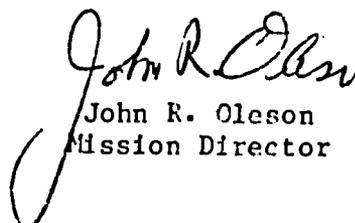
This Grant is effective as of the date of your signature on this letter and shall apply to commitments made by the Grantee in furtherance of program objectives during the period September 30, 1981 through December 30, 1982. Future increments of up to \$86,000 may be provided for this Project during FY 82 and FY 83 subject to the availability of funds in accordance with A.I.D. allotment procedures.

This Grant is made to IDH, on condition that the funds be administered in accordance with the terms and conditions as set forth in Attachment A, "Project Proposal", Attachment B, Conditions of the Agreement, Attachment C, "Standard Provisions", and Attachment D, "Payment Procedures".

Please sign the Statement of Assurance of Compliance (Attachment E) enclosed herein, and the original and seven (7) copies of this letter to acknowledge your acceptance of the conditions under which these funds have been granted.

Please return the Statement of Assurance of Compliance and the original and six (6) copies of this Grant to the Project Officer.

Sincerely,

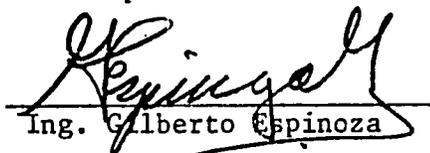

John R. Oleson
Mission Director

Attachments:

- A. Project Proposal
- B. Conditions of the Agreement
- C. Standard Provisions
- D. Payment Procedures
- E. Statement of Assurance of Compliance

ACCEPTED: Instituto para el Desarrollo Hondureño

BY:


Ing. Gilberto Espinoza

TITLE: President, Board of Directors

DATE: September 30, 1981

Project Proposal

Background

The Instituto para el Desarrollo Hondureño (IDH) is a Honduran private voluntary organization dedicated to the promotion of the informal small business sector. IDH is a legally registered agency with an eight year track record in the development of small-scale enterprises. Since 1977 the Institute actually has helped or enlarged 50 small businesses, most located in rural areas of Honduras. It has channeled over \$200,000 to these businesses, as well as provided semi-annual training seminars and regular supervision to recipient entrepreneurs.

IDH began with the help of individual U.S. businessmen and low interest financing from the Overseas Private Investment Corporation. The development efforts of IDH have been very successful, but due to tightening of funds most soft loan contracts have disappeared at a time when IDH is in a position to be able to help the development process in Honduras.

Project Outputs

1. Loans to Small Entrepreneurs. Of the \$236,000 planned AID contribution to the Project, \$200,000 will be used to increase IDH's lending capital. Based on IDH's experience to date, 79 loans providing 395 additional jobs would be made with the first use of these funds. IDH will provide a counterpart of \$127,000 for lending operations from rollover funds, which will further increase the production and employment results from the Project. Of the \$150,000 provided under this Agreement, approximately \$127,500 will be used for lending to small rural businesses. Reflows will be utilized for the same kinds of loans as were financed with the initial use of funds. The effective interest rate charged on these loans will be approximately equal to the maximum permitted under Central Bank regulations or the prevailing rate on commercial loans charged by private Honduran financial institutions, whichever is lower.

2. Strengthening IDH's Institutional Capacity. The remaining \$36,000 of the planned AID contribution will finance office equipment, vehicles and operational costs for additional personnel to be hired by IDH for a nine month period. Of the \$150,000 provided under this Agreement, approximately \$22,500 will be used for these purposes. IDH will improve its accounting system and obtain additional capitalization of at least \$15,000 from Honduran sources as part of the Project. These measures taken together are expected to significantly strengthen IDH's institutional capability to expand its services to its client group.

STAGE #1

F I N A N C I A L P R O J E C T I O N

AID/IDH Project - October 1981 thru December 1982
(15 months)

	<u>AID Contribution</u>	<u>IDH Contribution</u>	<u>TOTAL</u>
New loans	\$127,500	\$ 79,375	\$206,875
Salaries <u>1/</u>	8,100	36,250	44,350
Office expenses		13,750	13,750
Travel expenses (project supervision)	1,250	11,250	12,500
Other expenses		2,500	2,500
Training materials			
Training seminars			
Legal assistance			
1 motorcycle <u>2/</u>	1,250		1,250
Work vehicle	10,000		10,000
Office equipment (mimeo machine)	1,900		1,900
Maintenance		5,625	5,625
	<hr/>	<hr/>	<hr/>
T o t a l	\$150,000	\$148,750	\$298,750

1/ Includes salaries for a supervisor and assistant director for nine months. (\$300/month/supervisor and \$600/month/assistant director).

2/ Only one motorcycle will be purchased during the first period.

STAGE #2

FINANCIAL PROJECTION
AID/IDH Project - (9 months)
January 1983 thru September 1983

	AID Contribution	IDH Contribution	TOTAL
New loans	\$72,500	\$ 47,625	\$120,125
Salaries		21,750	21,750
Office expenses	2,000	8,250	10,250
Travel expenses (project supervision)	750	6,750	7,500
Other expenses	2,900	1,500	4,400
Training materials	2,000		2,000
Training seminars	3,000		3,000
Legal assistance	500		500
1 motorcycle <u>1/</u>	1,250		1,250
Office equipment	100		100
Maintenance	1,000	3,375	4,375
T o t a l	\$ 86,000	\$ 89,250	\$175,250

1/ A second motorcycle will be purchased during this phase.

PRONOSTICO EN EL FLUJO DE INGRESOS DEL IDH

	<u>PRIMER AÑO</u>		<u>SEGUNDO AÑO</u>	
	Fondos Inversión	Operación	Fondos Inversión	Operación
Saldo Caja al Inicio				2,465.00
AID Fondos (1)	127,500.00		127,500.00	
IDH Fondos	250,000.00		250,000.00	
Donación Particular	10,000.00		10,000.00	
AID Fondos			72,500.00	
Ingresos Intereses (2)		53,990.00		66,315.00
Otros Ingresos (3)		18,000.00		13,500.00
TOTAL INGRESOS	\$387,500.00	71,990.00	460,000.00	82,280.00
COSTOS OPERACION (4)				
Sueldos		36,725.00		40,397.50
Alquiler		2,700.00		2,970.00
Mantenimiento		3,600.00		3,960.00
Viáticos		3,600.00		3,960.00
Gastos Oficina		2,400.00		2,640.00
Equipo Oficina (5)		14,500.00		2,000.00
Seminarios		3,000.00		3,300.00
Imprevistos		3,000.00		3,300.00
TOTAL COSTOS		\$69,525.00		\$62,527.50
Saldo Caja Final (6)		2,465.00		19,752.50

- (1) Donación del AID para el fondo rotativo. Se invertirá \$127,500 y se usará para gasto \$22,500.- Esta es la primera etapa.
- (2) Se calcula en base a las tasas de interés aplicadas, AID Fondos 14% +,3% supervisión.- IDH 12%
- (3) Fondos AID.- Se usarán para cubrir costos del primer período
- (4) En el 2o. año se mueven en un 10%
- (5) Incluye compra de carro, motocicleta y otro equipo
- (6) Si así resultara, éste año comenzaría a capitalizarse el programa

CONDITIONS OF THE AGREEMENT

A. Conditions Precedent to Initial Disbursement

The Grant will be disbursed in three phases of \$50,000 each. Prior to initial disbursement under the first phase of the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made IDH will furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence:

- 1) that its accounting records have been brought up to date;
- 2) that written procedures have been established clearly defining the responsibilities for the granting, monitoring, reporting and collection of loans granted by the institution.

B. Conditions Precedent to Subsequent Disbursement

1) After the funding under the first phase has been disbursed by IDH and prior to disbursement under the second phase of the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, IDH will furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that it has met the intent of the recommendations, as listed below, necessary to improve its accounting and control systems:

- a) Loan contracts, mortgage documents, collateral documents, promissory notes and similar documents and papers should be kept under dual custody and in a more secure place (providing protection against fire and robbery). Alternatives to the present system of securing these documents should be studied and the one that most effectively meets IDH's needs should be chosen.
- b) When the Field Supervisor is required by extraordinary circumstances to receive loan payments, he should always provide the borrower with a receipt.
- c) The accounting records must be kept up to date.
- d) Transfers of fixed assets from the Institute for International Development, Inc. to IDH should be recorded by IDH in its books at market value and a generally accepted method of depreciation should be applied thereto.
- e) A "double-entry" accounting system should be established. A properly executed "double-entry" system facilitates the accounting process and provides better checks and balances.

2) After the funding under the second phase has been disbursed by IDH and prior to disbursement under the third phase of the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, IDH will furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that it has obtained a minimum additional capitalization of \$15,000 from Honduran sources.

MISSING PAGE

NO.

Attachment B

2 of 3

11. I have designated Mr. Raymond L. Baum as the A.I.D. Officer responsible for contact with the Grantee. This Officer has already been in touch with you, and once this Agreement is signed, I would expect that your relationship would continue and be helpful to both parties.

12. The following non-applicable Standard Provisions (Attachment C) are hereby deleted: 2. Allowable Costs and Payment (Educational Institutions); 6. Negotiated Overhead Rates--Predetermined; 7. Negotiated Overhead Rates--Other Than Educational Institutions; 8. Negotiated Overhead Rates--Educational Institutions; 9. Limitation of Funds; 10. Payment--Federal Reserve Letter of Credit (FRLC) Advance; 12. Payment--Reimbursement; 16. Procurement of Goods and Services over \$250,000; 19. Title to and Care of Property (U.S. Government Title), 24. Prohibition on Abortion-Related Activities; 26. Publications; 27. Patents; 28. Regulations Governing Employees Outside the United States.

STANDARD PROVISIONS
FOR

NON-U.S. GRANTEES AND NON-U.S. SUBGRANTEES

1. ALLOWABLE COSTS AND PAYMENT (OTHER THAN EDUCATIONAL INSTITUTIONS)
(This provision is applicable to other than educational institutions.)

The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this Grant which are determined by the Grant Officer to be allowable in accordance with the terms of this Grant and Subpart 15.2 (Contracts with Commercial Organizations) of the Federal Procurement Regulations (41 CFR 1-15.2) in effect on the date of this Grant. Payment of allowable costs shall be in accordance with the payment provision of this Grant.

2. ALLOWABLE COSTS AND PAYMENT (EDUCATIONAL INSTITUTIONS)
(This provision is applicable to educational institutions)

The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this Grant which are determined by the Grant Officer to be allowable in accordance with the terms of this Grant and Federal Management Circular No. 73-8, "Cost Principles for Educational Institutions" in effect on the date of this Grant. Payment of allowable costs shall be in accordance with the payment provision of this Grant.

3. ACCOUNTING, RECORDS, AND AUDIT

The Grantee shall maintain books, records, documents, and other evidence in accordance with the Grantee's usual accounting procedures to sufficiently substantiate charges to the grant. The Grantee shall preserve and make available such records for examination and audit by AID and the Comptroller General of the United States, or their authorized representatives (a) until the expiration of three years from the date of termination of the program and (b) for such longer period, if any, as is required to complete an audit and to resolve all questions concerning expenditures unless written approval has been obtained from the AID Grant Officer to dispose of the records. AID follows generally accepted auditing practices in determining that there is proper accounting and use of grant funds. The Grantee agrees to include the requirements of this clause in any subordinate agreement hereunder.

4. REFUNDS

(a) If use of the Grant funds results in accrual of interest to the Grantee or to any other person to whom Grantee makes such funds available in carrying out the purposes of this Grant, the Grantee shall refund to AID an amount equivalent to the amount of interest accrued.

(b) Funds obligated hereunder but not disbursed to the Grantee at the time the grant expires or is terminated, shall revert to AID, except for funds encumbered by the Grantee by a legally binding transaction applicable to this Grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to AID.

(c) If, at any time during the life of the Grant, it is determined by AID that funds provided under the Grant have been expended for purposes not in accordance with the terms of the Grant, the Grantee shall refund such amounts to AID.

5. EQUAL OPPORTUNITY IN EMPLOYMENT

(This provision is applicable only to non-U.S. grantees and non-U.S. sub-grantees that either perform work in the United States or that recruit personnel in the United States to do work abroad.)

(a) With regard to the employment of persons in the U.S. under this Grant, the Grantee agrees to take all reasonable steps to ensure equality of opportunity in its employment practices without regard to race, color or national origin of such persons and that, in accordance with Title VI of the Civil Rights Act of 1964, when work funded by this Grant is performed in the U.S. no person shall, on the grounds of race, color or national origin, be excluded from participation, be denied benefits, or be subjected to discrimination. In addition, the Grantee agrees to comply in accordance with its written assurance of compliance, with the provisions of Part 209 of Chapter II, Title 22 of the Code of Federal Regulations, entitled "Non-Discrimination in Federally Assisted Programs of the Agency for International Development - Effectuation of Title VI of the Civil Rights Act of 1964."

(b) In addition, the grantee agrees to take all reasonable steps to ensure equality of opportunity in its employment practices without regard to sex, religion, age and handicap, in accordance with P.L. 92-261, P.L. 93-259, P.L. 93-112 and P.L. 93-508, when work funded by A.I.D. under this grant is performed in either the U.S. or overseas no person shall, on the grounds of sex, religion, age or handicap, be excluded from participation, be denied benefits, or be subjected to discrimination.

6. NEGOTIATED OVERHEAD RATES - PREDETERMINED

(This provision is applicable to educational institutions that are on a predetermined overhead rate basis.)

(a) Notwithstanding the provision of this Grant entitled "Allowable Costs and Payment", the allowable indirect costs under this Grant shall be obtained by applying predetermined overhead rates to the base(s) agreed upon by the parties, as specified in Attachment 1 of this Grant.

(b) The Grantee, as soon as possible but not later than 3 months after the close of its fiscal years during the term of this Grant, shall submit to the AID Grant Officer with copies to the cognizant audit activity, the AID Auditor General, and the AID Overhead and Special Costs Branch, a proposed predetermined overhead rate or rates based on the Grantee's actual cost experience during that fiscal year, together with supporting cost data. Negotiation of predetermined overhead rates by the Grantee and the AID Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with the provisions of Federal Management Circular 73-8, "Cost Principles for Educational Institutions", in effect on the date of this Grant.

(d) Predetermined rates appropriate for the work under this Grant in effect on the effective date of this Grant shall be incorporated into the Grant. Rates for subsequent periods shall be negotiated and the results set forth in a written overhead rate agreement executed by both parties. Such agreement shall be automatically incorporated into this Grant upon execution and shall specify (1) the agreed predetermined overhead rates, (2) the base(s) to which the rates apply, (3) the fiscal year unless the parties agree to a different period for which the rates apply, and (4) the specific items treated as direct costs or any changes in the items previously agreed to be direct costs. The overhead rate agreement shall not change any monetary ceiling, Grant obligation, or specific cost allowance or disallowance provided for in this Grant.

(e) Pending establishment of predetermined overhead rates for any fiscal year or different period agreed to by the parties, the Grantee shall be reimbursed either at the rates fixed for the previous fiscal year or other period or at billing rates acceptable to the AID Grant Officer subject to appropriate adjustment when the final rates for the fiscal year or other period are established.

(f) Any failure by the parties to agree on any predetermined overhead rate or rates under this provision shall not be considered a dispute within the meaning of the "Disputes" provision of this Grant. If for any fiscal year or other period specified in the Grant the parties fail to agree to a predetermined overhead rate or rates, it is agreed that the allowable overhead costs under this Grant shall be obtained by applying negotiated final overhead rates in accordance with the terms of the "Negotiated Overhead Rates-Educational Institutions" provision of this Grant.

7. NEGOTIATED OVERHEAD RATES - OTHER THAN EDUCATIONAL INSTITUTIONS

(This provision is applicable to other than educational institutions.)

(a) Pursuant to this provision, an overhead rate shall be established for each of the Grantee's accounting periods during the term of this Grant. Pending establishment of a final rate, the parties have agreed that provisional payments on account of allowable indirect costs shall be at the rate(s), on the base(s), and for the period shown in Attachment 1 to this Grant.

(b) The Grantee, as soon as possible but not later than 90 days after the close of each of its accounting periods during the term of this Grant, shall submit to the Grant Officer with copies to the Overhead and Special Cost Branch, Special Operations Division, Office of Contract Management, AID, Washington, D.C. and to the Office of the Auditor General, AID, Washington, D.C. a proposed final rate or rates for the period, together with supporting cost data. Negotiation of final overhead rates by the Grantee and the Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with Subpart 1-15.2 (Contracts with Commercial Organizations) of the Federal Procurement Regulations as in effect on the date of this Grant.

(d) The results of each negotiation shall be set forth in a written overhead rate agreement executed by both parties. Such agreement shall specify (1) the agreed final rates, (2) the bases to which the rates apply, and (3) the periods for which the rates apply. The overhead rate agreement shall not change any monetary ceiling, Grant obligation, or specific cost allowance or disallowance provided for in this Grant.

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

8. NEGOTIATED OVERHEAD RATES - EDUCATIONAL INSTITUTIONS

(This provision is applicable to educational institutions which do not have predetermined rates; however, it shall also be included when the NEGOTIATED OVERHEAD RATES - PREDETERMINED provision is used, under the conditions set forth therein.)

(a) Pursuant to this provision, an overhead rate shall be established for each of the Grantee's accounting periods during the term of this Grant. Pending establishment of a final rate, the parties have agreed that provisional payments on account of allowable costs shall be at the rate(s), on the base(s), and for the period shown in Attachment 1 to this Grant.

(b) The Grantee, as soon as possible but not later than 90 days after the close of each of its accounting periods during the term of this Grant, shall submit to the Grant Officer with copies to the Overhead and Special Cost Branch, Special Operations Division, Office of Contract Management, AID, Washington, D. C. and to the Office of the Auditor General, AID, Washington, D.C., a proposed final rate or rates for the period, together with supporting cost data. Negotiation of final overhead rates by the Grantee and the Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost-allocation methods shall be determined in accordance with Federal Management Circular No. 73-8, "Cost Principles for Educational Institutions", as in effect on the date of this Grant.

(d) The results of each negotiation shall be set forth in a written overhead rate agreement executed by both parties. Such agreement shall specify (1) the agreed final rates, (2) the bases to which the rates apply, and (3) the periods for which the rates apply. The overhead rate agreement shall not change any monetary ceiling, Grant obligation, or specific cost allowance or disallowance provided for in this Grant.

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

9. LIMITATION OF FUNDS

~~(This provision is applicable to all incrementally or partially funded grants; it becomes inapplicable when the grant is fully funded.)~~

(a) It is estimated that the cost to the Government for the performance of this Grant will not exceed the estimated cost set forth in Attachment 1 (hereinafter referred to as "the Schedule") to this Grant, and the Grantee agrees to perform the work specified in the Schedule and all obligations under this Grant within such estimated cost.

(b) The amount presently available for payment and obligated under the Grant, the items covered thereby, and the period of performance which it is estimated the obligated amount will cover, are specified in the Schedule. It is contemplated that from time-to-time additional funds will be obligated under this Grant up to the full estimated cost set forth in the Schedule. The Grantee agrees to perform or have performed work on this Grant up to the point at which the total amount paid and payable by the Government pursuant to the terms of this Grant approximates but does not exceed the total amount actually obligated under the Grant.

(c) If at any time the Grantee has reason to believe that the costs which it expects to incur in the performance of this Grant in the next succeeding 30 days, when added to all costs previously incurred, will exceed 75 percent of the total amount then obligated under the Grant, the Grantee shall notify the Grant Officer in writing to that effect. The notice shall state the estimated amount of additional funds required to continue performance for the period set forth in the Schedule. Thirty days prior to the end of the period specified in the Schedule, the Grantee will advise the Grant Officer in writing as to the estimated amount of additional funds, if any, that will be required for the timely performance of the work under the Grant or for such further period as may be specified in the Schedule or otherwise agreed to by the parties. If, after such notification, additional funds are not obligated by the end of the period set forth in the Schedule or an agreed date substituted therefor, the Grant Officer will, upon written request by the Grantee, terminate this Grant pursuant to the "Termination" provision of this Grant on such date. If the Grantee, in the exercise of its reasonable judgment, estimates that the funds available will allow it to continue to discharge its obligations hereunder for a period extending beyond such date, it shall specify the later date in its request and the Grant Officer, in his discretion, may terminate this Grant on that later date.

(d) Except as required by other provisions of this Grant specifically citing and 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, and the Grantee shall not be 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 such obligated amount has been increased and has specified in such notice an increased amount constituting the total amount then obligated under the Grant. To the extent the amount obligated exceeds the estimated cost set forth in the Schedule, such estimated cost shall be correspondingly increased. No notice, communication or representation in any other form or from any person other than the Grant Officer shall affect the amount obligated under this Grant. In the absence of the

specified notice, the Government shall not be obligated to reimburse the Grantee for any costs in excess of the total amount then obligated under the Grant, whether those excess costs were incurred during the course of the Grant or as a result of termination. When and to the extent that the amount obligated under the Grant has been increased, any costs incurred by the Grantee in excess of the amount previously obligated shall be allowable to the same extent as if such costs had been incurred after such increase in the amount obligated: unless the Grant Officer issues a termination or other notice and directs that the increase is solely for the purpose of covering termination or other specified expenses.

(c) Nothing in this provision shall affect the right of the Government to terminate this Grant. In the event this Grant is terminated, the Government and the Grantee shall negotiate an equitable distribution of all property produced or purchased under the Grant based upon the share of cost incurred by each.

10. PAYMENT - FEDERAL RESERVE LETTER OF CREDIT (FRLC) ADVANCE

(This provision is applicable when all the following conditions are met: (1) the sum of all the advances under the Grantee's contracts and grants with AID exceeds \$120,000 per annum; (2) AID has, or expects to have, a continuing relationship with the Grantee for at least a year; and (3) the Grantee's commercial bank has ready access to a U.S. Federal Reserve Bank.)

(a) AID shall open a Federal Reserve Letter of Credit (hereinafter referred to as an "FRLC") in the amount of this Grant, against which the Grantee may present payment vouchers (i.e., Form TFS 5401). Payment vouchers shall not ordinarily be submitted more frequently than daily and shall not be less than \$5,000 or more than \$5,000,000. Since the FRLC method enables the recipient organization to obtain funds from the U.S. Treasury concurrently with and as frequently as disbursements are made by the recipient, there need be no time lag between disbursements by the recipient organization and drawdowns from the U.S. Treasury by FRLC. Therefore, there is no necessity for the recipient to maintain balances of Federal cash other than small balances.

(b) In no event shall the accumulated total of all such payment vouchers exceed the amount of the FRLC.

(c) If at any time, the AID Controller determines that the Grantee has presented payment vouchers in excess of the amount or amounts allowable in (a) and (b) above, the AID Controller shall advise the Grant Officer who may: (1) cause the FRLC to be suspended or revoked; or (2) direct the Grantee to withhold submission of payment vouchers until such time as, in the judgment of the AID Controller, an appropriate level of actual, necessary and allowable expenditures has occurred or will occur under this Grant, and/or (3) request the Grantee to repay to AID the amount of such excess. Upon receipt of the Grant Officer's request for repayment of excess advance payments, the Grantee shall promptly contact the AID Controller to make suitable arrangements for the repayment of such excess funds. Advances made by primary recipient organizations (those which receive payments directly from the Government) to secondary recipients shall conform to the same standards outlined above applicable to advances made by the

(d) Procedure for Grantee

(1) After arranging with a commercial bank of its choice for operation under the FRLC and obtaining the name and address of the Federal Reserve Bank or branch serving the commercial bank, the Grantee shall deliver, to the AID Controller, 3 originals of Standard Form 1194, "Authorized Signature Card for Payment Vouchers on Letters of Credit," signed by those official(s) authorized to sign payment vouchers against the FRLC and by an official of the Grantee who has authorized them to sign.

(2) The Grantee shall subsequently receive one certified copy of the FRLC.

(3) The Grantee shall confirm with his commercial bank that the FRLC has been opened and is available when funds are needed.

(4) To receive payment, the Grantee shall:

(A) Periodically, although normally not during the last five days of the month, prepare payment vouchers (Form TFS 5401) in an original and three copies.

(B) Have the original and two copies of the voucher signed by the authorized official(s) whose signature(s) appear on the Standard Form 1194.

(C) Present the original, duplicate and triplicate copy of the Form TFS 5401 to his commercial bank.

(D) Retain the quadruplicate copy of the voucher

(5) After the first payment voucher (Form TFS 5401) has been processed, succeeding payment vouchers shall not be presented until the existing balance of previous payments has been expended or is insufficient to meet current needs.

(6) In preparing the payment voucher, the Grantee assigns a voucher number in numerical sequence beginning with 1 and continuing in sequence on all subsequent payment vouchers submitted under the FRLC.

(7) A report of expenditures (i.e., SF 269, "Financial Status Report") shall be prepared and submitted not more than quarterly within 30 days of the end of the period to the AID Controller, AID, Washington, D.C. 20523. This SF 269 Report, submitted with Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal," shall be in an original and 2 copies.

(8) The SF 269 report is reviewed against the Grant provisions, and any improper disbursement is disallowed. The Grantee is notified of the reason for the disallowance and is directed to adjust the next periodic report of expenditures to reflect the disallowance and to reduce its next payment voucher against the FRLC by the amount of the disallowance.

(9) In addition to the submission of the SF 269 and the SF 1034, the Grantee shall submit an original and 2 copies of SF 272, "Federal Cash Transaction Report." as follows:

(A) For advances totaling less than \$1 million per year, the Grantee shall submit the SF 272 within 15 working days after the end of the reporting quarter,

(B) For advances totaling more than \$1 million per year, the Grantee shall submit the SF 272 within 15 working days after the end of each month, and

(C) The Grantee's cash needs for the ensuing period (i.e., quarter or month) shall be explained under the "Remarks" section of the SF 272.

(c) Refund of Excess Funds

(1) If all costs have been settled under the Grant and the Grantee fails to comply with the Grant Officer's request for repayment of excess FRLC funds, the Government shall have the right, on other contracts or grants held with the Grantee, to withhold reimbursements due to the Grantee in the amount of the excess being held by the Grantee.

(2) If the Grantee is still holding excess FRLC funds on a Grant, contract, or similar instrument under which the work has been completed or terminated but all costs have not been settled, the Grantee agrees to:

(A) Provide within 30 days after requested to do so by the Grant Officer, a breakdown of the dollar amounts which have not been settled between the Government and the Grantee. (The Grant Officer will assume no costs are in dispute if the Grantee fails to reply within 30 days.)

(B) Upon written request of the Grant Officer, return to the Government the sum of dollars, if any, which represents the difference between (i) the Grantee's maximum position on claimed costs which have not been reimbursed and (ii) the total amount of unexpended funds which have been advanced under the Grant; and

(C) If the Grantee fails to comply with the Grant Officer's request for repayment of excess FRLC funds, the Government shall have the right, on other contracts, grants or similar agreements held with the Grantee, to withhold payment of FRLC or other advances and/or withhold reimbursements due the Grantee in the amount of the excess being held by the Grantee.

11. PAYMENT--PERIODIC ADVANCE

(This provision is applicable when any one of the following conditions is met: (1) the sum of all the advances under the Grantee's contracts and grants with AID does not exceed \$120,000 per annum; or (2) the sum of all such advances to the Grantee exceeds \$120,000 per annum, but there is not a continuing relationship with the Grantee of at least one year; or (3) the Grantee's commercial bank does not have ready access to a U.S. Federal Reserve Bank.)

- a. Each month (or quarter, if the Grantee is on a quarterly basis) after the initial cash advance, the Grantee shall submit to the AID Controller voucher form SF 1034 (original) and SF 1034-A (three copies); i.e., "Public Voucher for Purchases and Services Other Than Personal."
- b. Each voucher shall be identified by the appropriate grant number and shall be accompanied by an original and three copies of a report in the following format:

FEDERAL CASH ADVANCE STATUS REPORT
(Report Control No. W-245)

A. Period covered by this report: Period covered by the next report:

FROM (month, day, year) _____ FROM (month, day, year) _____
TO (" " ") _____ TO (" " ") _____

B. Cash Advance Use and Needs

- 1. Cash advance on hand at the beginning of this reporting period.....\$ _____
- 2. U.S. Treasury check advance(s) received during this reporting period.....\$ _____
- 3. Interest earned on cash advance during this reporting period.....\$ _____
- 4. GROSS cash advance available during this reporting period (Lines 1, 2, & 3).....\$ _____
- 5. LESS interest remitted to AID during this reporting period.....\$ _____
- 6. NET cash advance available during this reporting period (Line 4 minus Line 5).....\$ _____
- 7. Total disbursements during this reporting period, including subadvances (see footnote 1).....\$ _____
- 8. Amount of cash advances available at the end of this reporting period (Line 6 minus Line 7).....\$ _____
- 9. Projected disbursements, including subadvances, for the next reporting period (see footnote 2)\$ _____

- 10. Additional cash advance requested for the next reporting period (Line 9 minus Line 8)...\$ _____
- 11. Total interest earned on cash advance from the start of the Grant to the end of this reporting period, but not remitted to AID.....\$ _____
- 12. Total cash advances to subgrantees, if any, as of the end of this reporting period.....\$ _____

FOOTNOTES:

- 1. The Grantee shall submit a cumulative detailed report of disbursements by BUDGET line item quarterly; the monthly cash advance status report does not require a detailed report of disbursements.
- 2. The Grantee shall attach to this summary a detailed projection, by BUDGET line item, of its anticipated needs for the next reporting period.

C. Certification

The undersigned hereby certifies: (1) that the report in para. B. 9 above represents the best estimates of funds needed for the disbursements to be incurred over the period described, (2) that appropriate refund or credit to the Grant will be made in the event of disallowance in accordance with the terms of the Grant, (3) that appropriate refund or credit to the Grant will be made in the event funds are not expended, and that any interest accrued on the funds made available herein will be refunded to AID.

BY _____

DATE _____ TITLE _____

c. AID funds shall not be commingled with other Grantee owned or controlled funds. The Grantee shall deposit all AID cash advances in a separate bank account and shall make all disbursements for goods and services from this account.

12. PAYMENT--REIMBURSEMENT

(This provision is applicable to grants for construction, or to grants which do not provide for either a periodic advance or an FRLC in accordance with AID Handbook 13, paragraph 10.5.)

(a) Each month the Grantee shall submit to the AID Controller an original and 3 copies of SF 1034, "Public Voucher for Purchases and Services Other Than Personal"; each voucher shall be identified by the Grant number and shall state the total amount of costs incurred for which reimbursement is being requested.

(b) In addition to the SF 1034, each non-construction grant voucher shall be supported by an original and 2 copies of SF 270, "Request for Advance or Reimbursement", and each construction grant voucher shall be supported by an original and 2 copies of SF 271, "Outlay Report and Request for Reimbursement for Construction Programs".

(c) Each quarterly voucher (or each third monthly voucher) shall also be supported by an original and 2 copies of a SF 269, "Financial Status Report". The SF 269 shall be submitted within 30 days after the end of the reporting quarter and may be submitted separately from the SF 1034; however, the SF 269 shall cover the same quarterly period as the SF 1034(s).

13. TRAVEL AND TRANSPORTATION

(This provision is applicable when domestic or international air travel or shipments costs are reimbursable under the Grant.)

(a) The Grant Officer hereby approves international travel hereunder provided that the Grantee shall obtain written concurrence from the cognizant Project Officer in AID prior to sending any individual outside the United States to perform work under the Grant. For this purpose the Grantee shall advise the Project Officer at least 30 days in advance of any travel to be undertaken outside the United States. After concurrence is received the Grantee shall provide the cognizant Mission or U.S. Embassy advance notification (with a copy to the Project Officer) of the arrival date and flight identification of Grant financed travellers.

(b) Travel to certain countries shall, at AID's option, be funded from U.S.-owned local currency. When AID intends to exercise this option, it will so notify the Grantee after receipt of advice of intent to travel required above. AID will issue a Government Transportation Request (GTR) which the Grantee may exchange for tickets, or AID will issue the tickets directly. Use of such U.S.-owned currencies will constitute a dollar charge to this Grant.

(c) All international air travel and all international air shipments under this Grant shall be made on United States flag carriers. Exceptions to this rule will be allowed in the following situations, provided that the Grantee certifies to the facts in the voucher and other documents retained as part of his Grant records to support his claim for reimbursement and for post audit:

(1) Where the traveler, while enroute, has to wait 6 hours or more to transfer to a U.S. flag air carrier to proceed to the intended destination, or

(2) Where a flight by a U.S. flag air carrier is interrupted by a stop anticipated to be 6 hours or more for refueling, reloading, repairs, etc. and no other flight by a U.S. flag air carrier is available during the 6 hour period, or

(3) Where by itself or in combination with other U.S. flag air carriers (if U.S. flag air carriers are "unavailable") it takes 12 hours or longer from the original airport to the destination airport to accomplish the Grantee's program than would service by a non-U.S. flag air carrier or carriers, or

(4) When the elapsed traveltime on a scheduled flight from origin to destination airports by non-U.S. flag air carrier(s) is 3 hours or less and services by U.S. flag air carrier(s) would involve twice such travel time.

NOTE: Where U.S. Government funds are used to reimburse Grantee's use

of other than U.S. flag air carriers for international transportation, the Grantee will include a certification on vouchers involving such transportation which is essentially as follows:

CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS

I hereby certify that the transportation service for personnel (and their personal effects) or property by U.S. flag air carrier was unavailable for the following reason(s): (State appropriate reason(s) as set forth above; see 41 CFR 1-1.323-3 for further guidance).

(d) Travel allowances shall be reimbursed in accordance with the Federal Travel Regulations (FTR); however, if the Grantee's domestic and international travel allowance policies and procedures have been reviewed and approved by AID or another Federal department or agency pursuant to the applicable Federal cost principles, the Grantee may use its travel allowance system in lieu of the FTRs after it has furnished the Grant Officer with a copy of such approval.

14. OCEAN SHIPMENT OF GOODS

(This provision is applicable when ocean shipment costs are reimbursable under the Grant.)

(a) 50% of all international ocean shipment made by the Grantee, to be financed hereunder, shall be made on U.S. flag vessels. Where U.S. flag vessels are not available, or their use would result in a significant delay, the Grantee may request a release from this requirement from the Transportation Support Division, Office of Commodity Management, AID, Washington, D.C. 20523, giving the basis for the request.

(b) When the AID Transportation Support Division makes and issues a determination to the Grantee that U.S. flag vessels are not available, the ocean shipment costs on foreign flag vessels, as named in the determination, will be eligible for reimbursement under the Grant. In all instances Grantee vouchers submitted for reimbursement under the Grant which include ocean shipment costs will include a certification essentially as follows: "I hereby certify that a copy of each ocean bill of lading concerned has been submitted to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235, and that such bill(s) of lading state all of the carrier's charges including the basis for calculation such as weight or cubic measurement, and indicate the applicable A.I.D. Grant Number."

(c) Shipments by voluntary non-profit relief agencies (i.e., PVO's) shall be governed by paragraphs (a) and (b) above and by AID Regulation 2, "Overseas Shipments of Supplies by Voluntary Non-Profit Relief Agencies" (22 CFR 202).

15. PROCUREMENT OF GOODS AND SERVICES UNDER \$250,000

(This provision is applicable when the total procurement element (i.e., the sum of all purchase orders and contracts for goods and services) of this Grant does not exceed \$250,000.)

(a) Ineligible Goods and Services

Under no circumstances shall the Grantee procure any of the following under this Grant:

- (1) military equipment,
- (2) surveillance equipment,
- (3) commodities and services for support of police or other law enforcement activities,
- (4) abortion equipment and services,
- (5) luxury goods and gambling equipment, or
- (6) weather modification equipment.

(For a more detailed discussion of the subject, see AID Handbook 1, Supplement B, Chapter 4D.)

If AID determines that the Grantee has procured any of the ineligible goods and services specified above under this Grant, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the purchase.

(b) Restricted Goods

The Grantee shall not procure any of the following goods or services from a non-U.S. source (i.e., other than AID Geographic Code 000) without the prior written authorization of the Grant Officer:

- (1) agricultural commodities,
- (2) motor vehicles,
- (3) pharmaceuticals,
- (4) pesticides,
- (5) plasticizers,
- (6) used equipment, or
- (7) U.S. Government-owned excess property.

(For a detailed discussion of the subject, see AID Handbook 1, Supplement B, Chapter 4C.)

If AID determines that the Grantee has procured any of the restricted goods specified above under this Grant, without the prior written authorization of the Grant Officer, and has received

reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the purchase.

(c) Geographic Source and Order of Preference

Except as may be specifically approved or directed in advance by the Grant Officer under paragraph 15(b) above, all other goods (e.g., equipment, materials, and supplies) and services, the costs of which are to be reimbursed under this Grant and which will be financed with United States dollars, shall be purchased in and shipped from only "Special Free World" countries (i.e., AID Geographic Code 935) in accordance with the following order of preference:

- (1) the United States (AID Geographic Code 000),
- (2) "Selected Free World" countries (AID Geographic Code 941),
- (3) the cooperating country,
- (4) "Special Free World" countries (AID Geographic Code 935).

(d) Application of Order of Preference

When the Grantee procures goods and services from other than U.S. sources, under the order of preference in 15(c) above, it shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the Grantee's documentation:

- (1) the procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources,
- (2) the price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source,
- (3) impelling local political considerations precluded consideration of U.S. sources,
- (4) the goods or services were not available from U.S. sources, or
- (5) procurement of locally available goods or services, as opposed to procurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance Program under the Grant.

(e) The Grantee's Procurement System

- (1) The Grantee may use its own procurement policies and procedures provided they conform to the geographic source and order of preference requirements of this provision and paragraph 1U.3. of Chapter 1, AID Handbook 13.
- (2) If the Grantee's procurement policies and procedures have been reviewed against the procurement requirements of paragraph 1U.3. and have been approved by AID or another Federal department or agency, the Grantee shall furnish the Grant Officer a copy of such approval; otherwise the Grantee's procurement

policies and procedures shall conform to those specified in paragraph 1U.3. of Chapter 1, AID Handbook 13.

(f) Small Business

To permit AID, in accordance with the small business provisions of the Foreign Assistance Act of 1961, as amended, to give United States small business firms an opportunity to participate in supplying commodities and services procured under this Grant, the Grantee, shall, to the maximum extent possible, provide the following information to the Small Business Office, AID, Washington, D.C. 20523 at least 45 days prior (except where a shorter time is requested of, and granted by the Small Business Office) to placing any order or contract in excess of \$25,000:

- (1) Brief general description and quantity of goods or services;
- (2) Closing date for receiving quotations, proposals, or bids; and
- (3) Address where invitations or specifications can be obtained.

(g) Ineligible Suppliers

Funds provided under this Grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing" (22 CFR 208). The Grantee agrees to review said list prior to undertaking any procurement the cost of which is to be reimbursable under this Grant. AID will provide the Grantee with this list.

16. PROCUREMENT OF GOODS AND SERVICES OVER \$250,000

(RESERVED)

17. GOVERNMENT FURNISHED EXCESS PERSONAL PROPERTY
(This provision applies when personal property is furnished under the Grant.)

The policies and procedures of Handbook 16, "Excess Property", and the appropriate provisions of 41 CFR 101-43 apply to the Government furnished excess property under this Grant.

18. TITLE TO AND USE OF PROPERTY (GRANTEE TITLE)
(This provision is applicable when the Government vests title in the Grantee only.)

Title to all property financed under this Grant shall vest in the Grantee, subject to the following conditions:

(a) The Grantee shall not charge for any depreciation, amortization, or use of any property, title to which remains in the Grantee under this provision under this Grant or any other U.S. Government grant, subgrant, contract or subcontract.

(b) The Grantee agrees to use and maintain the property for the purpose of the Grant in accordance with the requirements of paragraph 11 of Chapter Handbook 13.

(c) With respect to nonexpendable property having an acquisition cost of \$1,000 or more, title to which vests in the Grantee, the Grantee agrees:

(1) To report such items to the Grant Officer from time to time as they are acquired and to maintain a control system which will permit their ready identification and location.

(2) To transfer title to any such items to the Government in accordance with any written request therefor issued by the Grant Officer at any time prior to final payment under this Grant.

19. TITLE TO AND CARE OF PROPERTY (U.S. GOVERNMENT TITLE)

(This provision is applicable when title to property is vested in the U.S. Government.)

(a) Property, title to which vests in the Government under this Grant, whether furnished by the Government or acquired by the Grantee, is subject to this provision and is hereinafter collectively referred to as "Government property." Title to Government property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government property, or any part thereof, be or become a fixture or lose its identity as personalty by reason of affixation to any realty.

(b) Use of Government Property

Government property shall, unless otherwise provided herein or approved by the Grant Officer, be used only for the performance of this Grant.

(c) Control, Maintenance and Repair of Government Property

The Grantee shall maintain and administer in accordance with sound business practice a program for the maintenance, repair, protection, and preservation of Government property so as to assure its full availability and usefulness for the performance of this Grant. The Grantee shall take all reasonable steps to comply with all appropriate directions or instructions which the Grant Officer may prescribe as reasonably necessary for the protection of the Government property.

The Grantee shall submit, for review and written approval of the Grant Officer, a records system for property control and a program for orderly maintenance of Government property; however, if the Grantee's property control and maintenance system has been reviewed and approved by another Federal department or agency pursuant to Attachment N of GMB Circular No. A-110 (see par graph 11 of Chapter 1, Handbook 13), the Grantee shall furnish the Grant Officer proof of such approval in lieu of another approval submission.

(1) Property Control

The property control system shall include but not be limited to the following:

(A) Identification of each item of Government property acquired or furnished under the Grant by a serially controlled identification number and by description of item. Each item must be clearly marked "Property of U.S. Government."

(B) The price of each item of property acquired or furnished under the Grant.

(C) The location of each item of property acquired or furnished under the Grant.

(D) A record of any usable components which are permanently removed from items of Government property as a result of modification or otherwise.

(E) A record of disposition of each item acquired or furnished under the Grant.

(F) Date of order and receipt of any item acquired or furnished under the Grant

The official property control records shall be kept in such condition that at any stage of completion of the work under this Grant, the status of property acquired or furnished under this Grant may be readily ascertained. A report of current status of all items of property acquired or furnished under the Grant shall be submitted yearly concurrently with the annual report.

(2) Maintenance Program -

The Grantee's maintenance program shall be such as to provide for consistent with sound business practice and the terms of the Grant:

(i) disclosure of need for and the performance of preventive maintenance, (ii) disclosure and reporting of need for capital type rehabilitation, and (iii) recording of work accomplished under the program.

(A) Preventive maintenance - Preventive maintenance is maintenance generally performed on a regularly scheduled basis to prevent the occurrence of defects and to detect and correct minor defects before they result in serious consequences.

(B) Records of maintenance - The Grantee's maintenance program shall provide for records sufficient to disclose the maintenance actions performed and deficiencies discovered as a result of inspections

A report of status of maintenance of Government property shall be submitted annually concurrently with the annual report.

(d) Risk of Loss

(1) The Grantee shall not be liable for any loss of or damage to the Government property, or for expenses incidental to such loss or damage except that the Grantee shall be responsible for any such loss or damage (including expenses incidental thereto):

(i) Which results from willful misconduct or lack of good faith on the part of any of the Grantee's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who have supervision or direction of all or substantially all of the Grantee's business, or all or substantially all of the Grantee's operations at any one plant, laboratory, or separate location in which this Grant is being performed;

(ii) Which results from a failure on the part of the Grantee, due to the willful misconduct or lack of good faith on the part of any of its directors, officers, or other representatives mentioned in (i) above, (A) to maintain and administer, in accordance with sound business practice, the program for maintenance, repair, protection, and preservation of Government property as required by (i) above, or (B) to take all reasonable steps to comply with any appropriate written directions of the Grant Officer under (c) above;

(iii) For which the Grantee is otherwise responsible under the express terms of the article or articles designated in Attachment A to this Grant;

(iv) Which results from a risk expressly required to be insured under some other provision of this Grant, but only to the extent of the insurance so required to be procured and maintained, or to the extent of insurance actually procured and maintained, whichever is greater; or

(v) Which results from a risk which is in fact covered by insurance or for which the Grantee is otherwise reimbursed, but only to the extent of such insurance or reimbursement;

Provided, that, if more than one of the above exceptions shall be applicable in any case, the Grantee's liability under any one exception shall not be limited by any other exception.

(2) The Grantee shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance, or any provision for a reserve, covering the risk of loss of or damage to the Government property, except to the extent that the Government may have required the Grantee to carry such insurance under any other provision of this Grant.

(3) Upon the happening of loss or destruction of or damage to the Government property, the Grantee shall notify the Grant Officer thereof and shall take all reasonable steps to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the Government property in the best possible order, and furnish to the Grant Officer a statement of:

(i) The lost, destroyed, and damaged Government property;

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance, if any, covering any part of or interest in such commingled property.

The Grantee shall make repairs and renovations of the damaged Government property or take such other action as the Grant Officer directs.

(4) In the event the Grantee is indemnified, reimbursed, or otherwise compensated for any loss or destruction of, or damage to the Government property, it shall use the proceeds to repair, renovate or replace the Government property involved, or shall credit such proceeds against the cost of the work covered by the Grant, or shall otherwise reimburse the Government, as directed by the Grant Officer. The Grantee shall do nothing to prejudice the Government's right to recover against third parties for any such loss, destruction, or damage, and upon the request of the Grant Officer, shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including assistance in the prosecution of suit and the execution of instruments of assignments in favor of the Government) in obtaining recovery.

(e) Access

The Government, and any persons designated by it, shall at all reasonable times have access to the premises wherein any Government property is located, for the purpose of inspecting the Government property.

(f) Final Accounting and Disposition of Government Property

Upon completion of this Grant, or at such earlier dates as may be fixed by the Grant Officer, the Grantee shall submit, in a form acceptable to the Grant Officer, inventory schedules covering all items of Government property not consumed in the performance of this Grant or not theretofore delivered to the Government, and shall prepare, deliver or make such other disposal of the Government property as may be directed or authorized by the Grant Officer.

(g) Communications

All communications issued pursuant to this provision shall be in writing.

20. TITLE TO AND CARE OF PROPERTY (COOPERATING COUNTRY TITLE)
(This provision is applicable to property titled in the name of the cooperating country or such public or private agency as the cooperating government may designate.)

(a) Except as modified by Attachment 1 of this Grant, title to all equipment, materials and supplies, the cost of which is reimbursable to the Grantee by AID or by the Cooperating Government, shall at all times be in the name of the Cooperating Government or such public or private agency as the Cooperating Government may designate, unless title to specified types or classes of equipment is reserved to AID under provisions set forth in the Attachment 1 of this Grant; but all such property shall be under the custody and control of Grantee until the owner of title directs otherwise or completion of work under this Grant or its termination, at which time custody and control shall be turned over to the owner of title or disposed of in accordance with its instructions. All performance guarantees and warranties obtained for suppliers shall be taken in the name of the title owner.

(b) The Grantee shall prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program. The Grantee shall be guided by the requirements of paragraph 1T of Chapter 1, Handbook 13.

(c) Within 90 days after completion of this Grant, or at such other date as may be fixed by the Grant Officer, the Grantee shall submit an inventory schedule covering all items of equipment, materials and supplies under his custody, title to which is in the Cooperating Government or public or private agency designated by the Cooperating Government, which have not been consumed in the performance of this Grant. The Grantee shall also indicate what disposition has been made of such property.

21. CONVERSION OF UNITED STATES DOLLARS TO LOCAL CURRENCY

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

22. TERMINATION

(a) For Cause. This 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 for any reason he/she shall determine that such termination is in the best interest of the Government.

(b) For Convenience. This Grant may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the Grant would not produce beneficial results commensurate with the further expenditure of funds. Both parties shall agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the Grant Officer to the Grantee.

(c) Termination Procedures. Upon receipt of and in accordance with a termination notice as specified in either paragraph (a) or (b) above, the Grantee shall forthwith take immediate action to minimize all expenditures and obligations financed by this Grant, and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination, and the Grantee shall within 30 calendar days after the effective date of such termination repay to the Government all unexpended portions of funds theretofore paid by the Government to the Grantee which are not otherwise obligated by a legally binding transaction applicable to this Grant. Should the funds paid by the Government to the Grantee prior to the effective date of the termination of this Grant, be insufficient to cover the Grantee's obligations pursuant to the aforementioned legally binding transaction, the Grantee may submit to the Government within 90 calendar days after the effective date of such termination a written claim covering such obligations, and, subject to the limitations contained in this Grant, the Grant Officer shall determine the amount or amounts to be paid by the Government to the Grantee under such claim in accordance with the applicable Federal cost principles.

23. VOLUNTARY PARTICIPATION

(This provision is applicable to all grants involving any aspect of family or population assistance activities, and all Title X grants in particular.)

(a) The Grantee agrees to take any steps necessary to ensure that funds made available under this grant will not be used to coerce any individual to practice methods of family planning inconsistent with such individuals moral, philosophical, or religious beliefs. Further, the Grantee agrees to conduct its activities in a manner which safeguards the rights, health and welfare of all individuals who take part in the program.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

24. PROHIBITION ON ABORTION-RELATED ACTIVITIES

(This provision is applicable to all grants involving any aspect of family or population assistance activities; and all Title X grants in particular.)

(a) No funds made available under this Grant will be used to finance, support, or be attributed to the following activities: (1) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (2) special fees or incentives to women to coerce or motivate them to have abortions; (3) payments to persons to perform abortions or to solicit persons to undergo abortions; (4) information, education, training, or communication programs that seek to promote abortion as a method of family planning.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

25. VOLUNTARY PARTICIPATION REQUIREMENTS FOR STERILIZATION PROGRAMS

(This provision is applicable when any surgical sterilization will be supported in whole or in part from funds under this Grant.)

(a) None of the funds made available under this grant shall be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to practice sterilization.

(b) The Grantee shall insure that any surgical sterilization procedures supported in whole or in part by funds from this grant are performed only after the individual has voluntarily presented himself or herself at the treatment facility and has given his or her informed consent to the sterilization procedure. Informed consent means the voluntary, knowing assent from the individual after he or she has been advised of the surgical procedures to be followed, the attendant discomforts and risks, the benefits to be expected, the availability of alternative methods of family planning, the purpose of the operation and its irreversibility, and his or her option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the

exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress or other forms of coercion or misrepresentation.

(c) Further, the Grantee shall document the patient's informed consent by (1) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (2) when a patient is unable to read adequately a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient, and that the patient thereafter consented to the performance of the operation. The receipt of the oral explanation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall be of the same sex and speak the same language as the patient.

(d) Copies of informed consent forms and certification documents for each voluntary sterilization (VS) procedure must be retained by the Grantee for a period of three years after performance of the sterilization procedure.

(e) The Grantee shall insert paragraphs (a), (b), (c), (d) and (e) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder involving the performance of any sterilization which will be supported in whole or in part from funds under this Grant.

26. PUBLICATIONS
(This provision is applicable to any grant which produces any book, publication, or other copyrightable materials.)

(a) If it is the Grantee's intention to identify AID's contribution to any publication resulting from this Grant, the Grantee shall consult with AID on the nature of the acknowledgement prior to publication.

(b) The Grantee shall provide the Project Manager with one copy of all published works developed under the Grant. The Grantee shall provide the Project Manager with lists of other written work produced under the Grant.

(c) 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.

(d) The Grantee is permitted to secure copyright to any publication produced or composed under the Grant in accordance with paragraph 118.b. of Chapter 1, Handbook 13. Provided, the Grantee agrees to and does hereby grant to the Government a royalty-free, non-exclusive and irrevocable license throughout the world to use, duplicate, disclose, or dispose of such publications in any manner and for any purpose and to permit others to do so.

27 PATENTS

(This provision is applicable to any Grant which produces patentable items, patent rights, processes, or inventions.)

(a) Grantee agrees to notify the Grant Officer, in writing, of any invention or discovery conceived or first actually reduced to practice in the course of or under this Grant. The Grant Officer will determine the patent rights to be afforded the Grantee in accordance with the Residential Memorandum and Statement of Government Patent Policy (35 FR 6889) and paragraph 118.a. of Chapter 1, Handbook 13.

b) Nothing contained in this provision shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

28. REGULATIONS GOVERNING EMPLOYEES OUTSIDE THE UNITED STATES

(This provision is applicable only to the Grantee's U.S. and third country national employees; it is not applicable to the Grantee's cooperating country national employees.)

(a) The Grantee's employees, when employed in work overseas, shall maintain private status and may not rely on local U.S. Government Offices or facilities for support while so engaged.

(b) The sale of personal property or automobiles by Grantee employees and their dependents in the foreign country to which they are assigned shall be subject to the same limitations and prohibitions which apply to direct-hire AID personnel employed by the mission, except as this may conflict with host government regulations.

(c) Other than work to be performed under this Grant for which an employee or consultant is assigned by the Grantee, no regular or short term employee or consultant of the Grantee shall engage directly or indirectly, either in his own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which he is assigned, nor shall he make loans or investments to or in any business, profession or occupation in the foreign countries to which he is assigned.

(d) The Grantee's employees, while in a foreign country, are expected to show respect for its conventions, customs, and institutions, to abide by its applicable laws and regulations, and not to interfere in its internal political affairs.

(e) In the event the conduct of any Grantee employee is not in accordance with the preceding paragraphs, the Grantee's chief of party shall consult with the Mission Director and the employee involved and shall recommend to the Grantee a course of action with regard to such employee.

(f) The parties recognize the right of the U.S. Ambassador to direct the removal from a country of any U.S. citizen or the discharge from the country of any third country national when, in the discretion of the

(g) If it is determined, under either (e) or (f) above, that the services of such employee shall be terminated, the Grantee shall use its best efforts to cause the return of such employee to the United States, or point of origin, as appropriate.

29. SUBORDINATE AGREEMENTS

The placement of subordinate agreements (e.g., leases, options, etc.), grants, or contracts with other organizations, firms or institutions and the provisions of such subordinate agreements are subject to prior written consent of the Grant Officer if they will be funded hereunder, unless the Grantee's procurement system has been reviewed and approved pursuant to the appropriate section(s) of paragraph 1U, Chapter 1 of AID Handbook 13. In no event shall any such subordinate agreement, grant, or contract be on a cost-plus-a-percentage-of-cost basis. Subordinate contractors (including suppliers) shall be selected on a competitive basis to the maximum practicable extent consistent with the obligations and requirements of this Grant.

30. U.S. OFFICIALS NOT TO BENEFIT

No member of or delegate to the U.S. Congress or resident U.S. commissioner shall be admitted to any share or part of this Grant or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Grant if made with a corporation for its general benefit.

31. COVENANT AGAINST CONTINGENT FEES

The Grantee warrants that no person or selling agency has been employed or retained to solicit or secure this Grant upon an agreement or understanding 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 warranty, AID shall have the right to cancel this Grant without liability or, in its discretion, to deduct from the Grant amount, or otherwise recover, the full amount of each commission, percentage, brokerage, or contingent fee.

32. NONLIABILITY

AID does not assume liability with respect to any third party claims for damages arising out of work supported by this Grant.

33. 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.

34. THE GRANT

The letter to the Grantee signed by the Grant Officer, the Program Description and the Standard Provisions which have been reviewed and agreed to by the Grantee, constitute the Grant.

35. NOTICES

Any notice given by any of the parties hereunder, shall be sufficient only if in writing and delivered in person or sent by telegraph, cable, registered or regular mail as follows:

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

To Grantee - At Grantee's address shown in the Grant,

or to such other address as either of such parties shall designate by notice given as herein required. Notices hereunder shall be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

ATTACHMENT D

OPERATIONAL PROGRAM GRANT AGREEMENT
INSTITUTO PARA EL DESARROLLO HONDUREÑO/OPG
GRANT No 522-0195

Payment Procedures

- A. Each quarter after the initial cash advance, the Grantee shall submit to the A.I.D. Controller voucher form SF 1034 (original) and SF 1034-A (three copies).
- B. Each voucher shall be identified by the appropriate Grant number and shall be accompanied by documentation in support of disbursements such as copies of paid invoices, receipts, etc., and by four copies of the following report:

Federal Cash Advance Status Report

- a. Period Covered by this Report
From (Month, Day, Year)
To (Month, Day, Year)
Period Covered by the next Report
From (Month, Day, Year)
To (Month, Day, Year)
- b. Cash Advance use and needs.
 - 1. Cash advance on hand at the beginning of this reporting period.
 - 2. U. S. treasury check advance(s) received during this reporting period.
 - 3. Interest earned on cash advance during this reporting period.
 - 4. Gross cash advance available during this reporting period (lines 1, 2 and 3).
 - 5. Less: Interest remitted to A.I.D. during this reporting period.
 - 6. Net cash advance available during this reporting period (line 4 minus line 5).
 - 7. Total disbursements during the reporting period, including subadvances (see footnote 1).
 - 8. Amount of cash advance available at the end of this reporting period (line 6 minus line 7).
 - 9. Projected disbursements, including subadvances, for the next reporting period (see footnote 2).
 - 10. Additional cash advance requested for the next reporting period (line 9 minus line 8).
 - 11. Total interest earned on cash advance from the start of the Grant to the end of this reporting period, but not remitted to A.I.D.
 - 12. Total cash advances to subgrantee, if any, as of the end of the reporting period.

ATTACHMENT D

Page 2 of 2

Footnote 1: The Grantee shall submit a detailed cumulative report of disbursements by budget line item quarterly.

Footnote 2: The Grantee shall attach to this summary a detailed projection, by budget line item, of its anticipated needs for the next quarter indicating the breakdown by month. Based on this projection A.I.D. will disburse an advance each month (to be liquidated as above each quarter).

c. Certification

The undersigned hereby certifies: (1) that the report in paragraph B above represents the best estimate of funds needed for the disbursements to be incurred over the period described, (2) that appropriate refund or credit to the Grant will be made in the event funds are not disbursed, (3) that appropriate refund will be made in the event of disallowance in accordance with the terms of the Grant, and (4) that any interest accrued on the funds made available herein will be refunded to A.I.D.

BY: _____
Ing. Gilberto Espinoza

TITLE: President

DATE: _____

C. A.I.D. funds shall not be commingled with other Grantee owned or controlled funds. The Grantee shall deposit all A.I.D. cash advances in a separate bank account and shall make all disbursements for goods and services from this account.

ATTACHMENT E

ASSURANCE OF COMPLIANCE WITH THE AGENCY FOR
INTERNATIONAL DEVELOPMENT REGULATIONS UNDER TITLE VI
OF THE CIVIL RIGHTS ACT OF 1964

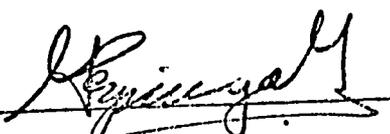
Instituto para el Desarrollo Hondureño (hereinafter called the "Grantee")

Hereby agrees that it will comply with title VI of the Civil Rights Act of 1964 (P.L. 88-352) and all requirements imposed by or pursuant to the Regulation of the Agency for International Development (22 CFR Part 209, 30 FR 317) issued pursuant to that title, to the end that, in accordance with title VI of that Act and the Regulation, no person in the United States shall, on the ground of race, color, religion, sex or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under a program or activity for which the Grantee receives Federal financial assistance from the Agency and hereby gives assurance that it will immediately take any measures necessary to effectuate this agreement.

If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the Grantee by the Agency, this assurance shall obligate the Grantee, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended or for another purpose involving the provision of similar services or benefits. If any personal property is so provided, this assurance shall obligate the Grantee for the period during which the Federal financial assistance is extended to it by the Agency.

This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts or other Federal financial assistance extended after the date hereof to the Grantee by the Agency, including installment payments after such date on account of applications for Federal financial assistance which were approved before such date. The Grantee recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall have the right to seek judicial enforcement of this assurance. This assurance is binding on the Grantee, its successors, transferees, and assignees, and the person and persons whose signature(s) appear below are authorized to sign this assurance on behalf of the Grantee.

INSTITUTO PARA EL DESARROLLO HONDUREÑO/OPG
(Grantee)

BY (Signature): 
TYPED NAME: Ing. Gilberto Espinoza

TITLE: PRESIDENT
DATE: SEP 30 1991