

USAID Grant Agreement No. 279-AA-00-09-00001

ASSISTANCE AGREEMENT  
BETWEEN THE  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE REPUBLIC OF YEMEN

Dated 16 September 2009

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Assistance Agreement  
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## ASSISTANCE AGREEMENT

Between

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

and

The Government of the Republic of Yemen, acting through the Ministry of Planning and International Cooperation (hereinafter referred to as the "Grantee")

### **Article 1: Purpose.**

The purpose of this Assistance Agreement (the "Agreement") is to set out the understanding of the parties named above (the "Parties") in connection with the Objectives described below. This Agreement is within the terms of the Economic, Technical, and Related Assistance Agreement, entered into force April 20, 1974 (TIAS 7820), acknowledged via exchange of notes July 9, 2003.

### **Article 2: Functional Objectives and Program Areas.**

#### Section 2.1. Functional Objectives and Program Areas.

In order to further the foreign assistance objectives of Governing Justly and Democratically, Health, Education and Economic Growth (the "Functional Objectives") articulated by the Government of the United States under the Strategic Framework for United States Foreign Assistance, the Parties agree to work together by focusing on activities in the areas of Good Governance, Political Competition and Consensus Building, Civil Society, Maternal and Child Health, Family Planning and Reproductive Health, Basic Education, Agriculture, and Economic Opportunity (collectively, the "Program Areas," and, together with the Functional Objectives, the "Objectives").

#### Section 2.2. Amplified Description.

Annex 1, attached, amplifies the above Objective and describes the Program Areas and Indicators that will be used to measure the progress and achievement in each of the Program Areas. Within the limits of the definition of the Functional Objectives set forth in Section 2.1, Annex 1 may be changed by written agreement of the Authorized Representatives of the Parties, or written agreement of USAID's Authorized Representative and Additional Representatives of the Grantee with respect to activities relevant to the Additional Representative's function, without formal amendment of this Agreement.

### **Article 3: Contributions of the Parties.**

### Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement not to exceed Thirty Million One Hundred Fifty Six Thousand Twenty-five United States ("U.S.") Dollars (\$30,156,025) (the "Grant").

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Objective will be One Hundred Twenty-one Million Nine Hundred Fifty-six Thousand Twenty-five United States Dollars (\$121,956,025), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

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

### Section 3.2. Grantee Contribution.

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

(b) The Grantee may contribute local currency and/or in-kind contributions, as necessary. There is no requirement of host government contribution pursuant to the USAID contribution funded by Economic Support Funds (ESF). Also, USAID/Yemen has determined that no host government contribution is required for the USAID contribution funded by Development Assistance (DA) funds.

### Article 4: Completion Date.

(a) The Completion Date, which is September 30, 2012, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective will be completed.

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

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9)

months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

**Article 5: Conditions Precedent to Disbursement.**

Section 5.1. **First Disbursement.** Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

- (a) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 6.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and
- (b) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.

Section 5.2. **Notification.** USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

Section 5.3. **Terminal Dates for Conditions Precedent.** The terminal date for meeting the conditions specified in Section 5.1 is 60 business days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

**Article 6: Miscellaneous.**

Section 6.1. **Communications.** Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mission Director  
United States Agency for International Development (USAID)  
American Embassy  
Sa'awan Street, P.O. Box 22347  
Sana'a – Republic of Yemen

To the Grantee:

Minister/Vice Minister of Planning & International Cooperation  
P.O. Box 175 – Sana'a  
Ministry of Planning & International Cooperation  
Sana'a – Republic of Yemen

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.

Section 6.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the Minister of Planning and International Cooperation or officials assigned by said representative to act on his/her behalf, and USAID will be represented by the USAID/Yemen Mission Director or officials assigned by said representative to act on his/her behalf. The representatives may, by written notice, designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 6.3 Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

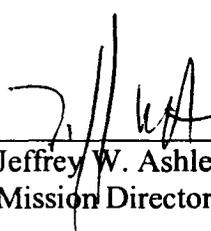
Section 6.4 Language of Agreement. This Agreement is prepared and written in the English language only.

Section 6.5 Contractors, Grantees and Other Organizations. Funding and the associated activities under this Agreement will be coordinated with the Ministry of Planning and International Cooperation (MOPIC) and may be executed directly by USAID in the form of contracts, grants, cooperative agreements, and other funding mechanisms with third parties including but not limited to private entities, non-governmental organizations, private voluntary organizations, universities, public international organizations, and other U.S. Government agencies that will work as USAID partners to implement the Objectives through the Amplified Program Description in Annex 1.

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

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

THE GOVERNMENT OF THE REPUBLIC OF YEMEN

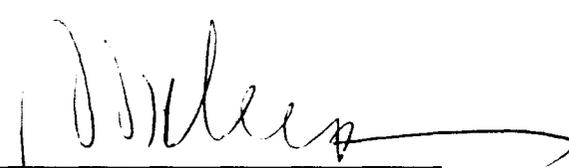
By:   
Name: Jeffrey W. Ashley  
Title: Mission Director, USAID/Yemen



By:   
Name: H.E. Abdulkarim I. Al-Arhabi  
Deputy Prime Minister for Economic Affairs  
Minister of Planning & International Cooperation



WITNESSED BY

By:   
Name: Stephen A. Seche  
Title: U.S. Ambassador to the Republic of Yemen

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USAID Funding Codes - Fiscal Year 2009

Objective	Treasury Symbol	BFY Fund	Program Area	Program Area Name	Program Element	Program Element Name	Amount (\$)
A2	729/01021	DV/2009/2010	A08	Good Governance	A034	Legislative Function and Processes	5,674.00
A2	729/01037	ES/2009/2010	A08	Good Governance	A036	Local Government and Decentralization	871,000.00
A2	729/01037	ES-SUP/2009/2010	A08	Good Governance	A035	Public Sector Executive Function	200,000.00
A2	729/01037	ES-SUP/2009/2010	A08	Good Governance	A036	Local Government and Decentralization	300,000.00
A2	729/01021	DV/2009/2010	A09	Political Competition and Consensus-Building	A041	Elections and Political Processes	6,536.00
A2	729/01037	ES-SUP/2009/2010	A10	Civil Society	A044	Civic Participation	500,000.00
A2	729/01037	ES/2009/2010	A10	Civil Society	A044	Civic Participation	800,000.00
A3	729/01037	ES/2009/2010	A11	Health	A052	Maternal and Child Health	980,000.00
A3	729/01037	ES/2009/2010	A11	Health	A053	Family Planning and Reproductive Health	2,011,685.00
A3	729/01037	ES-SUP/2009/2010	A11	Health	A052	Maternal and Child Health	2,000,000.00
A3	729/01037	ES-SUP/2009/2010	A11	Health	A053	Family Planning and Reproductive Health	2,000,000.00
A3	72199/01031	GH-C/2009/2010	A11	Health	A052	Maternal and Child Health	420,000.00
A3	72199/01031	GH-C/2009/2010	A11	Health	A054	Water Supply and Sanitation	0.00
A3	72199/01031	GH-C-POP/2009/2010	A11	Health	A053	Family Planning and Reproductive Health	0.00
A3	729/01021	DV/2009/2010	A12	Education	A055	Basic Education	9,661,130.25
A3	729/01037	ES-SUP/2009/2010	A12	Education	A055	Basic Education	5,000,000.00
A4	729/01037	ES/2009/2010	A18	Agriculture	A074	Agricultural Sector Capacity	1,680,000.00
A4	729/01037	ES/2009/2010	A20	Economic Opportunity	A080	Inclusive Financial Markets	2,000,000.00
A6	72199/01031	GH-C/2009/2010	A27	Administration and Oversight	A141	Administration and Oversight	380,000.00
A6	729/01021	DV/2009/2010	A27	Administration and Oversight	A141	Administration and Oversight	684,000.00
A6	729/01037	ES/2009/2010	A27	Administration and Oversight	A141	Administration and Oversight	656,000.00

TOTAL 30,156,025.25

## Annex 1 Amplified Description

### I. Introduction

This annex describes the program objectives to be undertaken and the anticipated results to be achieved with funds obligated under this Agreement. Nothing in this Annex 1 shall be construed to amend any of the definitions or terms of the Agreement.

### II. Background

The activities to be implemented under this Agreement build upon a long standing collaboration between the United States and Yemen. Increasingly Yemen has become central to U.S. foreign policy interests. Its strategic location features a long porous land border with Saudi Arabia, a critical U.S. ally, and a long sea border facing the oceanic chokepoint to the world's most heavily used sea lanes between the Indian Ocean and the Red Sea. Al-Qaeda (AQ) operatives are trying to utilize Yemen's territory as a base for movements in the Arabian Peninsula and beyond. In addition, Yemen's location across from the Horn of Africa puts it in proximity to major refugee flows and a burgeoning piracy problem. Yemen also faces a large youth bulge and rapidly growing population, growing natural resource scarcity, a lack of employment opportunities, and declining government revenues. Compounding an already difficult socioeconomic situation, Yemen, like much of the world, also faces serious economic pressures brought on by the global financial crisis.

Prior Strategy. USAID/Yemen's 2003-2008 strategy period focused on development initiatives in the five remote, very poor, rural governorates most at-risk of generating political instability and providing possible refuge for terrorists. Five key governorates were identified with inter-tribal conflicts, tribe-state conflicts, and an al-Qaeda presence: Al-Jawf, Marib, Sa'ada, Amran, and Shabwa. Programming at the district and governorate levels centered on health, education and, to some extent, agriculture. Sub-national interventions were accompanied by capacity building for the Ministries of Health and Education at the central level in Sana'a. Cross-cutting themes included improved services and opportunities for women and girls, community participation, and good quality data for planning and management. The USAID program in Yemen also made selected investments at the national level, with the public and private sector, in partnership with other donors, to identify opportunities for improved policy and expanded options for longer-term sustainable development. By sector, USAID focused its resources in the following four technical areas:

*Governing Justly and Democratically:* USAID has assisted the Yemeni government's efforts to promulgate the National Decentralization Strategy as well as to strengthen the capacity and institutional development of local councils at the governorate and district levels in planning, budgeting and management. USAID also has supported parliament capacity building and anti-corruption reforms. USAID programs improved the Supreme Commission for Elections and Referendum's ability

to implement its responsibilities efficiently and transparently. These programs assisted the Commission in encouraging voter registration, enhancing women's participation, and improving campaign financing and election monitoring. USAID has supported the efforts of members of parliament to enact anticorruption laws and foster legislative advocacy. USAID also contributed to parliamentarians' efforts to improve the budget-making and oversight functions of the legislature and to increase the capacity of key reform-oriented committees. Additionally, USAID has worked with the Supreme National Authority for Combating Corruption, the Higher Tender Board, the Central Organization for Control and Audit, and the Yemeni Journalists Syndicate to strengthen the ability of these organizations to combat corruption. USAID also has supported tribal conflict mitigation programs. Activities included promoting peaceful resolutions to conflict through dialogue, outreach, and anti-violence youth campaigns. USAID also assisted tribal leaders in their efforts to resolve longstanding conflicts that delay much-needed democratic, economic, and educational reforms.

*Investing in People: Health:* To create lasting changes in the health services in remote governorates, USAID renovated health clinics and housing for health providers, provided basic medical equipment to health facilities, trained midwives and doctors to improve emergency obstetric and pre- and postnatal care, and improved counseling services and community health education. More than 1,112 staff members of health facilities have been trained in family planning and maternal and child health services, including counseling and health education. Through mobile health teams and renovated facilities, USAID brought health care services to over 97,886 people in its target governorates. USAID also supported the national Health Information System, which allowed the Ministry of Public Health and Population and governorate health offices to improve their collection and utilization of health statistics for better resource management. Through the Health Services 20/20 project, USAID improved immunization coverage in targeted areas from 66% to 87% over a period of five years. USAID also has piloted new guidelines for increased routine immunization coverage. In addition, USAID has participated in several rounds of national polio campaigns, reaching places where children had never been vaccinated.

*Investing in People: Education:* Yemen's education indicators are among the lowest in the Middle East. The primary school attendance rate for girls is only 45 percent and a mere 15 percent in secondary school. To support Yemen's efforts to strengthen its basic education system, USAID developed new programs to improve education, especially for women and girls. The now closed Basic Education (BE) project trained over 3000 teachers and school administrators in student-centered and active learning techniques. In 23 of the 77 schools in three governorates benefiting from this project, test scores in 2007 indicated that 64% of third graders performed math problems at their grade level or above and 74% read and write Arabic at their grade level or above; these scores are almost double those from schools not receiving USAID assistance. Enrollment rates at USAID funded schools have increased substantially: 14.2% for girls and 4.6% for boys. Overall, USAID's programs trained 761 teachers in teaching Arabic, science, and mathematics, 154 teacher trainers, 49 inspectors, 122 head masters, 1671 community participation and literacy specialists, and 309 parent council members. An estimated 7,000 students have benefited from USAID-

sponsored life skills classes, over 6,000 women have participated in literacy classes; and all 77 project schools have benefited from supplementary reading materials.

*Creating Economic Opportunities:* In the remote areas where USAID works, most people are employed in agriculture and herding, and poverty levels are high. In 2007, USAID signed an agreement with Yemen's Ministry of Agriculture to assist in improving the marketing and trade capacity of farming associations and cooperatives, with a focus on increasing exports of agricultural goods and, in turn, raising the income of agricultural communities.

### **III. Strategic Focus for 2009-2012**

During the 2009-2012 period covered by this Agreement, the collaboration between the United States and Yemen will grow stronger. Joint development goals include improving the livelihoods of citizens in disadvantaged communities and improving governance capacities to mitigate drivers of instability. As the basis for this Agreement is collaboration between the Parties, the activities to be implemented are planned and implemented in coordination with the Grantee. This assistance is specifically designed to provide support in areas where the Government of Yemen does not have the resources or expertise to execute, organize or manage such activities.

**USAID's overarching strategic goal in Yemen is to increase Yemen's stability through interventions in targeted areas.** This goal implies a localized stabilization strategy with development programming tailored to address the drivers of instability in specific areas of the country and to respond directly to the articulated needs and frustrations of communities in the neediest areas. With a country as geographically vast, topographically complex, and challenging as Yemen, the location and number of areas of focus will be clearly delineated over time. Also essential to the success of local targeted interventions will be initiatives at the national government level necessary for achieving sustainable progress at the local level.

The USAID/Yemen strategy is organized under two Assistance Objectives that fall under the United States Foreign Assistance Framework:

#### **Assistance Objective 1:**

#### **Livelihoods in targeted communities improved.**

In general, a stabilization strategy centers on addressing people's basic needs and opportunities at the local level by improving their access to basic services, by expanding economic opportunities, and by promoting political/civic empowerment. Populations in highly needy and unstable areas must experience a direct impact on their daily lives, see improvement in their communities, and perceive state institutions as responsive to their needs in order to develop an active stake in their futures and communities. While not a cure, such an approach can make concrete, time-and-place-specific contributions to counter the forces threatening Yemen's overall stability.

This objective will require the bulk of USAID's resources and effort over the next three years.

Approach. By necessity, a stability strategy requires a multi-sectoral approach at the community level, responding to their articulation of frustrations and needs. The package of goods and services provided will be mutually reinforcing and synergistic. As people do not demarcate their lives by sector, USAID/Yemen will look to programs and activities that are not focused on a single technical sector, but instead focus on the unique drivers of instability as determined by the Yemeni people themselves. Livelihoods, for the purposes of USAID's approach, is defined as the combination of factors in a community that have a direct impact on the quality of individuals' lives. Those factors are the elements in a community that affect citizens' well-being, prosperity, and future choices, including income, health, education, security, water, infrastructure, citizen participation, etc.

Given the demographic realities of Yemen and the nexus of dissatisfaction, lack of employment, and other opportunities, youth are a critical factor in the environment. For lasting impact, the needs, aspirations, and opportunities for youth must be addressed in not only economic but also political and social arenas in a systematic way that builds their knowledge and skills for positive development. Youth by itself is not a driver of conflict, yet without proper attention to youth needs and aspirations, the situation that exists in Yemen will be exacerbated.

Another critical element in the approach will be the emphasis on transparency, accountability, and community outreach and feedback. Corruption undermines the government's effectiveness and the ability of the state to meet the needs of its citizens. Thus, USAID programming will be designed in ways that reach out to underserved and discontented communities, build in advocacy opportunities and accountability mechanisms, and promote transparency. In addition to improved lives and community services, populations need to have access points to local government institutions and public policies and to perceive that the government is responsive to their needs. Community outreach and feedback approaches will be integrated into project design.

Expected Results. The following results will define success for this Assistance Objective:

1. *Employment opportunities increased.* Locally-based livelihoods initiatives that promote community commitment and stewardship of neighborhood projects are intended to create ownership for the activities in their neighborhoods while also improving the opportunities for future generations. Based on communities' assessments of the potential for expanding economic opportunities, USAID will support the development of employment-generating, micro- and small- enterprises and improvements to agricultural productivity and food security. These activities will be determined according to local needs and designed in ways that are sensitive to how Yemen's rural

citizens live their lives. Microcredit programs will help local enterprises increase their potential and create jobs and technical assistance and training will help improve new and existing economic development in needy areas. A focus on youth will stress vocational/technical training, matching trainees to actual jobs and youth business start-ups. Adaptations to natural resource constraints and opportunities will promote water conservation, improved animal husbandry and crop cultivation, and alternative energy generation. USAID will promote traditional, water-conserving, domestically-demanded crops cultivation as an alternative to *qat*, which uses precious water resources and limits economic opportunities in growing areas. Rural productive associations and cooperatives will be supported, and private sector and non-governmental organizations, associations, and cooperatives will be trained in advocacy at governorate and local council levels for the benefit of their members. USAID will also work with communities to identify and fund small-scale infrastructure projects, including but not limited to rural electrification, water conservation projects, tertiary canals and irrigation, road improvement, bridge and street repair, etc. In coordination with governorate and national level government officials, communities will also become partners in their region's socio-economic development planning processes. Furthermore, community and political leaders, clergy, and average citizens will learn about the unintended negative repercussions of cultivating and consuming *qat*. Emphasizing transparency, community outreach will include private sector and non-governmental organizations, local associations and cooperatives, local councils and tribal leaders, and religious representatives as appropriate. [Foreign Assistance Framework (FAF) Program Areas: Governing Justly and Democratically – 2.2 Good Governance, 2.4 Civil Society; Economic Growth – 4.3 Financial Sector, 4.4 Infrastructure, 4.5 Agriculture, 4.6 Competitiveness, 4.7 Economic Opportunity]

2. *Access to and delivery of quality basic services improved.* USAID will help improve access to basic services while improving service quality in targeted communities. Currently, Yemen's health and education services are woefully inadequate, resulting in an infant mortality rate of 74/1,000 live births and an adult literacy rate of 50 percent (73 percent for men and only 35 percent for women). Only half of the people have access to safe water. Services quality and delivery are inequitable. Government capacity is further undermined by corruption that exacerbates this disparity. Despite attempts to counter corruption, it is still taking its toll on Yemen: citizens remain unsatisfied with government performance and dissatisfaction grows in underserved regions. Furthermore, the availability of services is overwhelmed by growing population pressures.. USAID's programs in cooperation with the Yemeni Government will work to build the capacity to provide better services to targeted communities and thereby contribute to improving education, health, water, sanitation, and other services at the local level to improve prospects for economic progress and enhanced livelihoods and well-being. [Foreign

Assistance Framework (FAF) Program Areas: Investing in People – 3.1  
Health, 3.2 Education]

Illustrative activities

- Technical/vocational training for youth appropriate to existing labor market needs
- Training and technical support to smallholders to promote domestically-demanded crops (alternatives to *qat*), traditional and environmentally sound techniques, water conservation and improved productivity
- Small scale community infrastructure projects to improve water conservation and irrigation, transport access and roads, micro power generation and electricity access
- Microcredit and support for borrowers' groups, rural productive associations and cooperatives and micro enterprises.
- Renovation, repair or equipping local clinics and classrooms
- Enhance Health Ministry's ability to roll out support and training for healthcare providers (including midwives) in underserved areas
- Provide comparative best practices for the Government's Small and Micro Enterprise Program to provide better training, financial and other forms of support to small businesses
- Build the capacity of mobile health teams and local midwives to deliver expanded and improved basic health services to underserved populations in remote districts
- Work with local women's networks to train local community and clergy in maternal and child health issues and in promoting healthy behaviors, including birth spacing, delayed marriage, and reducing *qat* consumption
- Expand the training of nurses and physicians on key maternal and child health (MCH) issues and evidence-based best practices
- Build the capacity of local civil society in community organizing and mobilization, outreach, and advocacy with governorates and local councils on priority issues
- Increase the capacity of local and district education offices to support educational improvements and learning needs in and out of schools
- Assist the Ministry of Education (MOE) in specific reforms, such as devolving responsibilities to governorate and district levels and improving the delivery of teacher training programs.
- Train youth and youth groups in leadership skills and engage them in community service projects
- Support parent councils to engage with schools and district/governorate Education Ministry offices
- Support student councils and empower them to play advocacy and advisory roles in their schools
- Pilot community boards for health facilities (e.g. clinics, hospitals, etc) that are allowed for by law but not realized in practice
- Community-level socio-economic development planning

Assistance Objective 2:

## **Governance capacities improved to mitigate drivers of instability.**

Improved governance represents the institutional backbone of this local stabilization approach and can form the basis for future development interventions that can improve sustainability over time. Over the longer-term, improved governance will be essential to making shorter-term, local gains sustainable. In the medium term, USAID can look to replicating successful local approaches in other areas of the country, working with local government structures and external resources that will help improve the Government's responsiveness and effectiveness.

Approach. USAID will focus primarily on building productive relationships between appropriate government entities and Yemeni communities through training both communities and their government counterparts. While Yemen's general governance needs are myriad and severe, programs addressing policy changes and reforms will target those particular issues/policies/reforms that most directly relate to and support local-level interventions.

Expected Results. The following results will define success for this Assistance Objective:

1. *Public policies and institutions facilitate more equitable socio-economic development:* Where necessary to address community articulated needs and concerns, USAID will address specific policy and reform issues. These policies will be those that are directly related to the success of the local development and stabilization interventions in targeted communities. [Foreign Assistance Framework (FAF) Program Areas: Governing Justly and Democratically – 2.1 Rule of Law and Human Rights, 2.2 Good Governance, 2.3 Political Competition and Consensus-Building; Economic Growth – 4.1 Macroeconomic Foundation for Growth, 4.3 Financial Sector, 4.6 Private Sector Competitiveness, 4.7 Economic Opportunity]
2. *Local governance and capacity for basic service provision improved:* USAID will help build mechanisms for community-government collaboration and provide training for government officials in participatory development planning and implementation. In addition, the technical capacity of primarily sub-national governments will be strengthened through training and hands-on mentoring experience in the context of community project design and implementation. Community outreach, dialogue, feedback and accountability mechanisms will be emphasized. [Foreign Assistance Framework (FAF) Program Areas: Governing Justly and Democratically – 2.2 Good Governance; Investing in People – 3.1 Health, 3.2 Education;]
3. *Strengthened community-based institutions and mechanisms to ensure active participation in governance and locally-driven solutions established:* Activity implementation at the community level will incorporate a robust community participation process that informs and influences government decision-making

and promotes transparent project development and implementation. Community organizations and their leaders will be trained in transparent, inclusive, and participatory planning techniques, accountable implementation, and best practices. Citizen involvement and oversight will be an important aspect of all community training. Both government and community accountability techniques will be employed to help monitor implementation and insure results are achieved. [Foreign Assistance Framework (FAF) Program Area: Governing Justly and Democratically – 2.1 Rule of Law and Human Rights, 2.4 Civil Society]

### Illustrative Activities

- Support implementation of the Government's fiscal decentralization policy
- Improve the use of technology and socio-economic data in policy and budgetary decisions to more transparently, equitably and predictably allocate resources for service delivery in underserved areas in targeted sectors, for instance, working with the Ministries of Health and/or Education
- Train community leaders and local councils in basic roles and responsibilities to promote constructive partnering, advocacy and accountability with local and provincial government
- Support the Government's elections system reform
- Increase the capacity of staff and elected officials of the Yemeni Parliament
- Support local council functioning through leadership training, awareness of democratic and inclusive practices and community participatory planning techniques and with technical support in budgeting, basic design, procurement, execution and oversight of local projects
- Support local service delivery offices to more effectively interface with local councils and community groups
- Train national audit bureau divisions responsible for local government and service delivery/economic productivity ministries (e.g. Health, Education, Agriculture)
- Support parliamentary committee oversight of key service delivery ministries
- Further enhance the modernization of the Government's central procurement system
- Help mobilize local NGOs to monitor and report on service delivery and status of local development projects

### **Geographic Focus**

With a country as geographically vast, topographically complex and challenging as Yemen, the number of areas of focus will likely be clearly delimited for greater impact over time. Governorates in Yemen range from fairly stable (i.e., key urban areas under central government control—e.g. Sana'a, Hodeidah, Taiz) to challenged (i.e., northern tribal governorates of Al-Jawf, Marib) to full civil or growing conflict status (i.e. Sa'ada, aggrieved southern governorates—e.g. Al-Dhale'e, Lahej). While following broadly similar center-periphery conflict dynamics, the drivers of instability and conflict also vary across governorates. For this reason, careful targeting and phasing of interventions tailored to specific local conditions and community-determined needs will be essential.

The geographic focus will range from a broadly national scope to the local community level. Assistance to national entities to support policy and capacity-building are likely to involve specific line ministries with responsibilities for service provision that have an impact on underserved populations. Interventions to support decentralization, accountability, and transparency will be specifically targeted to improve prospects for success of local stabilization programming. It is also anticipated that there will be additional effort to support the ROYG's efforts on elections and political participation as windows of opportunity arise. Public outreach and community participation will be prominent features, particularly at the local level.

### **Cross-Cutting Themes**

Programming under this Agreement will incorporate five cross-cutting themes that will be key to addressing drivers of instability: youth, gender, good governance, institution-building, and natural resource conservation. Each of these themes can serve as sources of conflict mitigation, stabilization, and longer-term development.

## **IV. Results, Indicators and Illustrative Activities**

The Parties will establish the annual targets for the indicators to which they agree and will use additional indicators to measure the progress under the Agreement towards the attainment of the results described herein. The Parties, in consultation with implementing entities, will develop more detailed indicators and establish baselines and targets against which to measure and evaluate the progress and results of all activities to be undertaken pursuant to the Agreement.

Notional indicators are as follows:

- Number of full time jobs created in targeted communities;
- Women's inclusion in community-based initiatives;
- Number of teachers and healthcare providers trained;
- Number of community projects under implementation/completed;
- Number of microfinance loans issued;
- Legal/policy issues addressed;
- Increase (%) of local citizen satisfaction with local government services;
- Increase in reading and math achievement or Increase in reading and math achievement in the early grades (1-3) or Increase in reading and math scores at the school level. Number of community-based productive and civil society organizations assisted;
- Citizens' perception of increased quality and responsiveness of tribal, local, and national leadership;
- Decrease in localized infant and mother mortality rates

## **V. Monitoring and Evaluation**

The Parties agree to comprehensively monitor performance and evaluate the Agreement's results. This will include the periodic gathering and analysis of data for the indicators referenced in Section IV. The Parties will conduct continuous program monitoring and will review program impact and overall progress under the Agreement on at least an annual basis. USAID and the implementing agencies under this Agreement will review progress on a more frequent and continual basis, through the provision and review of semiannual and quarterly reports, site visits, and other monitoring mechanisms.

## VI. Funding

The illustrative financial plan for the Program is set forth in the attached Table 1. The Grant also includes funding for program administration and oversight expenses incurred directly by USAID. Changes may be made to the financial plan by written agreement of the Parties, without a formal amendment to the Agreement if such changes do not result in (1) an increase in the amount obligated under Section 3.1 of the Agreement, or (2) a decrease in the Grantee's contribution below the amount specified in Section 3.2 of the Agreement. In addition, after such financial plan has been approved by the Parties as part of this Agreement, changes in line items of such approved financial plan may be made by USAID without prior consultation with the Grantee, provided that such changes do not, in the aggregate, affect more than fifteen percent (15%) of the amount of USAID's contribution under this Agreement, as specified in Section 3.1 of the Agreement.

*Table 1: Illustrative Financial Plan\**

<b>TOTAL</b>	30,156,025	39,800,000	52,000,000	<b>121,956,025</b>
Assistance Objective 1: <i>Livelihoods in communities improved</i>	22,132,851	23,124,000	32,759,000	<b>78,015,851</b>
Assistance Objective 2: <i>Governance capacities improved to mitigate drivers of instability</i>	5,986,911	14,288,000	17,150,000	<b>36,395,911</b>
<i>Administrative and Operational Expenses</i>	2,036,263	2,388,000	3,120,000	<b>7,544,263</b>

*\* All figures presented herein are illustrative and are subject to availability of funding*

*\*\* FY2010 and FY2011 figures are budget estimates and are subject to annual U.S. Congressional appropriations laws and associated availability of funding*

## VII. Roles and Responsibilities of the Parties

Activities undertaken in this Agreement will involve a number of partners and implementing institutions, each of which has specific and complementary roles leading to the achievement of the Objective.

### A. Grantee

In implementing this Agreement, the Grantee will use its best effort to ensure that the Objective is achieved as contemplated in this Agreement. The Grantee and USAID may agree to assign primary responsibility for coordination of Grantee's responsibilities with Grantee entities throughout the period of the Agreement.

## **B. USAID**

USAID may, in coordination with Grantee representatives enter into one or more agreements with other entities, such as government, private or international organizations, to implement Agreement activities as USAID deems necessary, pursuant to USAID's policies and procedures. Such agreements may include grants, cooperative agreements, and contracts. The private entities may be local or foreign, international or multi-national, nongovernmental organizations or persons.

## **C. Donor Coordination**

A range of bilateral and multilateral donors have been working in Yemen for years. Key bilateral donors include the British, Germans, Dutch and Japanese; to a much lesser extent, France, Italy and Canada are also active. The World Bank, United Nations Development Program (UNDP) and European Union (EU) are the key multilateral institutions. These donors have invested heavily in a number of key development sectors in Yemen. While the USG is significantly increasing its development funding to Yemen over the next several years, USAID/Yemen will continue to target its resources for maximum impact. USAID will prioritize depth over breadth. Trends in other donor investments help USAID determine where it will invest its own resources.

## **D. Other USAID Technical and Program Support Obligated Outside this Agreement**

In addition to the funding amounts that may be made available under this Agreement, USAID has and may continue to contribute additional funds and technical and program support through other funding mechanisms for activities that may be obligated outside of the terms of this Agreement. In U.S. fiscal year 2009, an additional \$4,163,974 in support was provided to ongoing projects outside of this agreement. All funding provided by USAID that is not obligated in this Agreement for assistance to achieve the Objectives of the Agreement shall be treated as assistance provided to the Republic of Yemen under the terms of the Economic, Technical, and Related Assistance Agreement Between the United States of America and the Republic of Yemen, entered into force April 20, 1974 (TIAS 7820), and acknowledged via exchange of notes July 9, 2003.

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## Standard Provisions

### **Article A: Definitions and Implementation Letters.**

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Strategic Objective Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

### **Article B: General Covenants.**

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

### Section B.2. Execution of Agreement.

The Grantee will:

- (a) Carry out the Agreement or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

### Section B.3. Utilization of Goods and Services.

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

Agreement) will be used to further the Objective of the Agreement and as USAID may direct in Implementation Letters.

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

#### Section B.4. Taxation.

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

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

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

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

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

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Grantee and citizens of the Grantee, other than permanent resident aliens in the United States.

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

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

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

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

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

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

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

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

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

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

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

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

(3) The plan shall identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

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

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

(f) Other Covered Sub-recipients. For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on

behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

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

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

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

(j) Sub-recipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Sub-agreements with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

Section B.6. Completeness of Information. The Grantee confirms: (a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and (b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

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

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

**Article C: Procurement Provisions.**

Section C.1. Source and Origin.

C.1. Source and Origin.

(a) Foreign Exchange Costs. Disbursements for Foreign Exchange Costs will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in countries included in Geographic Code 935 as in effect at the time orders are placed or contracts entered into for such goods or services, except as USAID may otherwise agree in writing and as follows:

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

(2) The country of the Grantee is an eligible source for Foreign Exchange Cost for marine insurance, if otherwise eligible under Section C.7(a).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section C.6. Transportation

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

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

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

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and 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 subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

#### Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID 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 most advantageous competitive rate;

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

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

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

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

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 Agreement may be used to finance the costs of obtaining such property.

**Article D: Disbursements**

D.1. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the country of the Grantee to any person for any purpose.

**Article E: Termination; Remedies.**

Section E.1. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. USAID also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Results of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

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

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

Section E.2. Refunds.

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

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

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

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

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

Section E.3. Non-waiver 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 E.4. Assignment.

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

#### Article F: Miscellaneous.

##### Section F.1. Investment Promotion.

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

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

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

#### Section F.2. Voluntary Family Planning.

The Parties agree that all USAID funds provided under this Agreement shall be used in accordance with applicable United States policy and statutory requirements relating to voluntary family planning projects, and that none of the USAID funds provided under this Agreement, or goods or services financed by such funds, may be used for:

(a) the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions;

(b) the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations; or

(c) any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a method family planning.

(d) USAID will issue implementation letters that more fully describe the requirements of this section.

#### Section F.3. Prohibition on Assistance to Drug Traffickers.

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

#### Section F.4. Workers' Rights.

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

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

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

**Section F.5 Terrorist Financing.** The Grantee is reminded that U.S. Executive Orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism and specially designated nationals and blocked persons identified by the U.S. Department of Treasury (Office of Foreign Assets Control). It is the legal responsibility of the Grantee under this Agreement to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts or subawards issued under this Agreement.

**Section F.6 Prohibition on Funding Foreign Government Delegations to International Conferences.** Except as USAID may otherwise agree in writing, funds obligated under this Agreement which are provided by USAID from the Foreign Operations, Export Financing, and Related Programs Appropriations Act for any U.S. Government fiscal year after fiscal year 1999 may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a public international organization. This restriction may be further described by USAID in Implementation Letters.

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