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A.I.D. Project Number: 649-0138

Date: August 31, 1985

PROJECT  
GRANT AGREEMENT

BETWEEN

SOMALI DEMOCRATIC REPUBLIC

and the

UNITED STATES OF AMERICA

for

SOMALIA PVO DEVELOPMENT PARTNERS PROJECT		
72-1151021.8	GDA-85-21649-CG13	\$ 2,000,000-
72-1151021.6	GDA-85-21649-DG13	\$ 1,000,000-
72-1151021.3	GDA-85-21649-AG13	\$ 900,000-
		<del>\$ 3,900,000-</del>

Funds Available:

Clarence Combs  
Controller, USAID  
Date 7/3/85

FUNDS AVAILABLE  
Ykk  
Date 7/3/85

Concurrence:

*[Signature]*  
Minister of National Planning

*[Signature]*  
Minister of Finance

*[Signature]*  
Minister of Interior

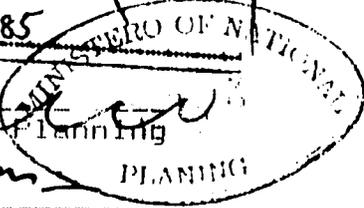


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Project Grant Agreement

Date: August 31, 1985

Between

Somali Democratic Republic ("Grantee")

And

The United State of America, acting through the  
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of training, technical assistance and subproject financing activities designed to expand development programs of private and voluntary organizations (FVOs) in Somalia and to develop the capacity of Somali non-governmental organizations and local groups to actively participate in the development process. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

SECTION 2.2 Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project, which it is anticipated will total \$18.2 million for the entire Project, will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

### Article 3: Financing

SECTION 3.1 The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Three Million Nine Hundred Thousand United States ("U.S.") Dollars (\$3,900,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

#### SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of U.S.\$6,800,000, including costs borne on an "in-kind" basis.

#### SECTION 3.3 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is June 30, 1991, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) A statement indicating that the GSP Committee has reviewed the annual local currency requirements for the Project and that such requirements will be included in the Annual Budget Programming Document.

(c) A letter from the Ministry of Finance confirming that personnel and commodities financed by A.I.D. under the Grant shall be exempt from all Government of the Somali Democratic Republic (GSDR) taxes and duties.

SECTION 4.2: Disbursement for the OPG and CAG Components. Prior to any disbursement or to the issuance of any commitment documents for Project financed sub-grants, Operational Program Grants and Community Action Grants (OPGs and CAGs), the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in a form and substance satisfactory to A.I.D.:

(a) Evidence that the Ministry of Interior (MOI) has appointed a senior official to be Chairman of the Project's Proposal Review Group.

(b) Evidence that with respect to and prior to disbursement for each OPG or CAG, a PVD submitted proposal for such OPG or CAG will have been approved by the Grantee and will conform with the eligibility and criteria requirements for funding of subgrants prescribed in this Agreement.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 and 4.2 have been met, it will promptly notify the Grantee.

SECTION 4.4 Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Sections 4.1 and 4.2(a) have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

## Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. The evaluations will include, but not necessarily be limited to:

- (a) evaluation of progress toward attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

## SECTION 5.2. Other Special Covenants.

(a) The Grantee agrees to encourage maximum participation of the Somali private sector in the Project, including review of proposals for DPGs and CAGs, implementation of sub-projects at the local level and monitoring and evaluation of sub-projects.

(b) The Grantee agrees to establish uniform procedures for registering and conferring legal status on Somali PVOs.

## Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the grant only on vessels under flag registry of the Cooperating Country and countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Somali Democratic Republic ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of the Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase (or from local currency already owned by the U.S. Government); or

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Somali Democratic Republic by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Somali Democratic Republic at the highest official exchange rate (Government-to-Government, not Market rate) which, at the time the conversion is made, is not unlawful in the Somali Democratic Republic.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail and Cable Address: Ministry of  
Interior  
Mogadishu, Somalia

To A.I.D.:

Mail Address: Director  
USAID/Somalia  
Mogadishu, Somalia

Telex No: 789 AMEMB MOG

Alternate address for cables: AMEMBASSY Mogadishu

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

SECTION 8.2. Representatives. For all purposes relevant to the implementation of this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Interior, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director USAID/Somalia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

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

SOMALI DEMOCRATIC REPUBLIC

By: \_\_\_\_\_

Title: Permanent Secretary  
Ministry of Foreign Affairs

UNITED STATES OF AMERICA

By: \_\_\_\_\_

Title: Mission Director

AMPLIFIED PROJECT DESCRIPTION

I. General Project Description

Elements of the Project described below may be changed by written agreement of the authorized representatives of the Parties of this Project Grant Agreement without formal amendment of the Agreement, provided that such changes are within the general scope of the Project as set forth in the text of the Agreement.

The Goal of the FVO Development Partners Project is to foster the sustained economic and social development of Somalia by building a base for increased productivity at the grass roots, local level. The Project has two purposes: 1) to expand the programs of Private and Voluntary Organizations (FVOs) in development sectors and areas consistent with A.I.D. and GSDFR strategy and priorities, and 2) develop the capacity of Somali Non-governmental Organizations (NGOs) and local groups to actively participate in the development process.

Project outputs will be: 1) Somalis trained in development at the local level; 2) Somali communities and private local organizations carrying out and maintaining development activities; 3) FVOs and Somali NGOs assisting Somali communities to plan, implement and manage local development projects.

By the end of the Project, the Parties expect the following conditions to be achieved:

- Increased confidence in utilizing FVOs as a development alternative.
- A cadre of Somali development professionals will be established, capable of undertaking sustained grass roots development.
- Somali FVOs and local organizations will have a capability for designing and implementing programs and attracting a funding base.
- There will exist an effective collaboration in project development between A.I.D., FVOs, the Somali Government, and local groups and communities.
- At the grass roots level, at least a hundred local communities will have benefited from sub-project activities throughout Somalia.

The Project consists of two components: 1) Operational Program Grants to FVOs; and 2) Support, training, monitoring and evaluation activities related to FVO development activities in Somalia.

Operational Program Grants. The Project is expected to fund from twelve to fifteen FVO implemented OPG sub-projects with A.I.D. contribution greater than \$50,000. It is anticipated that these large scale OPGs will run for 2-3 years and will fund programs with FVOs which will develop the managerial and financial capabilities of local organizations.

To complement large scale OPGs the Project makes provision for action-oriented, community level, activities with an A.I.D. contribution of \$50,000 or less. These Community Action Grants will generally be implemented in less than one year. The activities envisioned in this and the preceding paragraph will be primarily targets of opportunity identified by the GSDR. Once targets of opportunity are so identified, FVOs will work with these groups to develop their ideas into specific proposals and will act as their sponsors for funding by the Project. Subsequently, the FVOs will work with the local groups in implementing the activities and will be accountable to the Parties for the funds.

Based on criteria set forth in Attachment 1 to this Annex all OPGs and CAGs will be reviewed by a Proposal Review Group (PRG). Proposals meeting the eligibility requirements and criteria set forth in Attachment 1 hereto may be recommended and approved by GSDR for subgrant financing. The PRG will: 1) review concept papers and project ideas and make recommendations for future development to the GSDR; 2) review completed proposals and make recommendations concerning approval and funding to the GSDR. It is anticipated that the PRG will be chaired by a representative from the Ministry of Interior, with membership consisting of representatives from the Ministry of Foreign Affairs, Ministry of National Planning, A.I.D., the FVO community, and possibly the Somali private sector. The PRG will be assisted by a secretariat which will be under direct contract to A.I.D.

Support, Training and Evaluation. In order to facilitate Project implementation, the Project provides for management, support, training, monitoring and evaluation.

1) Management Support: The Project will fund a Management Unit for Support and Training (MUST) under direct contract to A.I.D. The MUST will have the following functions: 1) act as the secretariat for the Proposal Review Group; 2) design and implement a detailed training plan for the Ministry of Interior's Department of Rural Development, FVO and NGO staff in Somalia; 3) monitor and assess the Project's Community Action Grants; and 4) provide information and non-technical support to FVOs with OPGs funded under the Project, and NGOs wishing to participate in Project-funded development activities.

2) FVO Representation: Though not directly funded by the Project, it is expected that the FVO representatives will support the Project in a number of ways, including: 1) supply individuals to serve on the PRG, 2) identify topics for Project-funded training workshops for FVOs, 3) assist in finding FVOs to sponsor locally-initiated project ideas for CAG funding, and 4) serve as a consultative group to USAID and the GSDR concerning the Project.

3) Training. The Project will sponsor the in-country training implemented by the MUST. It will also fund a limited amount of international short-term training for MOI and Somali FVO personnel. In addition, the Project will fund the publication of a manual which will describe the Project, the requirements for FVO grant proposals, the criteria for their selection and guidance on A.I.D. regulations and procedures.

Monitoring and Evaluation. Monitoring and evaluation responsibilities will be shared by the various partners: GSDR, A.I.D. and the FVOs. The Project will separately fund mid-term and final project evaluations.

## II. Responsibilities of the Participants

### 1. Funding of Project Components

USAID. A.I.D. grant funds will be used to finance the foreign exchange costs for the following: 1) Operational Program Grants; 2) Community Action Grants; 3) Project Support - up to 8 person-years of long-term technical assistance and 29 person-months of short-term technical assistance, and commodities (including vehicles, office furniture and supplies); 4) Training - international short-term; and 5) Monitoring and Evaluation.

The Grantee. Grantee funds will be used to finance all local currency costs for the following: 1) Operational Program Grants; 2) Community Action Grants; 3) Project Support - salaries for local MUST staff, salary supplements for MOI personnel, housing for international long-term MUST personnel, office space and commodities for the MUST, commodities and office supplies for the MOI; 4) Training - workshops; and 5) Monitoring and Evaluation. Funds for MUST office space, and consultant housing will be deposited into the Trust Funds and be administrated by A.I.D.

### 2. Implementation Responsibilities

USAID. Technical assistance for Project Support will be implemented through A.I.D. direct contracts. All dollar funded commodity procurement will be done directly by A.I.D. with the approval of the Ministry of Interior. A.I.D. will also be responsible for arranging all international training. In addition, USAID will be responsible for registering Somali FVOs with A.I.D. A.I.D. will share with the Ministry of Interior responsibility for funding, monitoring, and evaluating individual OPGs and CAGs, as well as the overall Project.

The Grantee. The Ministry of Interior will appoint one of its senior officials to be chairman of the Proposal Review Group. The PRG, will be responsible for reviewing PVD proposals for OPG and CAG funding. The Ministry of Interior, with USAID, will be responsible for approving and funding OPGs and CAGs.

During the design of grant proposals, the Ministry of Interior will provide guidance to PVDs on coordination with other GSDR agencies, as well as on other subjects. Ministry of Interior will also facilitate implementation of grant activities. In addition, the MOI will assist PVDs in registering with the Somali Government.

The Ministry of Interior will share with USAID responsibility for funding, monitoring, and evaluating individual OPGs and CAGs as well as the overall Project.

### 3. Illustrative Financial Plan

The Financial Plan is illustrative. Changes may be made to the Plan by representatives of the Parties named in the text of the Agreement, if such changes do not cause (i) the A.I.D. contribution to exceed the amount specified in the text of the Agreement or (ii) the grantee's contribution to be less than the amount specified in the text of the Agreement. Future A.I.D. obligations are subject to the availability of funds and the mutual agreement of the Parties to proceed.

The Grantee contribution is based on estimates of Somali shilling costs of commodities and services at the signing of this Agreement. The Grantee contribution will be reviewed annually by A.I.D. and the Grantee to assure that Grant funding levels are sufficient to meet project needs.

#### Project Financial Plan ((\$000 or equivalent))

<u>Project Inputs</u>	<u>Obligation this Agreement</u>		<u>Future Anticipated</u>	<u>Total</u>	
	<u>AID</u>	<u>Grantee</u>	<u>AID</u>	<u>AID</u>	<u>Grantee</u>
Operational Program Grants	2,900	4,400	10,900	13,800	4,400
Community Action Grants	500	1,000	1,500	2,000	1,000
Technical Assistance	410	658	1,476	1,886	658
Commodities	90	674	232	322	674
Training & Evaluation	-	68	192	192	68
Total:	3,900	6,800	14,300	18,200	6,800

Availability of Funding for OFGs and CAGs. Unless otherwise agreed by A.I.D., not more than the following amounts of funds made available under the Grant for OFGs and CAGs may be used for PVO projects or programs falling within the functional areas indicated below:

<u>Functional Area</u>	<u>Maximum Funding Available for Projects</u>
Agriculture, Rural Development, Nutrition (FAA Section 103)	\$ 900,000
Health and Disease Prevention (FAA Section 104(c))	\$2,000,000
Energy, PVOs, Selected Development Activities (FAA Section 106)	\$ 500,000
	<u>\$3,400,000</u>

All activities approved for funding under the Grant must fall within one or more of the functional areas set forth above, as those functional areas are defined in Sections 103, 104(c), and 106 of the U.S. Foreign Assistance Act of 1961, as amended. A.I.D. and the Grantee will develop procedures for assuring, at an early stage of OFG and CAG proposal review, that proposed activities fall within these functional areas and that sufficient funding remains available within an appropriate functional area to finance each proposal reviewed.

Attachment 1  
Annex #1

ELIGIBILITY REQUIREMENTS AND  
CRITERIA FOR OPERATIONAL PROGRAM GRANTS  
AND COMMUNITY ACTION GRANTS  
UNDER SOMALIA PVO DEVELOPMENT PARTNERS PROJECT (649-0138)

1. Eligibility Requirements

- (a) Grantholder is registered with A.I.D. and the GSDR;
- (b) Grantholder demonstrates a 25% non-A.I.D. contribution to the project.
- (c) Grantholder is working in Somalia at time of financing (CAG only).

2. Funding Criteria

To be approved for funding a Grant proposal must:

- (a) Have been approved by Proposal Review Group.
- (b) Contain nothing that is illegal or in direct contradiction with USAID or GSDR regulations or policy.
- (c) Exhibit PVO capability to manage the grant.
- (d) Contain necessary baseline analyses; e.g. economic, social and environmental.
- (e) Include a detailed and adequate evaluation and monitoring plan.
- (f) Demonstrate technical feasibility.
- (g) Demonstrate a PVO and local group contribution.
- (h) Demonstrate knowledge and familiarity with Somalia.
- (i) Clearly identify direct and indirect beneficiaries.

Project Grant Standard

Provisions

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

Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

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

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

Article B: General Covenants (Continued)

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use. (See HB 18.)

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit.

The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

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

SECTION B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions

SECTION C.1. Special Rules.

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

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

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

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

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

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

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be produced on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 235 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval or on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this sub-section must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as A.I.D. may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement

Article C: Procurement Provisions (Continued)

against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

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

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds.

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

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

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

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

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.