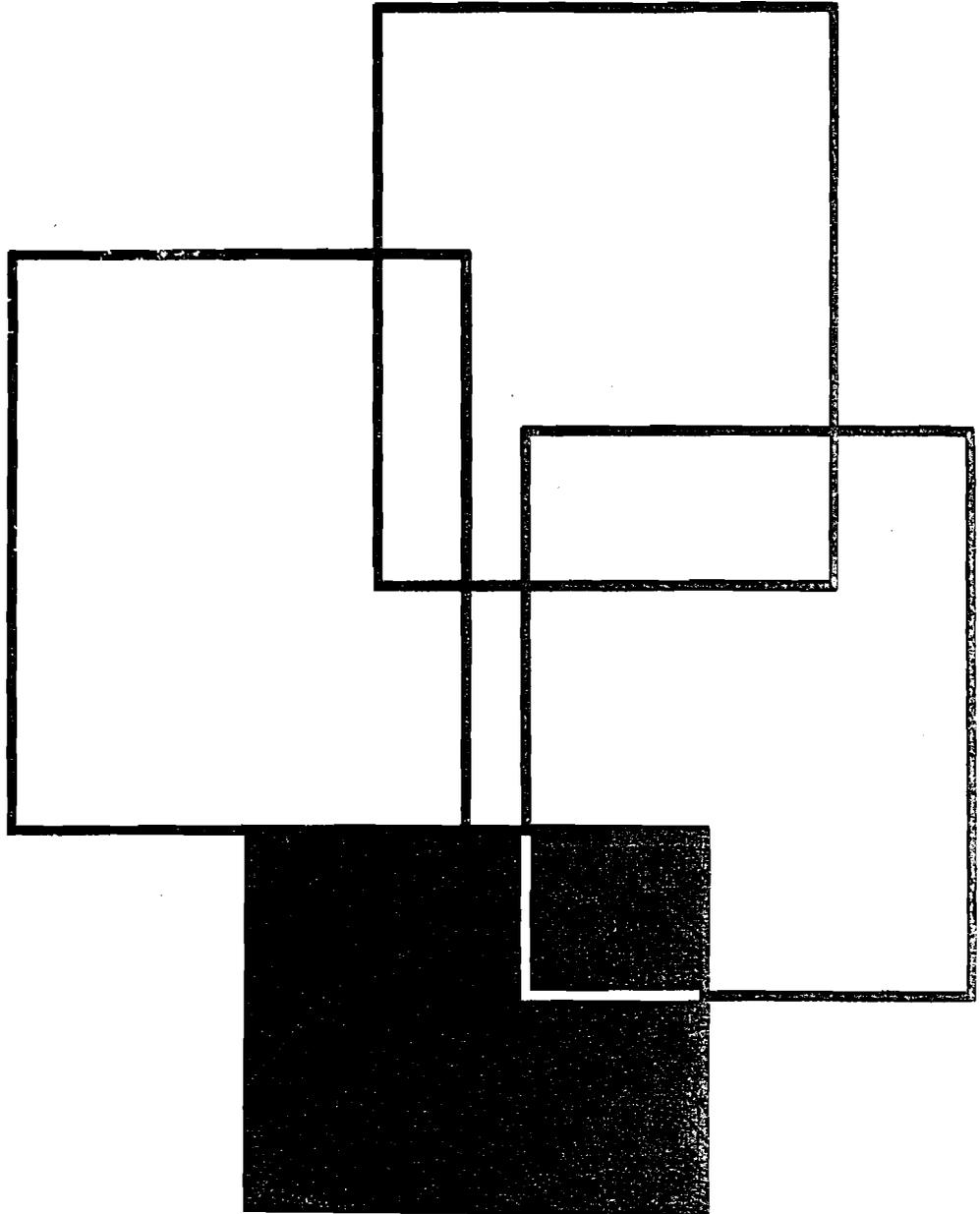


Nonproject Assistance



AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE July 17, 1991	TRANS. MEMO NO. 4:25
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MATERIAL TRANSMITTED:

Handbook 4 - Nonproject Assistance
Appendix 3A

Attached is the final version of statutory checklists for AID assistance for FY 1991. This version updates the FY 1990 checklists distributed on June 22, 1990 and replaces the draft FY 1991 checklist distributed on April 11, 1991. These checklists include the most significant provisions from the FY 1991 Foreign Assistance Appropriations Act (P.L. 101-513) and other applicable enactments.

The FY 1991 statutory checklists have been fundamentally reorganized. Previous checklists for "countries," "project assistance," "nonproject assistance" and "standard items" have been consolidated into just two checklists: (1) the Country Checklist, which includes items relating to country eligibility; and (2) the Assistance Checklist, which includes issues relating to assistance resources. Each checklist is subdivided according to items applicable to: (A) Development Assistance only, (B) Economic Support Funds only, or (C) both Development Assistance and Economic Support Funds.

The reorganized Checklists eliminate overlap among lists and should avoid confusion regarding which checklist should be used for particular assistance activities. New subject headings for each Checklist item should also prove helpful. Note, however, that the newly consolidated Assistance Checklist includes items that previously were included only on other lists, such as the "standard item" list. Therefore, you will need to review the new Assistance Checklist carefully to address these items.

SUPERSEDES:

Pages 3A-1 & 3A-2, 3A(1)-1 thru 3A(1)-6, 3A(2)-1 thru 3A(2)-5, 3A(3)-1 thru 3A(3)-5 (TM 4:24) of Chapter 3.

FILING INSTRUCTIONS:

1. Remove superseded material as indicated under SUPERSEDES.
2. File the attached in their appropriate places.
3. Initial the Transmittal Memorandum Checksheet (in the back of the Handbook binder) beside TM 4:25.

* * * * *

KEEP THIS TRANSMITTAL MEMORANDUM, which has an up-to-date Checklist for this Handbook on the back. File this TM 4:25 in the front of the handbook binder; discard TM sheet 4:24.

* * * * *

Address questions about this Handbook to GC/LP (647-8371).
For additional copies of this Transmittal contact MS/AS/ISS.

CHECKLIST FOR HANDBOOK 4
NONPROJECT ASSISTANCE

AUTHOR OFFICE: PPC/PDPR

<u>DATE</u>	<u>MATERIAL TRANSMITTED</u>	<u>TM NO.</u>
9/30/75	Pages 1-1 and 1-2, 2-1 and 2-2, 2-5, App. 2A and 2B, 3-1 thru 3-5, 4-1 thru 4-5, Att. 3, 4, 5 to App. 5A, App. 5B, App. 5C, Chapter 6, 8-1 and 8-2	4:1
1-22-76	NOTE regarding sex-biased language in handbooks	4:2
1-18-77	Pages 2-3 and 2-4 of Chapter 2	4:3
11-2-77	Appendixes 4A, 4B, 4C, and 4D	4:7
5-24-78	Att. 2, Att. 6 and Att. 7 to Appendix 5A,	4:8
6-8-81	Page TC-1 of the Table of Contents, page 7-1 of Chapter 7 (Reserved)	4:10
6-3-82	Appendix 1A, Attachment 1 to Appendix 3B; and pages 8-3 and 8-4 of Chapter 8	4:11
1-24-83	Pages 3B-1 and 3B-2 of Appendix 3B	4:12
10-7-86	Pages 5-1 thru 5-6a and 5-8 thru 5-15 of Ch. 5	4:16
12-2-87	Page TC-2 of the Table of Contents, pages 5-7, Appendices 5D and 5E of Chapter 5	4:19
3-1-88	Pages TC-3, TC-4 of the Table of Contents, Attachment 1 to Appendix 5A, and pages 9-1 thru 9-37, 9A-1 thru 9A-6, 9B-1, 9B-2, 9C-1 thru 9C-9, and 9D-1 thru 9D-8, 9E-1 thru 9E-3, 9F-1 thru 9F-2 of Chapter 9	4:20
7-25-88	New Handbook Index	4:21
Various	Reissuance in its entirety	4:22
7-17-91	Appendix 3A	4:25

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK 4

NONPROJECT ASSISTANCE

TM 4:1
9-30-75

N O T E

Throughout this Handbook, masculine pronouns are to be interpreted as including both men and women, unless the context specifically excludes this interpretation.

Future revisions will take into account the AID directive (HB 18, Part I, 2E) of 12/30/75 on the avoidance of sex-biased language.

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CHAPTER 1

INTRODUCTION

1A. Definition and Explanation of Coverage

1. This handbook describes activities which are categorized as "nonproject assistance" and sets forth procedures for their planning and implementation. As stated in Handbook 3 - Project Assistance, project assistance involves a discreet endeavor to achieve a finite result directly related to a discreet development problem by providing money, personnel and/or equipment for specific projects or activities in the cooperating country. On the other hand, nonproject assistance is generally concerned with the transfer of resources (commodities, dollars, or local currency) through loans or grants to cooperating governments under circumstances where required resources are made available through means other than projects. (See Handbook 1 - AID Policy, Part V, for AID policies and procedures on the use of project vs. nonproject assistance.)

2. Generally, nonproject assistance is a mechanism for providing short-term relief from constraints on the economy of a less developed country; whereas, project assistance is designed to effect a long-range change in the conditions of a target population. Nonproject assistance is often directed to alleviating budgetary or balance of payments problems.

1B. Programmatic Forms

There are several programmatic forms which are used to provide nonproject assistance. A general description of each is set forth below, and procedures for their implementation are described in detail in subsequent chapters of this handbook.

1. Commodity Import Programs (CIP)

Provide dollar exchange for the importation of specified categories of commodities under grant or loan agreements. AID makes dollars available to a less developed country for financing commodity imports in order to meet deficits in the external resources of that country. In this way, commodities most needed for development may be acquired. The local currency generated by the foreign exchange transaction is available to the cooperating government.

2. Public Law 480, Title I

Finances sales of a limited range of agricultural commodities through private trade channels. To the extent possible this assistance is

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linked to specific development objectives and targets in the cooperating country. Moreover, the local currency generated by P.L. 480, Title I sales, are used for a variety of developmental purposes.

3. Cash Transfer

A form of nonproject assistance used to purchase local currency for budget support or to provide balance of payments support on an emergency basis when the particular AID purpose cannot be accomplished through other instruments. It involves the release of funds to a cooperating government in the absence of, or in advance of, requirements for documentation evidencing actual use of the funds.

1C. Sector Assistance

Sector assistance is designed, programmed and approved as project assistance in accordance with procedures described in Handbook 3. However, from time to time, such assistance will include significant commodity imports. In such instances, nonproject implementation procedures as set forth in Chapter 5 are prescribed. In the preparation of the Project Review Paper (PRP) for sector assistance, it may be necessary to prepare the Basic Market Analysis and the Implementation Practices Analysis as prescribed in Chapter 2 of this Handbook.

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APPENDIX 1A

CHECKLIST OF FUNCTIONAL RESPONSIBILITIES

The following is a checklist of major responsibilities of AID offices, including Missions, with respect to nonproject assistance. Definitive statements of functions and responsibilities can be found in Handbook 17 - AID Organization.

1. A/AID

a. Approves nonproject assistance country planning levels in Operating Year Budget (OYB).

b. At the request of a Geographic Bureau, approves proposed nonproject assistance activities which significantly deviate from normal procedures.

c. Approves all PAAD's over \$20 million.

2. AA/Geographic Bureau

a. Prepares or coordinates the preparation of the PAIP, PARD, and the PAAD.

b. Reviews and coordinates staff office comments on Mission recommendations for nonproject assistance.

c. Authorizes nonproject assistance activities other than those authorized by A/AID.

d. Negotiates, or in the case of Missions which have been delegated authority to negotiate agreements, assists Missions as required in negotiating nonproject assistance agreements.

3. PPC

a. Reviews and clears PAAD.

b. Coordinates budget allocations.

4. GC

a. Advises and assists, as necessary, in the preparation of the PAAD and other authorization documents.

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b. Assists as appropriate in the negotiation of agreement.

c. Renders opinions and advice on implementation and administration of nonproject activities.

5. M/SER/COM

a. Assists AA/Geographic Bureaus/Missions in the preparation of and comments on the Basic Market Analysis and Implementation Practices Activities in the PAAD.

b. Assists Missions, as appropriate, in negotiation of agreement, development of procurement plans and drafting of Implementation Letters; reviews and approves commodity lists for eligibility; furnishes assistance on specifications; etc.

c. Monitors implementation of commodity import programs and administers commodity element of sector assistance activities; reviews and clears CIP documents such as IFB's, FR's, L/COM's, etc.

d. Reviews transaction documentation to assure compliance with statutory and other requirements.

e. As appropriate, coordinates commodity and transportation policy issues with other Government agencies and trade associations.

f. Assists B/G as required with public sector CIP activities; e.g., preparation and review of bid documents, shipping arrangements, etc.

g. Assists B/G in development of bid/proposal system which will elicit maximum response from U.S. suppliers.

h. Arranges and/or expedites publication of bids, proposals, etc., and advises suppliers and others as required.

i. Reviews quarterly shipping reports to assure compliance with cargo preference requirements.

j. Administers shipping provisions of the Foreign Assistance Act and the Cargo Preference Act.

k. Issues certificates of nonavailability of U.S. Flag carriers.

l. *Administers policy and procedural requirements for marking AID-financed commodities.*

6. PRE/SDB

a. Arranges for preparation of and issues to U.S. suppliers an Importer Listing when Commodity Import Programs authorize procurement by private importers on a negotiated basis.

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b. Issues AID-Financed Export Opportunities Bulletins announcing proposed procurements by the public sector. Also issues Procurement Information Bulletins, Small Business Memos, and Award Notices.

7. FVA/FFP

a. Provides technical guidance and assistance in the development and review of P.L. 480 program proposals, loan forgiveness, and CORE application.

b. Represents State/AID in interagency considerations of P.L. 480 program proposals; presents State/AID position in the Interagency Staff Committee (ISC).

c. Prepares and authorizes P.L. 480 sale agreements and negotiating instructions.

8. M/FM

* a. Clears PAAD for availability of funds before final approval by the AA/Geographic Bureau and allots funds and issues budget allowances for the PAAD prior to FM clearance.

b. Issues Letters of Commitment and other financial implementing documents at request of B/G and/or Mission.

c. Effects payments under terms of agreement, maintains official accounting records and carries out loan servicing responsibilities.

d. Reports on financial status of activities.

e. Effects payments under cash transfer agreements when budget allowance is maintained in AID/W.

*

9. Mission

a. Receives requests for, reviews and recommends nonproject assistance activities.

b. Prepares, in coordination with AA/Geographic Bureau justifications and analyses to support the PAID, PARD, and PAAD.

c. Negotiates and signs agreements if authorized under general or ad hoc delegations of authority.

d. Issues Implementation Letters and CPI's if authorized.

e. Receives, reviews, and transmits to AID/W requests for issuance of financial implementing documents.

* Revised

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f. Reviews Invitations-for-Bids and proposed awards under formal procurement procedure.

g. Coordinates procurement planning with host government.

h. Effects payment under cash transfer agreements when authorized by AID/W, M/FM.

i. As appropriate, checks collection and use of local currency and reports on the status thereof.

j. As appropriate, checks arrival and use of commodities.

k. Reports progress on achieving stated assistance objectives.

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CHAPTER 2

NONPROJECT ASSISTANCE PLANNING

2A. Planning Guidelines

1. The decision to provide nonproject assistance to a cooperating country arises from a determination that, for urgent or emergency reasons, a general transfer of resources is necessary to close serious resource gaps to meet security or other objectives in which the United States has a special interest. Whereas project assistance addresses itself to a discrete development problem, nonproject assistance addresses problems resulting from budgetary deficiencies, adverse balance of payments, and of a critical shortage of external resources. The factors involved in the determination of which type of assistance (project or nonproject) is most feasible require weighing the advantages and drawbacks of each in the light of the specific needs of the cooperating country and AID objectives.

2. The following types of considerations would justify the use of nonproject assistance:

a. The need to remove a constraint or bottleneck resulting from nonavailability of resources. Development objectives generally can be obtained by the infusion of external resources if the economy and the institutions are sufficiently vigorous and effective. Economic stability may be achieved by the infusion of external resources even without these conditions.

b. The need for speed in providing assistance to a cooperating country in the case of emergency or special circumstances. While it is recognized that natural disasters and the concomitant economic problems of inflation and resource shortages require project assistance, an immediate situation may be of such urgency as to preclude normal project planning. Nonproject instruments can usually be implemented faster than project instruments.

2B. Choice of Programmatic Forms

1. Nonproject assistance may be implemented by one of the several techniques or programmatic forms described in Chapter 1 of this handbook. The selection of the one to be used is usually determined by the situation in the cooperating country. However, political considerations are sometimes overriding determinants in regard to the programmatic form of assistance.

2. It is particularly important that Missions analyze and report both advantages and drawbacks of various options. For example, excessive P.L. 480 grain imports may depress local grain prices

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and deprive local farmers of vital price incentives; in such cases, P.L. 480 assistance beyond certain levels is inconsistent with host country agricultural development.

3. Similarly, excessive reliance on concessional commodity import programs may reduce profit incentives for local production and thus be inconsistent with vigorous private sector development. On the other hand, nonproject assistance may in some circumstances be the most effective method for a rapid resource transfer (where rapidity is an important objective) and may also be quite consistent with AID's overall development strategy for the country.

2C. Coordination with Assistance Efforts of Other Foreign Assistance Donors

1. It is AID policy to seek maximum coordination with other foreign assistance donors both in planning and implementation. Such coordination is especially important in dealing with delicate questions of host country economic reforms which may in fact be preconditions for successful assistance whether or not the assistance involves large resource transfers.

2. There are a large number of foreign assistance donors providing multi-lateral and bilateral aid to the Less Developed Countries (LDC's). While many of these donors limit their activities to project assistance, several, including the International Monetary Fund and the principal European donors, are deeply involved in activities of a nonproject character. Considerations are given to coordination with other foreign assistance donors in order to develop a more meaningful and integrated aid package. For example, foreign exchange may be needed for fertilizer and other commodities to make an irrigation project fully productive, whether that project was financed by AID, the Export-Import Bank, or the World Bank.

2D. Initiation of Nonproject Assistance

1. Where time permits, the process of determining the need for nonproject assistance should follow a series of steps which are similar to those involved in the procedure for justifying project assistance. The identification of problems to be addressed by AID-financed assistance activities (both project and nonproject) is done for Mission programs in the course of carrying out sector or other program assessments and preparing strategies for inclusion in the Development Assistance Program (DAP) for each country. It is recognized that in many instances, the need for nonproject assistance may arise subsequent to the preparation and submission of the DAP.

2. To the extent possible, the documentation system described in 2D3 below is also to be applied to nonproject assistance funded from supporting

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assistance or similar funding categories. It is recognized, however, that due to a number of factors full compliance with the documentation system both with respect to timing and content of the documentation will not always be possible. The Project Assistance Initial Proposal (PAIP) is to indicate the extent departures from the system will be necessary.

3. In normal circumstances, the initiating document for nonproject assistance is the Program Assistance Initial Proposal (PAIP) which is analogous to the Project Identification Document (PID) used to identify proposed project activities. It may be submitted with or prior to the Mission's Annual Budget Submission (ABS). The PAIP is to be brief, referring back to the DAP if appropriate. It is intended as a short alert document and consists of a face sheet (see Appendix 2A) and the following information:

a. Problem(s) Addressed -- A brief statement of the problem(s) involved; e.g., balance of payments deficit, inflation, critical resource shortages, etc.

b. Assistance Proposed -- A brief discussion of the type(s) of nonproject assistance which appears to best address the problem(s) involved. It may be necessary at a later date to consider other alternatives to the type of assistance initially proposed.

c. Dollar Amount Required -- An estimate of the proposed requirement and the period during which this amount would be disbursed.

d. Special U.S. Interests -- Citation of any relevant documents or messages pertinent to special considerations involving U.S. interests.

e. Requirements for Preparation of Program Assistance Review Document (PARD)--Mission is to identify resources necessary to prepare the PARD, as explained in 2E. This involves identification of TDY and/or other expert assistance needed from AID/W and a rough estimate of the period and the timing for such assistance.

In special or emergency situations where the need for nonproject assistance becomes evident subsequent to the time of the Mission's ABS, the PAIP may be submitted by telegram and the face sheet is prepared in AID/W. Alternatively, in special or emergency situations, the Mission may submit the PAIP information with the PARD, as described below.

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2E. Review of Proposed Nonproject Assistance

1. In normal circumstances, following approval of the PAIP, a more detailed review document, the Program Assistance Review Document (PARD) which is analogous to the Project Review Paper (PRP) used for project assistance, is prepared. The purpose of the PARD is to enable review of the program to determine adequacy of justification for inclusion in the Congressional Presentation (CP). Since the PARD data will form the basis of the CP the estimate of the amount required is to be as realistic as possible.

2. To the extent that nonproject assistance has been previously authorized, a PARD for additional assistance is not required unless there has been a change in the basic nature of the economic justification or the type of resources to be provided. The PARD face sheet together with a short statement of justification is required for the CP.

3. The PARD should consist of a face sheet (see Appendix 2B) and the following supporting analyses and information:

a. Economic Justification -- This section provides the details of the economic problems addressed in the PAIP. The analysis should indicate the following:

(1) The nature of the economic problems justifying nonproject assistance with statistical data supporting the need for the resources being requested. This should include an analysis of resources being provided by other foreign assistance donors.

(2) To the extent possible, the economic justification should derive from the Development Assistance Program (DAP) for the particular cooperating country. Extensive data and analysis already in the DAP should be summarized and referenced in the PARD. Major departures from conditions and analysis reflected in the DAP should be noted. Other major prior studies and reports, if germane to this PARD, should be referenced and summarized, particularly the economic justification of previous relevant programs.

b. Basic Market Analysis

This section provides the justification for selection of the categories of commodities proposed for AID financing. It should demonstrate that the market conditions and structure are such that financing of the proposed categories of commodities can make the desired contribution to the overall goals of the nonproject assistance activity. It does not have to justify specific quantities or timing.

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However, the basic market analysis should include an analysis of the possible impact of AID's restrictive source requirements on the country's traditional trade patterns.

c. Implementation Practices Analysis

This section should provide a description of local market and cooperating government regulatory and procurement structures. Information should be included on:

- (1) Composition of local import and trading community.
- (2) Import licensing and controls.
- (3) Foreign exchange licensing, allocation systems, and controls.
- (4) Incentives and disincentives with respect to deposit requirements, interest and other charges.
- (5) Customs and port clearance and facilities with particular attention to adequacy of bulk-handling and bagging facilities in the event of AID financing of bulk commodities.
- (6) Customs and port of entry records and accounts (i.e., does the cooperating country provide controls to prevent or minimize diversion of commodities, theft, and other losses?).

4. Special U.S. Interests

A statement of the general character of U.S. interests in the cooperating country and the relation of the proposed activity to U.S. policy objectives.

5. Further Preparations

Missions are to identify resources necessary to prepare the Program Assistance Approval Document (PAAD) as explained in Chapter 3. This involves identification of TDY and/or other expert assistance needed from AID/W and a rough estimate of the period and the timing of such assistance.

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APPENDIX 2A

INSTRUCTIONS ON FILLING OUT THE P A I P FACESHEET

(RESERVED)

PROGRAM ASSISTANCE INITIAL PROPOSAL FACESHEET

(RESERVED)

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APPENDIX 2B

INSTRUCTIONS FOR FILLING OUT THE P A R D FACESHEET

(RESERVED)

PROGRAM ASSISTANCE REVIEW DOCUMENT FACESHEET

(RESERVED)

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CHAPTER 3

APPROVAL AND AUTHORIZATION PROCESS

3A. Introduction

1. The Program Assistance Approval Document (PAAD) is the instrument by which the Administrator or the Geographic Assistant Administrator approves a nonproject assistance activity (i.e., a Commodity Import Program, a Public Law 480 Title I Program, or a Cash Transfer) and authorizes the obligation of funds for implementation.

2. The PAAD is analogous to the Project Paper (PP) which is used in obtaining approval of a project (see Handbook 3). The PAAD consists of a face sheet, accompanied by supporting analyses including a detailed description and justification of the proposed activity. The PAAD brings together in one document the updated and current explanations and the justifications for the nonproject assistance activity previously submitted with the PAIP and the PARD. These documents should be annexed if the descriptions and analyses included in them are still valid at the time of preparation of the PAAD. If the requirement for nonproject assistance arises out of cycle, the PARD is waived, and the PAAD is prepared and supported by the analyses normally required for both the PARD and the PAAD.

3. All AID-financed assistance is subject to the requirements of the Foreign Assistance Act of 1961, as amended, and related legislation. Certain statutory requirements have special pertinence to nonproject assistance. Therefore, it is essential that the PAAD also be accompanied by a checklist of applicable statutory requirements. (See Appendix 3A.)

3B. Preparation of the PAAD

The PAAD consists of a face sheet (see Appendix 3B) and the following supporting sections:

1. General Considerations

In order to answer the key questions underlying the justification of a nonproject assistance activity (e.g., why this amount, why this category of assistance, and why now) an analysis of the balance of payments, budget and other major economic variables is required. The balance of payments analysis examines the primary causes such as fiscal/monetary policies, exchange rates, inflationary pressures, major shifts in external economic relationships, natural disasters, etc., leading to the host country's balance of payments problem. This

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3B1 analysis also outlines the remedial actions proposed, planned, or approved to overcome the disequilibrium. If the assistance is in the form of a loan, the analysis includes impact of the proposed assistance on the country's external debt situation. The analysis must clearly relate proposed assistance to anticipated change in the host country's foreign exchange resources and its budget and investment levels. Analyses and tables supporting these assessments are to be included in the supporting justification. For example, nonproject assistance, deemed necessary to meet a country's balance of payments deficit, is to be related to the amount of anticipated deficit in the applicable time period, to the amount and flow of assistance in the AID pipeline and to the anticipated resource flow to the country from private, bilateral, and international financial institution sources. The discussion also is to relate these analyses and findings to those of consultative groups, the IBRD or other country reviews, particularly noting consistencies and differences in data assumptions and policies. If previous nonproject assistance was provided, an evaluation is to be prepared to show how the resources provided by previous U.S. assistance have helped to achieve stated objectives; e.g., continued or accelerated growth of the economy, overcoming of specific constraints, increase in other donor aid, changes in the country's allocation of resources, etc.

2. Current Market Analysis

a. Pipeline analysis is important if there has been previous non-project assistance. It should cover, in concise fashion the following:

(1) Tabular presentation of disbursement pipeline for prior years, showing by each nonproject activity the undisbursed amount at the beginning of the year, the amount disbursed during the year, and the year-end closing pipeline.

(2) Implementation schedule indicating the anticipated rate of commitments and disbursements for the proposed assistance.

(3) Identification of the factors in the procurement procedures which may adversely affect the proposed rate of disbursement.

b. Trade Statistics

Most recent statistics available on total imports for those general categories of commodities which AID proposes to finance. A breakdown of the source of these imports by United States and all other sources is desired.

3. Balance of Payments Analysis

a. Introduction

An assessment of the balance of payments effects of a proposed allocation of assistance on the host country is an essential part of each PAAD. The

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purpose of this assessment is to show, as clearly as possible, both the nature of the balance of payments problem and the relationship between the disbursement of the proposed aid and the country's net foreign exchange requirements during the disbursement period.

b. Scope of Balance of Payments Assessment

Such an assessment is needed for each nonproject assistance activity. Even when provided in response to a political commitment or to meet a purely internal budgetary requirement, dollar or commodity assistance is, in fact, the provision of external resources or foreign exchange. Examination of the effect of this fact on the country's foreign exchange requirements and availabilities is an important consideration.

(1) In cases where the judgment as to the amount of assistance to be provided is based on considerations other than country's foreign exchange requirements, the assessment may be summary, but it is not to be omitted. At a minimum it specifies the period during which the bulk of the assistance is expected to be disbursed and analyzes any substantial possibility that the assistance will contribute to an increase in the country's reserves during that period. Since it is AID's policy to avoid provision of assistance which will unnecessarily contribute to increased dollar balances abroad, this section should set forth any overriding reasons for giving assistance which is likely to lead to increased reserves.

(2) Where the country's foreign exchange requirements are the basis for AID judgment on the amount of aid to be required, the assessment is as specific as available data permit. Where possible a summary table is given showing estimated imports, exports, and other major components of the country's balance of payments for the recent past and for the future period relevant to the disbursement of the proposed allocation of assistance. Where difficulties are anticipated in complying with AID commodity source policy, this table is broken down by relevant source category; e.g., United States, Europe, other.

c. Relationship of Assistance to Foreign Exchange Requirements

As a rule, dollar or commodity assistance is not provided in excess of the supportable foreign exchange requirements of the cooperating country during the period in which the assistance will be received. While special conditions may arise requiring provision of assistance in an amount that may result in an increase in the country's foreign exchange reserves or may permit an increase in nonessential imports, the decision to provide such assistance must be made in the light of an understanding of these relationships and on the basis of a reasoned decision to proceed, notwithstanding.

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d. Relation to Public Law 480 Programs

An assessment of balance of payments sufficient to assist in a determination by AID that the proposed P.L. 480 assistance will not "displace usual marketings" is also provided for any proposed P.L. 480 assistance. The dollar assistance requirements for countries receiving dollar assistance based on a balance of payments analysis should be net of any P.L. 480 supply, so that no further balance of payments analysis is needed for P.L. 480 programs already included in dollar assistance PAAD's. However, for most P.L. 480 authorizations additional information concerning the production, imports, exports, consumption and stocks of the commodities in question is required in order properly to assess the net requirements for the commodity and to meet the special requirements of the Act. Such analyses are normally prepared for review by the Inter-agency Staff Committee, by the Mission, or by the staff of the Foreign Agricultural Service, USDA. To the extent that these are acceptable to AID staff, they are used in the backup analysis of proposed P.L. 480 agreements.

4. Internal Financial Analysis

a. The flow of imports into an economy has an initial deflationary effect. The supply of goods is increased and because of the collection of payments from the importers by the central bank the actual or potential supply of money for other uses is decreased. This remains true even when the money paid by the importers remains available to the recipient government for reuse with the economy. At the next stage, however, when the central bank releases the sales proceeds or counterpart for expenditure, the effect is inflationary. The supply of money in the economy is then increased without any corresponding increase at that moment in the supply of goods. If managed properly, the two transactions (the import of commodities and the release of sales proceeds) place opposite and roughly equal pressures on the internal monetary situation.

b. The effect of substantial assistance upon the monetary situation in the cooperating country is always of concern to AID. AID assistance is not to be permitted to exacerbate an inflationary (or deflationary) situation. Over the long run, this danger is best avoided by preventing accumulation of large local currency balances. While accumulation of such balances may help the host government dampen immediate inflationary pressures, once such balances are created, temptation mounts to undertake activities the economy cannot afford.

c. This section should indicate whether the economy is expected to be subject to inflationary pressure during the period when proceeds will be available for disbursement and whether the currency should be used for activities already included in the country's budget or for additional activities.

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d. Disposition of Local Currency

Nonproject assistance through its mechanism produces local currency. The disposition of local currency generated by loan funds is fundamentally a matter for decision of the Geographic Bureau.

3C. Post-Approval Actions

After the PAAD has been signed, the Geographic Bureau advises the Mission that the PAAD has been approved and that preparation and negotiation of the Loan/Grant Nonproject Assistance Agreement can proceed. The approved PAAD forms the basis for the drafting and negotiation of the Agreement. Instructions for the preparation of the Agreement are contained in subsequent chapters of this Handbook.

3D. Amendments to Authorizations

As stated above, the signed PAAD is the authorizing document for entering into a Loan or Grant Agreement. Any material deviation from the terms of the PAAD during negotiation or implementation of the Agreement requires prior amendment of the PAAD. AID officials empowered to approve PAAD's may approve amendments with appropriate clearances.

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APPENDIX 3A
AID PROJECT STATUTORY CHECKLIST

Introduction

The statutory checklist is divided into two parts:
3A(1) - Country Checklist; and 3A(2) - Assistance Checklist.

The Country Checklist, composed of items affecting the eligibility for foreign assistance of a country as a whole, is to be reviewed and completed by AID/W at the beginning of each fiscal year. In most cases responsibility for preparation of responses to the Country Checklist is assigned to the desk officers, who would work with the Assistant General Counsel for their region. The responsible officer should ensure that this part of the Checklist is updated periodically. The Checklist should be attached to the first PP of the fiscal year and then referenced in subsequent PPs.

The Assistance Checklist focuses on statutory items that directly concern assistance resources. The Assistance Checklist for FY 1991 includes items previously included under separate "project assistance," "nonproject assistance," and "standard item" checklists. The Assistance Checklist should be reviewed and completed in the field, but information should be requested from Washington whenever necessary. A completed Assistance Checklist should be included with each PP; however, the list should also be reviewed at the time a PID is prepared so that legal issues that bear on project design are identified early.

The Country and Assistance Checklists are organized according to categories of items relating to Development Assistance, the Economic Support Fund, or both.

These Checklists include the applicable statutory criteria from the Foreign Assistance Act of 1961 ("FAA"); various foreign assistance, foreign relations, anti-narcotics and international trade authorization enactments; and the FY 1991 Foreign Assistance Appropriations Act ("FY 1991 Appropriations Act").

These Checklists do not list every statutory provision that might be relevant. For example, they do not include country-specific limitations enacted, usually for a single year, in a foreign assistance appropriations act. Instead, the Checklists are intended to provide a convenient reference for provisions of relatively great importance and general applicability.

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Prior to an actual obligation of funds, Missions are encouraged to review any Checklist completed at an earlier phase in a project or program cycle to determine whether more recently enacted provisions of law included on the most recent Checklist may now apply. Because of the reorganization and consolidation of checklists reflected here, such review may be particularly important this year. Space has been provided at the right of the Checklist questions for responses and notes.

NOTE: The FY 1991 statutory checklists have been fundamentally reorganized. Previous checklists for "countries," "project assistance," "nonproject assistance" and "standard items" have been consolidated into just two checklists: (1) the Country Checklist, which includes items relating to country eligibility; and (2) the Assistance Checklist, which includes issues relating to assistance resources. Each checklist is subdivided according to items applicable to: (A) Development Assistance only, (B) Economic Support Funds only, or (C) both Development Assistance and Economic Support Funds.

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3A(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. **Negative certification (FY 1991 Appropriations Act Sec. 559(b)):** Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

b. **Positive certification (FAA Sec. 481(h)).** (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification),

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that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

c. Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)). (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that

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such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

9. Military Equipment (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

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12. International Terrorism

a. Sanctuary and support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

13. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

16. Military Coup (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

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17. **Refugee Cooperation (FY 1991 Appropriations Act Sec. 539):** Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

18. **Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116):** Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1. **Human Rights Violations (FAA Sec. 116):** Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. **Abortions (FY 1991 Appropriations Act Sec. 535):** Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

1. **Human Rights Violations (FAA Sec. 502B):** Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

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3A(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts (FAA Sec. 601(a)):** Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. **U.S. Private Trade and Investment (FAA Sec. 601(b)):** Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

3. Congressional Notification

a. **General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

b. **Notice of new account obligation (FY 1991 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

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c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for guidelines.)

7. Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

8. Capital Assistance (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

9. Multiple Country Objectives (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

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10. **U.S. Private Trade (FAA Sec. 601(b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

11. **Local Currencies**

a. **Recipient Contributions (FAA Secs. 612(b), 636(h)):** Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

b. **U.S.-Owned Currency (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

c. **Separate Account (FY 1991 Appropriations Act Sec. 575).** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has AID (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of AID and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has AID taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

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12. Trade Restrictions

a. **Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

b. **Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)):** Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

14. PVO Assistance

a. **Auditing and registration (FY 1991 Appropriations Act Sec. 537):** If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of AID, and is the PVO registered with AID?

b. **Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"):** If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

15. **Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)):** Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and AID LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

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16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through AID policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will AID specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

19. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

b. Will any funds be used to lobby for abortion?

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

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b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

22. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. Cargo preference shipping (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

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h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

j. Consulting services (FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through AID policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will AID specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

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c. **Large projects, Congressional approval (FAA Sec. 620(k)):** If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

24. **U.S. Audit Rights (FAA Sec. 301(d)):** If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

25. **Communist Assistance (FAA Sec. 620(h)).** Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

26. **Narcotics**

a. **Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

b. **Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

27. **Expropriation and Land Reform (FAA Sec. 620(g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

28. **Police and Prisons (FAA Sec. 660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

29. **CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities?

30. **Motor Vehicles (FAA Sec. 636(i)):** Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

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31. Military Personnel (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?

32. Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?

33. Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?

34. Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?

35. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

36. Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

37. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any AID contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

38. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any

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testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

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8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

9. **Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):**

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

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11. **Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

12. **Biological Diversity (FAA Sec. 119(g):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **AID Regulation 16:** Does the assistance comply with the environmental procedures set forth in AID Regulation 16?

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest

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clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable AID regulations requiring an environmental impact statement for activities significantly affecting the environment?

14. **Energy (FY 1991 Appropriations Act Sec. 533(c)):** If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

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15. **Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)):** If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

16. **Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

17. **Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

18. **Loans**

a. **Repayment capacity (FAA Sec. 122(b)):** Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. **Long-range plans (FAA Sec. 122(b)):** Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

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c. **Interest rate (FAA Sec. 122(b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States (FAA Sec. 620(d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19. **Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)):**
Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

20. **Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):**

a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

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c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

21. **Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

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f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).)

4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).)

5. Cash Transfer Requirements (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)). If assistance is in the form of a cash transfer:

a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

b. Local currencies: Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has AID entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of AID and that government to monitor and account for deposits and disbursements?

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c. **U.S. Government use of local currencies:** Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?

d. **Congressional notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

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3A(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?
4. FAA Sec. 604(e). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

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6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

9. FY 1990 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

10. FY 1990 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

11. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through AID policy). Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will AID specifications use metric units of measure from the

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earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

12. FAA Secs. 612(b), 636(h); FY 1990 Appropriations Act Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

13. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

14. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

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2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1990 Appropriations Act under heading "Population, DA," and Secs. 525, 535. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion?

b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

c. FAA Sec. 487. To or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? (Section 487 requires the taking of "reasonable steps to ensure that assistance" (under the FAA and the Arms Export Control Act) is not provided in the foregoing cases.)

d. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

e. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

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- f. FAA Sec. 662. For CIA activities?
- g. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
- h. FY 1990 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?
- i. FY 1990 Appropriations Act Sec. 505. To pay U.N. assessments, arranges or dues?
- j. FY 1990 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?
- k. FY 1990 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology?
- l. FY 1990 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?
- m. FY 1990 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?
5. FY 1990 Appropriations Act Sec. 574. Will any AID contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?
6. FY 1990 Appropriations Act Sec. 582. Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

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APPENDIX 3B

PREPARATION OF THE P A A D FACESHEET

1. Form

The PAAD form, AID 1120-1, is a single page document (see Attachment 1) which includes the summary description, clearances, and approval of a proposed nonproject assistance activity.

2. Content

* Block 1. PAAD No.: An identification number is obtained from M/FM/LMD (Loans) or from M/FM/PAD (Grants) and entered into this block by the preparing office. This number is the agreement number for loans. *

Block 2. Country: Name of the cooperating country.

Block 3. Category: For category of Nonproject Assistance, enter one of the following categories discussed in Chapter 6 -- Commodity Financing Procedures for Nonproject Assistance:

(a) "Commodity Financing - Standard Procedure"

(b) "Commodity Financing - Minimum Procedure"

(c) "P.L. 480, Title I Sales for Dollars or Convertible Foreign Currency on Credit Terms"

(d) "Cash Transfer"

The category approved in the PAAD can be changed only by an amendment of the PAAD.

Block 4. Date: Date of preparation of the PAAD.

Block 5. To: The name of the approving officer.

Block 6. OYB Change No.: To be completed only on forms which also require a change in the OYB. (See Handbook 2 - Program Planning and Budgeting.)

Block 7. From: The originating office, normally a Geographic Bureau.

Block 8. OYB Increase: Amount, if any, by which the previously approved OYB program amount for this country must be increased to cover this PAAD. If no increase is needed, write "none."

To be taken from: Name of country, regional reserve, or worldwide reserve, including the Contingency Fund, to receive the program

* Revised

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Block 8 (continued)

reduction corresponding to any OYB increase. This is completed by AA/PPC if a source outside the region is involved.

Block 9. Approval Requested for Commitment of \$_____: Enter the amount which may be obligated under the PAAD after it is approved.

Block 10. Appropriation: Enter the appropriation symbol. A listing of appropriation symbols may be found in HB 18, App. D, Sect. III, Table 1. In addition, enter the Budget Plan Code (BPC) (formerly the allotment symbol) shown on the Budget Allowance Request.

Block 11. Type Funding: Specify type of funding by checking the Loan or Grant box, as appropriate.

Block 12. Local Currency Arrangement: Check the "Formal" box - for P.L. 480, Title I, and for ES financing of commodities through commercial channels or any other cases involving the collection of sales proceeds into special U.S.-owned or country-owned accounts which are available for country use subject to U.S. agreements as to their use.

Check the "Informal" box - for other arrangements involving U.S. participation in the decisions governing the use of the local currency derived from the proposed assistance. The nature of the proposed arrangement is indicated in the description or supporting paper. This arrangement may be supplemented by individual project agreements.

Check the "None" box - to indicate lack of any arrangement relating to this assistance extending beyond the direct-dollar financing. The reasons for choosing to avoid controls on the use of the currency are to be included in the description or supporting paper.

Block 13. Estimated Delivery Period: Specify the period within which the bulk of the commodities may be expected to be delivered or of the cash to be disbursed.

Block 14. Transaction Eligibility Date: Normally same as date in Block 20 below. May be earlier if Geographic Bureau has obtained waiver from the Administrator, or later at option of Geographic Bureau.

Block 15. Commodities Financed: For Commodity Import Programs, indicate proposed commodity categories. For P.L. 480, identify proposed commodities by Schedule B numbers and by value at U.S. export prices.

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Block 16. Permitted Source: If the proposed agreement and implementing documents will place a common restriction on all procurement under the proposed activity, or if it is entirely a Cash Transfer, enter the amount on the appropriate line: U.S. only if procurement is restricted to Geographic Code 000; Limited F.W. if procurement is restricted to Geographic Code 901; Free World if Code 899 procurement is permitted; or a Cash Transfer if direct payment to the cooperating country is involved and no commodity documentation is required.

When a part of the proposed funds is to be used on a less restricted basis than the remainder, the amount of this share should be entered on the appropriate line. The sum of the entries in Block 16 equals the entry in Block 9.

Block 17. Estimated Source: This is an estimate of the amounts of the proposed assistance which will be paid for U.S. and for Non-U.S. goods and services. These entries are for reporting and not for control purposes. The concept for determining nationality of source is found in Handbook 15. Unrestricted payments to foreign or international agencies are considered "off-shore," regardless of the proportion of their dollars spent in the United States.

U.S.

Include (1) all commodities and commodity-related services purchased in the United States or from U.S. flag transportation with financing provided (whether paid to the exporter or demonstrably identified with specific current export transactions), (2) the share of services rendered abroad by U.S. nationals and firms estimated to result in repatriated payment, (3) any procurement by barter, and (4) Advance Commodity Financing.

Industrialized Countries:

Include estimates for authorized procurement in the excluded countries.

Local:

Include Cash Transfers including those to international organizations, and all purchases of local resources with dollars or with local currency charged to dollar accounts.

Other:

Include limited free-world commodity procurement and services and any services rendered in the recipient country by residents of the United States or third countries. The total of the amounts in Block 17 equals the amount in Block 9.

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Block 18. Summary Description: Include in this block the principal terms and conditions provided for in the supporting analysis. The text serves along with the provisions in Blocks 9. through 17. to instruct AID staff in negotiation and conclusion of the Program Assistance Agreement and related implementing documents. Include in this Block:

1. The essential purpose and nature of the activity.
2. Major conditions and quids pro quo expected in return for the assistance.
3. Essential terms, including loan terms, distribution between U.S. and country uses of local currency generated under P.L. 480, Title I, and methods of financing under AID Commodity Import Programs.
- * 4. Planned method and periods of disbursements. If actual dates cannot be provided, the number of days after the signing of the agreement should be agreed upon excluding weekends and normal banking holidays after which a disbursement will be made. This is pertinent for the cash management of cash transfers.

Block 19. Clearances: The authorized official of each clearing office enters his/her signature and the date of clearance. All clearances must be obtained prior to the AA/Geographic Bureau approval action. Clearances by M/FM/LMD (Loans) or M/FM/PAD (Grants) may be obtained in draft. M/FM clearances will be subject to having funds available within the system in order to reserve the amount of the PAAD. *

Block 20. Action: The AID official authorized to approve the proposed PAAD indicates approval or disapproval by checking the appropriate box and entering his/her signature, title, and date of action.

* New and/or Revised Material

This is a draft form. The revised form will be issued when available.

CLASSIFICATION: Att 1 to App 3B, Ch 3, HB 4 (TM 4:11)

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT		1. PAAD NO.		
			2. COUNTRY		
			3. CATEGORY		
			4. DATE		
5. TO:			6. OYB CHANGE NO.		
7. FROM:			8. OYB INCREASE		
9. APPROVAL REQUESTED FOR COMMITMENT OF \$			10. APPROPRIATION - BUDGET PLAN CODE		
11. TYPE FUNDING <input type="checkbox"/> LOAN <input type="checkbox"/> GRANT		12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE		13. ESTIMATED DELIVERY PERIOD	14. TRANSACTION ELIGIBILITY DATE
15. COMMODITIES FINANCED					

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only: _____	U.S.: _____
Limited F.W.: _____	Industrialized Countries: _____
Free World: _____	Local: _____
Cash: _____	Other: _____

18. SUMMARY DESCRIPTION

19. CLEARANCES	DATE	20. ACTION
REG/DP _____	_____	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REG/GC _____	_____	
AA/PPC _____	_____	
M/EM _____	_____	
M/SER/COM _____	_____	
AA/PRE _____	_____	
		AUTHORIZED SIGNATURE _____ DATE _____
		TITLE _____

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CHAPTER 4

OBLIGATION PROCESS

4A. Nonproject Assistance Agreements

1. Introduction

This chapter discusses the nature, purpose, and use of the Commodity Import Agreement (either loan or grant) which is the obligating document for AID Commodity Import Programs. (An illustrative draft of an Agreement, designed for use in providing commodity import grant assistance is attached as Appendix 4A. A substitute preamble and alternate Article I for use in a Commodity Import Agreement for a loan are attached as Appendix 4B.) The Sales Agreement for P.L. 480 Title I Programs is not an obligating document in the fiscal sense.

2. Nature and Purpose of Commodity Import Agreements

a. The Commodity Import Agreement is a bilateral document which obligates AID and the cooperating country, wherein AID agrees to finance certain categories of commodities, subject to prescribed AID rules and regulations, for the purposes of meeting certain specific objectives, such as balance of payments.

b. The Commodity Import Agreement focuses on the nature, purpose, amount, and major conditions of the assistance provided. It must be concise and suitable in form for execution by the Mission Director and a corresponding cooperating country official, with technical details covered in annexes or implementing documents.

c. The primary purpose of the Commodity Import Agreement is to record the basic substantive decisions reached by the two governments in connection with the provision of the agreed assistance. The Agreement is authorized by and gives effect to the related Program Assistance Approval Document (PAAD). The Agreement may refer only to that part of the tentatively planned program which is to be initially committed at this time, or it may cover the whole amount of assistance contemplated. It may be an "umbrella" agreement covering, in general terms, the anticipated program for a longer period but obligating only a stipulated portion, subject to subsequent amendments or agreements to increase the initial amount. Implementing documents covering the amount obligated in the Agreement should ordinarily be ready for issuance concurrently with or soon after the signing of the Agreement.

d. Commodity Import Agreements are essentially similar for grants and loans except that the latter include repayment provisions.

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3. Contents of Commodity Import Agreements

The Commodity Import Agreement should include the following basic provisions, in accordance with the terms of the authorizing PAAD:

a. A statement of the amount and nature of the assistance to be furnished by AID, including (1) language prescribing which categories of commodities are eligible for financing and (2) authorized source for procurement of commodities and related services.

b. Statement of conditions precedent to the issuance of Disbursing Authorizations under the Agreement. These conditions may relate not only to such procedural acts as submission of a legal opinion that the Agreement is duly authorized and executed, and evidence of the authority of representatives, etc., but also to such substantive actions as required governmental self-help measures relating to the overall country economy.

c. Terminal dates for compliance with conditions precedent. The function of a terminal date for compliance with conditions precedent is to provide AID an opportunity to exercise the option of reexamining its positions vis-a-vis the loan or grant, if the conditions have not been met by the prescribed date.

d. Statement of the applicable commodity financing procedures and conditions governing the procurement of commodities. For instance, if Standard Commodity Financing procedures utilizing AID Regulation 1 are to be applied, the Agreement is to stipulate that AID Regulation 1 will be applicable, and incorporate it by reference. Alternatively, the Agreement may stipulate that the Commodity Procurement Instruction (CPI) will spell out the procedures governing procurement. Thus, the CPI may incorporate AID Regulation 1 by reference, or state what parts of it are applicable, or state those special provisions governing the procurement of commodities or commodity-related services which are to apply in lieu of AID Regulation 1 or portions thereof.

e. A statement of the borrower's/grantee's obligation for the effective use of commodities financed under the Agreement.

f. Statement indicating the minimum dollar amount per transaction which may be submitted in substantiation of claims for AID financing.

g. Statement of the method of financing (L/COM, etc.) to be used,

h. A statement of limitations (e.g., the eligibility date and terminal disbursement date) on the time period during which funds

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under the Agreement will be available to finance commodity transactions. Any extension of an Agreement's terminal disbursement date should be accomplished before the date has passed.

i. A terminal date for issuance of, and disbursement under, disbursing authorizations. The terminal date of a disbursing authorization may coincide with, but usually precedes, the terminal disbursement date of the Agreement. It may never be later than that date.

j. Where applicable, clauses concerning the deposit of local currency generated as a result of the assistance and, as necessary, the use of such currency.

k. Statement concerning the responsibilities of the borrower/grantee (1) to maintain for a specified period of time, records adequate to document the arrival and disposition of commodities financed by AID; (2) to identify the importer (or first purchaser or transferee if the commodity is imported by borrower/grantee); (3) to permit AID or its authorized representatives to inspect the commodities at any point, including the point of use, and to inspect all records and documents pertaining to such commodities.

l. Description of remedies and rights; e.g., termination clauses, refund rights if not covered by AID Regulation 1, nonavailability of refunds for automatic reprogramming.

4. Preparation and Negotiation of Commodity Import Agreements

a. The PAAD provides necessary substantive guidance for the negotiation and preparation of the related Commodity Import Agreement. A draft agreement may be attached to the PAAD. A copy of the PAAD, or a telegraphic summary, is sent to the Mission when the Mission is authorized to negotiate and execute the agreement, supplemented, as necessary, by further negotiating instructions.

b. The PAAD indicates whether responsibility for preparation of the agreement is assigned to the AID/W Geographic Bureau or to the Mission. In latter event, specific language, particularly with respect to loan conditions, may be provided by AID/W for inclusion in the agreement.

c. Responsibility for the negotiation and execution of the Commodity Import Agreement, is normally assigned to the Mission Director. When the agreement is to be executed in the United States, the Geographic Assistant Administrator assumes this responsibility.

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5. Cash Transfer Agreements

a. In those cases where problems of timing, trade pattern, or political relationship preclude any form of commodity financing and necessitate a cash transfer, firm agreement on the purpose and conditions of assistance is at least as important as in the case of AID Commodity Import Program Assistance.

b. The following points are to be included in agreements for Cash Transfers:

(1) Covenants for performance of agreed cooperating country undertakings.

(2) The amount, nature, and agreed timing of the assistance to be provided.

(3) The use to be made of local currencies generated as a result of the cash transfer.

(4) If the cash transfer agreement is to require the deposit of counterpart or the transfer to the U.S. of local currency, the agreement must include this requirement and should state in appropriate detail how the requirement is to be carried out; e.g., when and how the local currency is to be made available, the method for its release, rate of exchange, etc.

6. P.L. 480 Title I Sales Agreements

Guidelines for the preparation and negotiation of P.L. 480 Title I Agreements are set forth in Chapter 8 of this Handbook.

4B. Funding Approval

1. Program Assistance Agreement Abstract

Immediately upon signature of a Commodity Import Agreement for a Commodity Import Program or a Cash Transfer, the Geographic Bureau prepares a Program Assistance Agreement Abstract. This document highlights essential fiscal data for each Agreement (commodity or cash transfer) and amendments thereto. The abstract is an internal AID document with limited distribution within AID. Its primary use is as an input document for Data Management purposes. However, this document is also used as the basis for recording obligations in the official accounting records of AID/W and will serve to support such entries until the conformed copies of the Agreement and other documents are distributed. Therefore, it is essential that the data entered on the abstract be accurate; that the abstract be authorized by the

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Geographic Assistant Administrator; that it be cleared by the Office of the General Counsel for the purpose of indicating the status of the agreement concerned with respect to validity under Section 1311 of the Supplemental Appropriation Act of 1955. (A copy of form AID 1120-2, Program Assistance Agreement Abstract, and instructions for its completion are attached as Appendix 4C.)

2. Allotment of Funds

(See Chapter 4 of Handbook 19.)

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APPENDIX 4A

COMMODITY IMPORT GRANT AGREEMENT

Grant Number

Dated _____, 19__

Between

[insert name of country] ("Grantee")

and

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

Article 1: The Grant

To finance the foreign exchange costs of certain commodities and commodity-related services ("Eligible Items") necessary to promote [_____] , the United States, pursuant to the Foreign Assistance Act of 1961, as amended [and in furtherance of the Alliance for Progress], agrees to grant the Government of [insert name of country] under the terms of this Agreement, not to exceed _____ United States dollars (\$_____) ("Grant").

Article 2: Conditions Precedent to Disbursement

Section 2.1. Conditions Precedent. 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) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/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;

(b) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee pursuant to Section 7.2, together with a specimen signature of each person certified as to its authenticity.

[(c) A procurement plan including the procedures by which all procurement financed under this Grant will be carried out, the criteria and procedures for determining importer eligibility, and the mechanism for publicizing procurement and making awards.]



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Article 2 (Continued)

Section 2.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 2.1 have been met, it will promptly notify the Grantee.

Section 2.3. Terminal Date for Conditions Precedent. If all the conditions specified in Section 2.1 have not been met within _____ days from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 3: Procurement, Eligibility, and Utilization of Commodities

Section 3.1. A.I.D. Regulation 1. This Grant and the procurement and utilization of commodities and commodity-related services financed under it are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as A.I.D. may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

Section 3.2. Eligible Items. The commodities eligible for financing under this Grant shall be those mutually agreed upon by the Parties and specified in the Implementation Letters issued to Grantee in accordance with Section 7.1 of this Agreement. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Grant. Eligible Items will be subject to the requirements and Special Provisions of Parts I, II, and III of the A.I.D. Commodity Eligibility Listing which will be transmitted with the first Implementation Letter. Other commodities or services shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purposes of the Grant or of the Foreign Assistance Act of 1961, as amended.

Section 3.3. Procurement Source. All Eligible Items shall have their source and origin in [the United States of America (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such Eligible Items)] except as A.I.D. may specify in Implementation Letters or as it may otherwise agree in writing.

Section 3.4. Eligibility Date. No commodities or commodity-related services may be financed under this Grant if they were procured pursuant to orders or to contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 3.5. Procurement for Public Sector. With respect to procurement under this Grant by or for Grantee, its departments and instrumentalities, the provisions of Section 201.22 of A.I.D. Regulation 1 regarding formal competitive bid procedures will apply unless A.I.D. otherwise agrees in writing.

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Article 3 (Continued)

Section 3.6. Special Procurement Rules

(a) None of the proceeds of this Grant may be used to finance the purchase, sale, long-term lease, exchange or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States, except as A.I.D. may otherwise agree in writing.

(b) 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.

(c) All international air shipments financed under this Grant will be on carriers holding U.S. certification to perform the service, unless shipment would, in the judgment of the Grantee, be delayed an unreasonable time awaiting a U.S.-flag carrier either at point of origin or transshipment. The Grantee must certify to the facts in the vouchers or other documents retained as part of the Grant records.

Section 3.7. Financing Physical Facilities. Not more than \$ _____ from the proceeds of this Grant shall be used for the purchase of commodities or commodity-related services for use in the construction, expansion, equipping, or alteration of any physical facility or related physical facilities without prior A.I.D. approval, additional to the approvals required by A.I.D. Regulation 1, except as A.I.D. may otherwise agree in writing. "Related physical facilities" shall mean those facilities which, taking into account such factors as functional interdependence, geographic proximity, and ownership, constitute a single enterprise in the judgment of A.I.D.

Section 3.8. Utilization of Commodities

(a) Grantee will assure that commodities financed under this Grant will be effectively used for the purposes for which the assistance is made available. To this end, the Grantee will use its best efforts to assure that the following procedures are followed:

(i) accurate arrival and clearance records are maintained by customs authorities; commodity imports are promptly processed through customs at ports or entry; such commodities are removed from customs and/or bonded warehouses within ninety (90) calendar days from the date the commodities are unloaded from the vessel at the port of entry, unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing; and

(ii) the commodities are consumed or used by the importer not later than one (1) year from the date the commodities are removed from customs, unless a longer period can be justified to the satisfaction of A.I.D. by reason of force majeure or special market conditions or other circumstances.

(b) Grantee will assure that commodities financed under this Grant will not be reexported in the same or substantially the same form, unless specifically authorized by A.I.D.

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Article 3 (Continued)

[Section 3.9. Shipping

(a) Commodities which are to be transported to the territory of the Grantee may not be financed under this Grant if transported either: (1) on an ocean vessel or aircraft under flag registry of a country which is not included in A.I.D. Geographic Code 935 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) Unless otherwise authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of a country included in the Geographic Code authorized in Section 3.3 of the Agreement, except that when Code 941 is authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of the United States and the cooperating country. When Code 941 is authorized and there is a general unavailability of cooperating country flag aircraft or ocean vessels, A.I.D. will specifically authorize in Implementation Letters the financing of transportation costs incurred on aircraft or ocean vessels of any country included in Code 941.

(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 [name of country] 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 cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.]

[Section 3.10. Insurance

(a) Marine insurance on commodities financed by A.I.D. under this Grant may also be financed under this Grant provided that such insurance is placed in a country included in the Geographic Code authorized in Section 3.3 of this Agreement, or if Geographic Code 941 is authorized, also in the Grantee country, in accordance with the applicable provisions of A.I.D. Regulation 1, Subparts B and C.]

Article 4: Disbursement

Section 4.1. Letters of Commitment to Banks. After satisfaction of the conditions precedent, the Grantee may obtain disbursements of funds under this Grant by submitting Financing Requests to A.I.D. for the issuance of letters

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Article 4, Sec. 4.1. (Continued)

of commitment for specified amounts to one or more banking institutions in the United States designated by Grantee and satisfactory to A.I.D. Such letters will commit A.I.D. to reimburse the bank or banks on behalf of the Grantee for payments made by the banks to suppliers or contractors, under letters of credit or otherwise, pursuant to such documentation requirements as A.I.D. may prescribe. Banking charges incurred in connection with letters of commitment and disbursements shall be for the account of Grantee and may be financed by this Grant.

Section 4.2. Other Forms of Disbursement Authorizations. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 4.3. Terminal Date for Requests for Disbursement Authorizations. No letter of commitment or other disbursement authorization will be issued in response to a request received after twelve (12) months from the date of signing of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 4.4. Terminal Date for Requests for Disbursement. No disbursement of Grant funds shall be made against documentation submitted after eighteen (18) months from the date of signing of this Agreement, except as A.I.D. may otherwise agree in writing.

Article 5: General Covenants

Section 5.1. Use of Local Currency. Grantee will establish a Special Account in the [name of bank] and deposit therein currency of the Government of [name of country] in amounts equal to proceeds accruing to the Grantee or any authorized agency thereof as a result of the sale or importation of the Eligible Items. Funds in the Special Account may be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee at the time this Agreement is signed, provided that such portion of the funds in the Special Account as may be designated by A.I.D. shall be made available to A.I.D. to meet the requirements of the United States.

Section 5.2. Taxation. This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in [name of country].

Section 5.3. Reports and Records. In addition to the requirements in A.I.D. Regulation 1, the Grantee will:

(a) furnish A.I.D. such reports and information relating to the goods and services financed by this Grant and the performance of Grantee's obligations under 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, such books and records relating to this Grant as may be prescribed in

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Article 5, Sec. 5.3. (b) (Continued)

Implementation Letters. Such books and records may be inspected by A.I.D. or any of its authorized representatives at all times as A.I.D. may reasonably require, and shall be maintained for three years after the date of last disbursement by A.I.D. under this Grant.

(c) permit A.I.D. or any of its authorized representatives at all reasonable times during the three-year period to inspect the commodities financed under this Grant at any point, including the point of use.

Section 5.4. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused 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 Grant and the discharge of responsibilities under this Agreement; and

(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 Grant or the discharge of responsibilities under this Agreement.

Section 5.5. 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 5.6. Minimum Size of Transactions. No foreign exchange allocation or letter of credit issued pursuant to this Agreement shall be in an amount less than Five Thousand Dollars (\$5,000), except as A.I.D. may otherwise agree in writing.

Article 6: Termination; Remedies

Section 6.1. Termination. This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice.

Section 6.2. Suspension. If at any time:

(a) Grantee shall fail to comply with any provision of this Agreement; or

(b) Any representation or warranty made by or on behalf of Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

(c) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of the Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or

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Article 6, Sec. 6.2. (Continued)

(d) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(e) A default shall have occurred under any other agreement between Grantee or any of its agencies and the Government of the United States or any of its agencies;

Then, in addition to remedies provided in A.I.D. Regulation 1, A.I.D. may:

(1) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through irrevocable commitments to third parties or otherwise, or to the extent that A.I.D. has not made direct reimbursement to the Grantee thereunder, giving prompt notice to Grantee thereafter;

(2) decline to issue additional commitment documents or to make disbursements other than under existing ones; and

(3) at A.I.D.'s expense, direct that title to goods financed under the Grant be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded in ports of entry of [name of country].

Section 6.3. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section 6.2, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Grant that is not then disbursed or irrevocably committed to third parties.

Section 6.4. Refunds.

(a) In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, if A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement, or is in violation of United States law, or is not made or used in accordance with the terms of this Agreement, A.I.D. 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 request therefor. Refunds paid by the Grantee to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement and shall be available for reuse under the Agreement if authorized by A.I.D. in writing.

(b) The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

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Article 6 (Continued)

Section 6.5. Nonwaiver of Remedies. No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

Article 7: Miscellaneous

Section 7.1. Implementation Letters. From time to time, for the information and guidance of both parties, A.I.D. will issue Implementation Letters describing the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, Implementation Letters will not be used to amend or modify the text of this Agreement.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of _____ and A.I.D. will be represented by the individual holding or acting in the office of _____, each of whom, by written notice, may designate additional representatives. 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 7.3. 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 address:

To the Grantee:

Mail Address:

Alternate address for cables:

To A.I.D.:

Mail Address:

Alternate address for cables:

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Article 7, Sec. 7.3. (Continued)

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

[Section 7.4. Language of Agreement. This Agreement is prepared in both English and [French, Spanish, etc.]. In the event of ambiguity or conflict between the two versions, the English language version will control.]

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.

[Name of Country or Grantee]

BY: _____

TITLE: _____

UNITED STATES OF AMERICA

BY: _____

TITLE: _____

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APPENDIX 4B

COMMODITY IMPORT LOAN AGREEMENT

Loan Number

Dated _____, 19__

Between

[insert name of country] ("Borrower")

and

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

Article 1: The Loan

To finance the foreign exchange costs of certain commodities and commodity-related services ("Eligible Items") necessary to promote [] the United States, pursuant to the Foreign Assistance Act of 1961, as amended, [and in furtherance of the Alliance for Progress] agrees to lend the Government of [insert name of country] under the terms of this Agreement, not to exceed _____ United States dollars (\$_____) ("Loan"). The aggregate amount of disbursements under this Loan is referred to as "Principal."

Article 2: Loan Terms

Section 2.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 5.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

Section 2.2. Repayment. The Borrower will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

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Article 2 (Continued)

Section 2.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in United States dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

Section 2.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

Section 2.5. Renegotiation of Terms.

(a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of [name of country], which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 8.3., and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 8.3, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under Subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's [title of Minister] in [name of country].

Section 2.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 3: Conditions Precedent to Disbursement

Section 3.1. Conditions Precedent. Prior to the first disbursement under this Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

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Article 3, Sec. 3.1. (Continued)

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Borrower pursuant to Section 8.2., together with a specimen signature of each person certified as to its authenticity.

[(c) A procurement plan including the procedures by which all procurement financed under this Loan will be carried out, the criteria and procedures for determining importer eligibility, and the mechanism for publicizing procurement and making awards.]

Section 3.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 3.1 have been met, it will promptly notify the Borrower.

Section 3.3. Terminal Date for Conditions Precedent. If all the conditions specified in Section 3.1 have not been met within _____ days from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

Article 4: Procurement, Eligibility, and Utilization of Commodities

Section 4.1. A.I.D. Regulation 1. This Loan and the procurement and utilization of commodities and commodity-related services financed under it are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as A.I.D. may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

Section 4.2. Eligible Items. The commodities eligible for financing under this Loan shall be those mutually agreed upon by the Parties and specified in the Implementation Letters issued to Borrower in accordance with Section 8.1 of this Agreement. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Loan. Eligible Items will be subject to the requirements and Special Provisions of Parts I, II, and III of the A.I.D. Commodity Eligibility Listing which will be transmitted with the first Implementation Letter. Other commodities or services shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purposes of the Loan or of the Foreign Assistance Act of 1961, as amended.

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Article 4 (Continued)

Section 4.3. Procurement Source. All Eligible Items shall have their source and origin in [the "Selected Free World" (Code 94) of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such Eligible Items)] except as A.I.D. may specify in Implementation Letters or as it may otherwise agree in writing.

Section 4.4. Eligibility Date. No commodities or commodity-related services may be financed under the Loan if they were procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 4.5. Procurement for Public Sector. With respect to procurement under this Loan by or for Borrower, its departments and instrumentalities, the provisions of Section 201.22 of A.I.D. Regulation 1 regarding formal competitive bid procedures will apply unless A.I.D. otherwise agrees in writing.

Section 4.6. Special Procurement Rules.

(a) None of the proceeds of this Loan may be used to finance the purchase, sale, long-term lease, exchange or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States, except as A.I.D. may otherwise agree in writing.

(b) 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.

Section 4.7. Financing Physical Facilities. Not more than \$ _____ from the proceeds of this Loan shall be used for the purchase of commodities or commodity-related services for use in the construction, expansion, equipping, or alteration of a physical facility or related physical facilities without prior A.I.D. approval, additional to the approvals required by A.I.D. Regulation 1, except as A.I.D. may otherwise agree in writing. "Related physical facilities" shall mean those facilities which, taking into account such factors as functional interdependence, geographic proximity, and ownership, constitute a single enterprise in the judgment of A.I.D.

Section 4.8. Utilization of Commodities.

(a) Borrower will assure that commodities financed under this Loan will be effectively used for the purposes for which the assistance is made available. To this end, the Borrower will use its best efforts to assure that the following procedures are followed:

(i) accurate arrival and clearance records are maintained by customs authorities; commodity imports are promptly processed through customs at ports of entry; such commodities are removed from customs and/or bonded warehouses within ninety (90) calendar days from the date the commodities are unloaded from the vessel at port of entry, unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing; and

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Article 4, Sec. 4.8. (a) (Continued)

(ii) the commodities are consumed or used by the importer not later than one (1) year from the date the commodities are removed from customs, unless a longer period can be justified to the satisfaction of A.I.D. by reason of force majeure or special market conditions or other circumstances.

(b) Borrower will assure that commodities financed under this Loan will not be reexported in the same or substantially the same form, unless specifically authorized by A.I.D.

[Section 4.9. Shipping.

(a) Commodities which are to be transported to the territory of the Borrower may not be financed under this Loan if transported either: (1) on an ocean vessel or aircraft under flag registry of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Borrower has designated as ineligible, or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Unless otherwise authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of a country included in the Geographic Code authorized in Section 4.3 of the Agreement, except that when Code 941 is authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of the United States and the cooperating country. When Code 941 is authorized and there is a general unavailability of cooperating country flag aircraft or ocean vessels, A.I.D. will specifically authorize in Implementation Letters the financing of transportation costs incurred on aircraft or ocean vessels of any country included in Code 941.

(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 [name of country] 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 cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.]

[Section 4.10. Insurance.

(a) Marine insurance on commodities financed by A.I.D. under this Loan may also be financed under this Loan provided that such insurance is placed in a country included in the Geographic Code authorized in Section 4.3

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Article 4, Sec. 4.10.(a) (Continued)

of this Agreement, or if Geographic Code 941 is authorized, also in the Borrower country, in accordance with the applicable provisions of A.I.D. Regulation 1, Subparts B and C.]

Article 5: Disbursement

Section 5.1. Letters of Commitment to Banks. After satisfaction of the conditions precedent, Borrower may obtain disbursements of funds under this Loan by submitting Financing Requests to A.I.D. for the issuance of letters of commitment for specified amounts to one or more banking institutions in the United States designated by Borrower and satisfactory to A.I.D. Such letters will commit A.I.D. to reimburse the bank or banks on behalf of the Borrower for payments made by them to suppliers or contractors, under letters of credit or otherwise, pursuant to such documentation requirements as A.I.D. may prescribe. Banking charges incurred in connection with letters of commitment and disbursements shall be for the account of Borrower and may be financed by this Loan.

Section 5.2. Other Forms of Disbursement Authorizations. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

Section 5.3. Terminal Date for Requests for Disbursement Authorizations. No letter of commitment or other disbursement authorization will be issued in response to a request received after twelve (12) months from the date of signing of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 5.4. Terminal Date for Requests for Disbursement. No disbursement of Loan funds shall be made against documentation submitted after eighteen (18) months from the date of signing of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 5.5. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a letter of commitment or other form of disbursement authorization.

Article 6. General Covenants

Section 6.1. Taxation. This Agreement and the Loan will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in [name of country].

Section 6.2. Reports and Records. In addition to the requirements in A.I.D. Regulation 1, the Borrower will:

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Article 6, Sec. 6.2. (Continued)

(a) furnish A.I.D. such reports and information relating to the goods and services financed by this Loan and the performance of Borrower's obligations under 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, such books and records relating to this Loan as may be prescribed in Implementation Letters. Such books and records may be inspected by A.I.D. or any of its authorized representatives at all times as A.I.D. may reasonably require, and shall be maintained for three years after the date of last disbursement by A.I.D. under this Loan.

(c) permit A.I.D. or any of its authorized representatives at all reasonable times during the three-year period to inspect the commodities financed under this Loan at any point, including the point of use.

Section 6.3. Completeness of Information. The Borrower confirms:

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

(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 Loan or the discharge of responsibilities under this Agreement.

Section 6.4. Other Payments. Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan, except fees, taxes, or similar payments legally established in the country of the Borrower.

Section 6.5. Minimum Size of Transactions. No foreign exchange allocation or letter of credit issued pursuant to this Agreement shall be in an amount less than Five Thousand Dollars (\$5,000), except as A.I.D. may otherwise agree in writing.

Article 7: Termination; Remedies

Section 7.1. Cancellation by Borrower. The Borrower may, by giving A.I.D. 30 days written notice, cancel any part of the Loan which has not been disbursed or committed for disbursement to third parties.

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Article 7 (Continued)

Section 7.2. Events of Default; Acceleration. It will be an "Event of Default" if Borrower shall have failed:

(a) to pay when due any interest or installment of Principal required under this Agreement, or

(b) to comply with any other provision of this Agreement, or

(c) to pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies.

If an Event of Default shall have occurred, then A.I.D. may give the Borrower notice that all or any part of the unrepaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

(1) such unrepaid Principal and accrued interest hereunder will be due and payable immediately, and

(2) the amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

Section 7.3. Suspension. If at any time:

(a) An Event of Default has occurred; or

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or

(c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(d) The Borrower shall have failed to pay when due any interest, installment of Principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

Then, in addition to remedies provided in A.I.D. Regulation 1, A.I.D. may:

(1) suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Borrower;

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Article 7, Sec. 7.3.(d) (Continued)

(2) decline to issue additional commitment documents or to make disbursements other than under existing ones; and

(3) at A.I.D.'s expense, direct that title to goods financed under the Loan be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded in ports of entry of Borrower's country. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

Section 7.4. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section 7.3., the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed or irrevocably committed to third parties.

Section 7.5. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

Section 7.6. Refunds.

(a) In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, if A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement, or is in violation of United States law, or is not made or used in accordance with the terms of this Agreement, A.I.D. may require the Borrower to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty (60) days after receipt of request therefor. Refunds paid by the Borrower to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement and shall be available for reuse under the Agreement if authorized by A.I.D. in writing. Any refund which reduces the amount of A.I.D. assistance hereunder will be applied to the installments of Principal in the inverse order of their maturity.

(b) The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

Section 7.7. Nonwaiver of Remedies. No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

Article 8: Miscellaneous

Section 8.1. Implementation Letters. From time to time, for the information and guidance of both parties, A.I.D. will issue Implementation Letters

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Article 8, Sec. 8.1. (Continued)

describing the procedures applicable to the implementation of this Agreement. Except as permitted by particular provisions of this Agreement, Implementation Letters will not be used to amend or modify the text of this Agreement.

Section 8.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of _____ and A.I.D. will be represented by the individual holding or acting in the office of _____, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Borrower, 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. 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 address:

To the Borrower:

Mail Address:

Alternate address for cables:

To A.I.D.:

Mail Address:

Alternate address for cables:

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

[Section 8.4. Language of Agreement. This Agreement is prepared in both English and [French, Spanish, etc.]. In the event of ambiguity or conflict between the two versions, the English language version will control.]

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Article 8, Sec. 8.4. (Continued)

IN WITNESS WHEREOF, the Borrower 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.

[Name of Country or Borrower]

BY: _____

TITLE: _____

UNITED STATES OF AMERICA

BY: _____

TITLE: _____



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APPENDIX 4C

GUIDANCE NOTES FOR PREPARING COMMODITY IMPORT GRANT

AND LOAN AGREEMENTS

This guidance is keyed to the model Commodity Grant Agreement and its twin Commodity Loan Agreement in Appendices 4A and 4B to Chapter 4. Since the Agreements are almost completely parallel, only one section reference is given; where the Agreements diverge, the section number in the Grant Agreement is referred to first, followed by the section number in the Loan Agreement.

In the model Agreement formats, square brackets [] are used to indicate that a drafting decision of some sort (e.g., include, exclude, or modify) is needed.

The terms "Grantee" or "Borrower" used throughout the model Agreement may be substituted with any appropriate term such as "Government" or the Government's full name or initials.

These Agreements are not intended to be used for other types of nonproject assistance, such as cash transfers, P.L. 480 sales or sector assistance, which are prepared under separate instructions.

Notes:

Article 1: Insert in the first set of square brackets "the economic development of [name of country]" if Development Assistance funds are used and "the economic and political stability of [name of country]" if SA funds are used. The material in square brackets related to the Alliance for Progress should be used only where appropriate. After "pursuant to...Act of 1961, as amended," there may be added, if desired, reference to the economic assistance bilateral.

Loan Secs. 2.1, 2.2: These are the present basic development lending interest and repayment provisions. Other interest or repayment terms will be substituted, if required by the authorization.

Loan Sec. 2.5: This renegotiation clause was approved by A/AID after a review of the subject in depth. Proposed changes from this language would be reviewed at that level.

For Alliance Loans, Sec. 2.5(a) may commence: "In the light of the undertakings of the United States of America and of the other signatories of the Act of Bogota and the Charter of Punta del Este to forge an Alliance for Progress," and conclude: "taking into consideration the relative capital requirements of [name of country] and the other signatories of the Act of Bogota and the Charter of Punta del Este."

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Article 2/3: Conditions precedent will need to be adapted to fit the needs of the particular program. In both loans and grants, CP's help assure that funds will not be spent until they are well spent. In loans, procedural CP's, such as a legal opinion and identification of authorized representatives serve the added purpose of helping to assure that the funds will be repaid, by tending to preclude later arguments about legality or authority. Since the country makes commitments even in a grant agreement, procedural CP's are useful in that they help to assure that the person and entity representing the host government has the authority to bind the government to the commitments made in the Agreement, and to fulfill them. In addition to the procedural conditions precedent, other conditions relating to substantive actions such as required governmental self-help measures relating to the overall country economy may be added.

Reference in the conditions precedent sections to "documentation pursuant to which disbursement will be made" is intended to include the range of procedures A.I.D. has to authorize disbursements: Letters of Commitment, Letters of Credit, Direct Reimbursement Approvals, etc. If desired, this may be made explicit in the Agreement, as by saying "... documentation (such as Letters of Commitment) pursuant to which disbursement will be made..." etc.

Section 2.1(a)/3.1(a): Where the position of the appropriate legal officer is known, this should be stated; e.g., "an opinion of the Attorney General of" the B/G.

Section 3.2/4.2: Commodity Eligibility may be limited to certain commodity categories specified in this Agreement or in implementing documents when this is considered appropriate for the particular development objective. Section III of the A.I.D. Commodity Eligibility Listing prescribes "Special Provisions" which govern eligibility of some commodity transactions for financing by A.I.D., such as the submission by the supplier of documents which attest to results of analyses of inspections and/or compliance with quality requirements. Any special provisions should be incorporated as requirements in the implementing documents.

Section 3.3/4.3: The U.S. Code 000 is the normal code for SA loans and grants, other than grants to the least developed countries, but if the authorization sets other limits (such as Code 910) this must be reflected. Code 941 is the normal code designated for Development Assistance loans and grants to the least developed countries, but if the authorization sets other limits (such as Code 000) this must be indicated.

Section 3.5/4.5: Procurement by private importers will be subject to the negotiated procurement procedures of Section 201.23 of A.I.D. Regulation 1 unless the implementing document requires, or the importer elects procurement through the formal competitive procedures of Section 201.22.

Sections 3.9 and 3.10/4.9 and 4.10: These sections are optional. Both of these provisions are covered within the all-inclusive Section 3.1/4.1 which provides that the Grant or Loan is subject to the terms and conditions of A.I.D. Regulation 1. These sections may be included in the Agreement if the drafter feels it is desirable to bring them to the Grantee's/Borrower's attention.

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Article 2/3 (Continued)

Section 3.10/4.10: Normally A.I.D. does not require that commodities financed under nonproject assistance be insured; the importer decides whether to secure marine insurance and whether to seek A.I.D. financing of such insurance. If A.I.D. requires that commodities be insured, such a requirement should be included in this section.

Section 4.2/5.2: Other forms of disbursement authorizations include Direct Letters of Commitment to Suppliers, Procurement Authorization and Purchase Requisitions, Direct Reimbursement Authorizations, etc.

Section 5.1: A Special Account is required only for Grants funded from Security Supporting Assistance.

Section 5.3/6.2: This three-year record retention period replaces the former five-year period. Three years is the period called for by statute for direct, U.S. Government negotiated contracts (41 USC 254(c)), it is the A.I.D. Procurement Regulation (AIDPR) standard, it is in existing ProAg forms, and it is the period of time for which the IRS can call on a typical U.S. taxpayer to supply income tax records.

Section 5.6/6.5: The standard minimum value for each A.I.D.-financed transaction is \$5,000. However, based on the size and nature of the nonproject assistance and other relevant circumstances, the minimum level should be increased to \$10,000 when feasible.

Section 7.2/8.2: The representative for A.I.D. would normally be the Mission Director or equivalent officer. The B/G may prefer to designate as its representative an official with direct interest in and responsibility for the commodity procurement (e.g., the Minister of Agriculture), rather than an official with a more general responsibility (e.g., the Minister of Finance).

Section 7.3/8.3: If the address of the USAID Mission is used as the mailing address, the last sentence will be deleted. (This must be adapted, of course, to local needs - an obvious case being where the local A.I.D. office is not a Mission.)

Section 7.4/8.4: This provision, which establishes the English version as the controlling text, is inserted whenever the Agreement will be executed in another language as well as English. If a translation is furnished to the other party as a courtesy, but is not executed, this clause is not appropriate in the Agreement, although it may be desirable to make a notation on the courtesy text to the effect that the executed English-language Agreement is definitive for purposes of interpretation.

AID 1120-2 (8-66)

**PROGRAM ASSISTANCE
AGREEMENT ABSTRACT**

ROUTE TO:

SER/FM LD (Loans)
 SER/FM RSD (Grants)

Original Abstract or

Revision No. _____

① Loan
 Grant No. _____ (9)

② DATE AGREEMENT SIGNED (MO., DAY, YEAR) _____ (6)

③ 1 Original Agreement
2 Amendment No. _____ (2)

DATE THIS AMENDMENT SIGNED (MO., DAY, YEAR) _____ (6)

④ APPROPRIATION SYMBOL CODE
1 _____ 2 _____
(3) (3)

④a TRANSACTION ELIGIBILITY DATE (MO., DAY, YEAR) _____ (6)

	PREVIOUS VALUE	INCREASE	DECREASE	NEW TOTAL TO DATE
⑤ 1 <input type="checkbox"/> Obligation				
2 <input type="checkbox"/> Partial Obligation				
3 <input type="checkbox"/> Non-Obligating				
	(11)	(11)	(11)	(11)

⑥ NAME OF BORROWER GRANTEE _____ (30)

⑦ ADDRESS OF BORROWER/GRAZTEE _____ (40)

THIS SECTION FOR LOANS ONLY

⑧ Repayment Schedule - Principal 1 Semi-Annual 2 Annual

⑨ Repayment Schedule - Interest 1 Semi-Annual 2 Annual

⑩ Interest Computation Basis 1 360 Days 2 365 Days

⑪ Category of Repayments 1 Equal 2 Level 3 Sum of Digits 4 Other

⑫ Rate of Exchange at Agreement _____ (3) _____ (3)

⑬ Type of Billing 1 Reference Date 2 Due Date

① AGREEMENT VALUE IF OTHER THAN IN BLOCK 5. _____ (11)

② AGREEMENT TERMINAL DISBURSEMENT DATE (MO., DAY, YEAR) _____ (8)

③ ALLOTMENT SYMBOL _____ (14)

④ OBLIGATION NO. _____ (7)

⑤ TERMINAL DATE FOR ISSUANCE OF DISBURSING AUTHORIZATIONS (MO., DAY, YEAR) _____ (6)

⑥ SCHEDULED TERMINAL DATE(S) FOR COMPLIANCE CONDITIONS PRECEDENT: _____

AUTHORIZED BY:

NAME INITIALS

UNIT DATE

CLEARED FOR VALIDITY UNDER SECTION 1311, SUPP. APP. ACT - 1955:

NAME INITIALS

TITLE DATE

INSTRUCTIONS FOR COMPLETION OF PROGRAM ASSISTANCE AGREEMENT ABSTRACTGeneral

This form is to be completed at the time of the signing of a loan or grant Nonproject Assistance Agreement and thereafter at the time that any information required by the form is changed via an amendment to the agreement, issuance of an Implementation Letter, or by other means. Responsibility for the preparation of the form is with the Geographic Bureau. An original and one copy of the form is forwarded to reach FM/RSD within 24 hours of the signing of the Agreement or other document. The Geographic Bureau may find it administratively convenient to utilize this form for their internal control and monitoring purposes and may prepare additional copies as desired.

Specific Instructions

Complete the "route to" block in the top center of the form by placing an "X" in the appropriate square. Abstracts for all loans are routed to FM/LD and those for grants to FM/RSD.

Complete the top right block of the form to indicate whether the abstract is the initial one by placing an "X" in the square preceding the term "original abstract" or a revision by entering the number of the revision (1, 2, 3, 4, etc.) in the space provided.

Block 1: Insert "X" in the appropriate square to indicate whether the Agreement is a loan or grant, and enter the Agreement number as shown on the face sheet of the Agreement.

Block 2: Insert the date the Agreement is signed. Use numeric designators only.

Block 3: Insert "X" in the appropriate square to indicate whether the form is based on the original Agreement or an amendment to the Agreement. If an amendment, enter in the appropriate space the number of the amendment and the date of the signing thereof. Use numeric designators only for the date.

*Block 4: Do not complete

Block 4a: Enter the Transaction Eligibility Date for the Agreement.

Block 5: For Agreements determined as being fully obligating place an "X" in the square preceding the term "obligation," and enter the amount of the Agreement in the squares titled "increase" and "new total to date." For amendments to the Agreement which reflect changes in the amount of the Agreement enter the appropriate amounts in the squares titled "previous amount," "increase," or "decrease," and "new total to date."

*Completed by SER/FM as needed.

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For Agreements determined as being partially obligating place an "X" in the square preceding the term "partial obligation"; enter the amount determined as validly obligated in the squares titled "increase" and "new total to date." Upon a subsequent determination based on an amendment to the Agreement that additional funds are considered as validly obligated by the agreement, enter an "X" in the appropriate square to indicate whether or not the Agreement is now fully obligating or continues to be partially obligating; enter the appropriate amounts in the squares titled "previous amount," "increase," or "decrease," and "new total to date." Once an Agreement has become fully obligating the insertion of "X's" is no longer required. However, there may continue to be adjustments in the value of the Agreement and thus appropriate entries relative to amounts would be continued.

For Agreements determined to be nonobligating place an "X" in the square preceding the term "Non-Obligating," enter no amounts in Block 5. Upon subsequent determinations based on amendments to the Agreement that funds are considered as validly obligated by the Agreement, enter an "X" in the appropriate square to indicate whether or not the Agreement is now fully obligating or is partially obligating, enter the amount considered as validly obligated in the squares titled "increase" and "new total to date." Once an Agreement has been determined as fully obligating, the insertion of "X's" is no longer required. However there may continue to be adjustments in the value of the Agreement and these will be handled as indicated above.

Block 6: Enter the name of the borrower/grantee with whom AID has entered into the Agreement.

*Block 7: Do not complete.

*Completed by SER/FM as needed.

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CHAPTER 5
COMMODITY FINANCING PROCEDURES FOR
NONPROJECT ASSISTANCE

5A. Introduction

* This chapter contains guidance, instructions, and procedures for implementing the financing of commodities for nonproject assistance under grants and loans, including instructions and procedures on borrower/grantee (B/G) implementation responsibilities. The procurement policies, procedures, and requirements applicable to commodity financing in general are contained in Handbook 15 - AID-Financed Commodities. The instructions in this chapter should be used in conjunction with Handbook 15 in preparing Implementation Letters, Commodity Procurement Instructions (CPI's), Financing Requests (FR's) and other documents required for commodity financing.

5B. Standard Commodity Financing Procedures

1. Commodity financing involves the provision by AID of foreign exchange through a loan or grant which, by terms of an applicable agreement between AID and a cooperating country, is to be identified with particular commodity import transactions of the cooperating country. Normally, procurement of commodities and commodity-related services for financing by AID is subject to the provisions of AID Regulation 1 which includes both mandatory and discretionary requirements. Provisions of AID Regulation 1, either in whole or in part, are incorporated in the implementing document by reference, and financing of the transaction is contingent upon compliance with these provisions. *

2. Standard Commodity Financing Procedures are applicable to the procurement of commodities and commodity-related services eligible for AID financing whenever the cooperating country government's established system of import or foreign exchange control permits application of the requirements set forth in AID Regulation 1. Any system under which an importer receives prior administrative authorization for each import transaction from a government office or bank permits application of this procedure. The system may involve import licensing, foreign exchange allocations, or similar arrangements through which the importer and supplier can be informed in advance that their transaction will be financed by AID and therefore must satisfy specified AID requirements, including submission by the supplier of the Commodity Approval Application (form AID-11), and of a completed Supplier's Certificate and Agreement with AID (form AID 282) which constitutes an agreement between the supplier and AID. In the event of noncompliance with the provisions

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of AID Regulation 1, AID reserves the right of refund against either the supplier or the B/G as provided in Sections 201.81 and 201.82 of AID Regulation 1.

3. To the extent that conditions prevail which preclude compliance with particular provisions of AID Regulation 1, other than those stemming from statutory requirements, specific provisions may be waived. However, statutory requirements with respect to U.S. flag cargo preference, marine insurance, pricing standards, source/origin, commodity eligibility, Foreign Assets Control, and Cuban Assets Control may not be waived.

5C. Implementation of Commodity Import Programs

1. General

The following is a summary of the principal implementation steps which generally take place in connections with Commodity Import Programs after the Commodity Import Agreement has been approved and public announcement made:

- a. Initial Implementation Letter prepared and forwarded to *the B/G*.
- b. Commodity Procurement Instructions (CPI's) prepared and distributed.
- c. Financing Request(s) (FR) prepared and processed.
- d. Letter(s) of Commitment (L/COM) established or other financing arrangement initiated.
- e. Proposed procurement advertised *if necessary* and bids or offers solicited.
- * *f. Supplier (exporter) submits Application for Approval of Commodity Eligibility, form AID-11, to AID/W for a determination and evaluation of eligibility of transaction for AID financing. *
- *g. If transaction approved, supplier prepares and ships commodities and presents invoices, shipping papers, and other required documents including AID Supplier's Certificate (form AID 282) to correspondent bank.
- *h. Bank reviews documents and if in order makes payment.

* These steps will vary when method of financing involves Direct Letter of Commitment to Supplier or Direct Reimbursement to Borrower/Grantee.

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i. On arrival of commodities importer settles account and clears commodities through local customs office.

j. B/G maintains records and submits reports as required by agreement and implementation letters.

Primary responsibility for implementation rests with the Office of *Procurement (SER/OP)* unless otherwise provided.

2. Implementation Letters

a. General

(1) Implementation Letters are formal communications from AID to the B/G which furnish the B/G with implementation instructions and guidance pertaining to the agreement with regard to specific AID conditions and requirements which the B/G must satisfy. In addition, Implementation Letters prescribe procedures to be used to accomplish procurement authorized by the agreement.

(2) The initial Implementation Letter or any subsequent Implementation Letters, which deal primarily with setting forth detailed procedures applicable to the financing of commodities and commodity-related services, are prepared by the Office of *Procurement or the Mission*. Implementation Letters dealing with other aspects of loan implementation are prepared by the *Regional Bureau or Mission*.

b. Content

The content of Implementation Letters varies based on the nature of the agreement. (See Appendix 5A for sample Implementation Letter.) The initial Implementation Letter should generally include the following:

(1) Introduction

Following an opening statement citing the Agreement under which the Implementation Letter is being issued, a short summary of the purpose and scope of the loan or grant agreement is set forth.

(2) Conditions Precedent to Disbursement

The conditions precedent are specific actions which must be accomplished prior to authorization of disbursement. Such actions are prescribed in the agreement and instructions for compliance by the B/G are explained in detail in the Implementation Letter. Terminal dates for compliance are stipulated in the Implementation Letter. Among the conditions precedent to be satisfied prior to the authorization of disbursements are:

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(a) Submission of Legal Opinions Concerning Validity of the Agreement

This is an opinion of either a B/G Ministry or other counsel satisfactory to AID that the agreement has been duly authorized or satisfied by, and executed on behalf of the B/G and constitutes a valid and legally binding obligation of the B/G in accordance with its terms. (Guidelines for drafting this opinion are included in Attachment 3 to Appendix 5A.)

(b) Designation of B/G Authorized Representative and Submission of Specimen Signatures

The B/G must furnish a written statement with the legal opinion above that represents and warrants to AID that the persons signing the documents on its behalf have the authority to act in the capacities specified in connection with the execution and operation of the agreement. (See Attachment 4 to Appendix 5A.)

(3) Procurement Plan

AID and the B/G agree generally on the commodities to be financed. The appropriate agency of the B/G prepares a procurement plan identifying the commodities to be AID financed, the criteria and procedures for determining importer eligibility, the mechanism for publicizing procurement and making awards, the method of financing to be used, and arrangements to insure arrival and disposition of the commodities.

(4) Ineligible Supplier Lists

The names of suppliers suspended, debarred, or subject to prior review by AID/W must be made available to the B/G. The latest list of such ineligible suppliers should be included as an attachment to the Implementation Letter. (See Attachment 5 to Appendix 5A.)

(5) Shipping Instructions

* These instructions list AID requirements governing responsibilities of the B/G in regard to shipment of AID-financed commodities. They also include guidance as to how the B/G may comply with these requirements. See Handbook 15, 2G, and Chapter 7. Also see Appendix H of the same Handbook. *

(6) Financing Requests

The *Financing Request* (FR), form AID 1130-2, is the form used by B/G to request the issuance of a specific disbursing authorization to initiate detailed financing arrangements for the procurement of commodities and commodity-related services authorized by the Agreement and the Commodity Procurement Instruction (CPI). A copy of the format and instructions for its completion are attached to the Implementation Letter (see Attachment 9 to Appendix 5A).

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(7) Required Reports

Included as attachments to the Implementation Letter are guidelines and formats for preparing the monthly progress reports, as required by the loan or grant agreement. (See Attachment 7 to Appendix 5A.)

c. Terminal Dates

The initial implementation letter sets forth the terminal dates for meeting the conditions precedent to disbursement, for requesting AID issuance of disbursing authorizations, for contracting, for shipping and for disbursement of AID funds. The responsible Assistant Administrators or their designees are authorized to extend terminal dates and they may redelegate this authority. Delegations to Mission Directors to extend the final date for meeting initial conditions precedent may be for a cumulative period of not more than *one year*. Delegations to Mission Directors to extend the final dates for requesting disbursing authorizations, contracting, shipping, and disbursement of funds may not exceed a cumulative period of *two years* for each. In both instances, for extensions beyond these dates, the authority is reserved to the Assistant Administrators or their designees.

3. Financing Request (FR)

a. General

* (1) The FR furnishes detailed instructions for financing the procurement of commodities and commodity-related services authorized by the Agreement and the pertinent CPI. Wherever possible, the FR covering the total dollar amount obligated under the Agreement is to be submitted immediately following compliance with conditions precedent to disbursement.

(2) FR's are subject to the provisions of individual agreements and CPI's and the practical limitations imposed by initial and terminal eligibility, contracting, shipping, or disbursement dates. Subject to the foregoing conditions, FR's or amendments may be submitted at any time during the life of the Agreement.

(3) Methods of financing are selected when the FR is prepared. They request issuance of disbursing authorizations and are the means by which AID reimburses suppliers, other U.S. Government agencies, or the B/G for costs incurred in the procurement of eligible commodities and commodity related services under the terms of the Agreements. The authorized methods of financing are prescribed in the Program Assistance Approval Document (PAAD) and in the assistance agreement. Each method of financing is documented by a specific type of disbursing authorization, such as Letter of Commitment (L/COM), Direct Reimbursement Authorization (DRA), or Procurement Authorization/Purchase Requisition (PA/PR). (See Handbook 19 - Financial Management, Chapter 3, for *

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additional discussion of disbursing authorizations.) The L/COM issued to a U.S. bank is the preferred and most commonly used method of financing commodities and commodity-related services. Other methods of financing which are applicable under specific circumstances are the direct L/COM issued to a supplier, direct reimbursement to the B/G, and the PA/PR to a U.S. Government agency.

b. Format

(1) The FR consists of a face sheet, form AID 1130-2, and a continuation sheet, form AID 1130-2A. The face sheet includes: identification of the Agreement and implementing CPI, selection of method and amount of the financing requested, identification of parties to be concerned with the financing, description of commodities and related services to be covered by the financing, pertinent dates, and special restrictions to be observed. On the reverse side are instructions for completion and use of the form. The continuation sheet is used for information which exceeds available space on the face sheet.

* (2) The FR and its continuation sheet are preprinted forms. They may be produced locally by the B/G or the Mission, or requested from AID/W. An initial supply of the form should be given to the B/G during negotiation or sent with the initial implementation letter. *

(3) The B/G prepares the FR and forwards two signed copies to *the Mission which sends them to M/SER/OP*. After review, M/SER/OP forwards the original FR to the Office of Financial Management (FM). FM issues the requested disbursing authorization and notifies the Mission of its issuance.

4. Methods of Financing

a. Letter of Commitment to a U.S. Bank

(1) The L/COM to a U.S. bank is the principal financing method used in financing commodities and commodity-related services. The L/COM is an agreement between AID and a U.S. bank, acting on behalf of a B/G or its approved applicant, under the terms of which the bank is authorized to make payments to suppliers for eligible commodities and services. The bank is guaranteed reimbursement by AID on fulfillment of the conditions set forth in the L/COM. (See Handbook 15 - AID-Financed Commodities, Chapter 9, for further discussion of this method of financing.)

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* (2) Letters of Commitment may be amended upward by any amount at any time prior to the expiration of the terminal date of the L/COM provided funds are available under the Agreement and the CPI. Amendments for downward adjustments may be made at any time to the amount of actual bank disbursements and to the amount of outstanding irrevocable letters of credit issued by the bank under the L/COM.

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* b. Project Implementation Order/Commodities (PIO/C)

This is the method of financing procurement of specified commodities and related services through U.S. Government agencies when such procurement is determined to be more practicable than the use of normal commercial channels. This method may be authorized at the request of the B/G or, in the case of grant assistance, at the discretion of A.I.D. Upon receipt of the FR designating this method, A.I.D./W issues the PIO/C to the appropriate U.S. Government agency. (See Handbook 15, Chapter 5.)

c. Direct Letter of Commitment to a Supplier

When this method of financing is designated in the FR, a Letter of Commitment, which is assignable in accordance with the provisions of the Assignment of Claims Act of 1940 (31 U.S.C. Section 3727; 41 U.S.C. Section 15), is issued directly to the designated supplier. The Direct Letter of Commitment is subject to the terms of the Agreement and the A.I.D. Regulation 1, when applicable. Appendix 5D contains a standard Direct Letter of Commitment together with instructions for procurements of commodities and related services. Appendix 5E contains a sample Direct Letter of Commitment for use with procurement of transportation services. *

d. Direct Reimbursement to Borrower/Grantee

This method of financing, if authorized, is used to reimburse a B/G for eligible transactions which the B/G has previously financed with its own foreign exchange reserves. (See Handbook 15, Chapter 9.)

5. Commodity Procurement Instruction (CPI)

a. Introduction

The Commodity Procurement Instruction (CPI) is an A.I.D. form prepared by M/SER/OP or the Mission which is used to standardize the presentation of the principal commodity elements of nonproject assistance. It provides information on a uniform format for ready reference by B/G on commodity eligibility, source, dollar value, restrictive dates, applicable rules and procedures and other materials often scattered throughout the Agreement, amendments, and related correspondence. It serves as a basic attachment to all letters of commitment and other financing documents. (For format, see Attachments 1 and 2 to Appendix 5A.) Normally, one CPI under each agreement is issued to the B/G under cover of the initial Implementation Letter. However, circumstances may warrant the issuance of more than one CPI. CPI's may not exceed the value of the Grant or Loan Agreement.

b. Format and Content

The face sheet of the CPI records pertinent information with

* Revised

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respect to the procurement authorized by the Agreement, as set forth below in the instructions for completing the form. CPI continuation sheets may be used for the list of eligible commodities and applicable special provisions. These need to be incorporated into instructions to importers issued by the B/G, and into disbursing authorizations issued by A.I.D. under the Agreement.

c. Attachments

The CPI is supported by the following attachments:

(1) Special Provisions

This attachment includes special provisions having general application which must be included to the extent pertinent in the case of Letter of Commitment and special Letter of Credit financing.

(2) Commodities Eligible for Financing

This attachment includes the commodities, by description and Schedule B numbers, that are eligible for A.I.D. financing. In the case of Letter of Commitment financing, instructions from the "Approved Applicant" to the U.S. banks must give Schedule B numbers taken from among those shown in this attachment. The attachment also contains all of the commodity-related special provisions applicable to the Schedule B codes included in list of eligible commodities.

d. Preparation

(1) Responsibility for Preparing CPI

M/SER/OP or the Mission prepares the CPI. Drafting should proceed concurrently with the preparation of other documents to be included in the implementation package. This will help to facilitate determinations as to those provisions to be included in the Agreement, and those to be redelegated to other documents.

(2) Face Sheet (Form AID 1130-1)

Block 1. To - Enter official name and address of authorized representative of B/G as shown in the Agreement or as amended by the Implementation Letter.

Block 2. Subject - Insert agreement number, name of country, and agreement title as shown in the Agreement.

Block 3. CPI Number - The CPI number is assigned by the issuing office. CPI's are numbered serially under each agreement beginning with "1." CPI revisions are designated alphabetically under each CPI; i.e., A, B, C, and D.

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Blocks 4, 5. Allotment and Appropriation Symbols - Enter the numbers applicable to the Agreement.

* Block 6. Eligible Items and Schedule B Commodity Codes: Ocean Freight - Insert a list of commodities by Schedule B codes or cite the attachment which provides the list. (See Handbook 15 - AID-Financed Commodities, Appendix B.) The listing should correspond to that shown in the Agreement or Implementation Letters and contain sufficient detail to adequately identify eligible commodities and applicable special provisions. The list of eligible commodities is usually developed by negotiation between the Mission and the pertinent offices of the B/G; e.g., Ministry of Commerce, Ministry of Finance. Agency preference is to indicate, by Schedule B codes the commodities to be financed. *

Block 7. CPI Amount - Enter dollar value of AID financing authorized under the Agreement or, if more than one CPI is to be issued under the Agreement, amount subauthorized by the CPI.

Block 8. Area of Source and Code - Insert eligible geographic area of source *by title and code. For guidance on applicable source codes, see Chapter 5 of Handbook 1, Supplement B.*

Block 9. Eligibility Date - Insert the initial date on which transactions are eligible for financing. This date is usually the date of the Agreement and may not precede the date on which the PAAD was approved without a waiver by the Administrator.

Block 10. Contracting Period - Insert the earliest date on which contracting may begin. This may not precede the eligibility date shown in Block 9. Also insert the final date by which contracting must be concluded. This may not postdate the terminal disbursement date shown in Block 12 and should precede such date by at least 30 days.

Block 11. Shipping Period - Insert the earliest date on which the shipment of commodities may begin. This may not precede the date shown in Block 10a. Also insert the final date by which the shipment of commodities must be concluded. This may not postdate the terminal disbursement date shown in Block 12 and should precede such date by at least 30 days.

Block 12. Terminal Disbursement Date - Insert the final date after which funds under the Agreement will not be available to finance commodity transactions.

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Block 13. Methods of Financing - Specify Letter of Commitment or describe other method of financing authorized. If more than one method of financing and monetary limitations by method of financing are desired, such limitations must be stated in this section.

Block 14. AID Commodity Financing Procedures - Describe the financing arrangements under which the CPI is to be implemented. In addition, indicate the degree of applicability of AID Regulation 1. If AID Regulation 1 is not applicable, show in an attachment, the precise procedures which apply in lieu thereof.

Block 15. Special Provisions - Identify attachments containing special provisions to be incorporated in the CPI.

Block 16. Signature - *The approving official should sign* prior to reproduction of copies.

Block 17. Date - Enter date of AID preparation of CPI, original or amendment.

(3) Continuation Sheets (Form AID 1130-1A)

Use continuation sheets for the list of eligible commodities and the applicable special provisions. Use the exact language as given in Handbook 15, Appendix B, for this purpose.

e. Special Provisions

Special provisions to be incorporated into a CPI are developed by *M/SER/OP* the *Regional* Bureau, or the Mission in consultation with each other and with *FM* on the basis of information provided during nonproject assistance planning and review.

f. Issuance

A CPI is finalized or issued when it is approved for AID by signature of the Director, *M/SER/OP*, or *the Mission Director*, in Block 16. CPI's for the total value of the Agreement are issued to the B/G with the Initial Implementation Letter unless other arrangements have been authorized in the PAAD.

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h. Distribution

Issued CPI's are transmitted by the Mission to the B/G under cover of an Implementation Letter. The issuing office transmits copies, together with copies of the covering Implementation Letter to AID offices.

i. Revision of CPI's

(1) Revisions to CPI's are initiated to reflect any changes in dates, amounts, method of financing, special provisions, or other information contained in the CPI.

(2) Revisions which may be initiated are limited to the extent flexibility is provided in the Agreement. They are usually initiated at the request of the B/G, or of the Mission in consultation with the B/G, for purpose of facilitating the utilization of the funds provided under the Agreement.

* (3) The clearance of FM is required if the proposed revision would affect Financing Requests already transmitted to FM under the CPI or disbursing authorizations issued by AID. *

(4) Revisions are issued and distributed in the same manner as original CPI's. All revisions are to be prepared in accordance with the following instructions, as the document is to be used by the B/G in advising importers and by AID in issuing instructions to U.S. banking institutions.

(5) For each revision, a complete new CPI face sheet (form AID 1130-1) is to be prepared. Any change in the amount of the CPI is to be reflected in Block 7. For all other blocks on the face sheet, if the previous entry is not changed, the previous entry is repeated; if there is a change, the changed entry is inserted and underlined to indicate that a change has been made.

(6) For changes in the special provisions attached to the CPI, a new page or pages is prepared on the CPI continuation sheet (form AID 1130-1A). Each revised page is underlined in the upper right-hand corner with the words "Revised page (No.) (Date)" and the words "see revised pages no. _____, _____" are entered and underlined in Block 15 of the face sheet. If the effective date of any change differs from that in Block 17 of the CPI revision, the effective date is stated in the text of the change.

6. Minimum Size of Transaction

a. It is AID policy to encourage the B/G to finance small-value purchases with its own resources when this can be done without jeopardizing program objectives, and to use AID funds for larger

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value purchases. Procedures that hold the number of small-value dollar actions entering AID processing to a practicable minimum increase operational efficiency and reduce program administration costs.

b. In line with this policy, the standard minimum value for each AID-financed transaction is \$5,000. Based upon the size and nature of the nonproject assistance and other relevant circumstances, the Mission is to endeavor to increase the minimum level to \$10,000 in any country or program when this is feasible and would not tend to defeat AID objectives.

c. The minimum size of transaction applies to each import license, foreign exchange allocation, or commercial letter of credit issued under the nonproject assistance agreement.

7. Eligibility of Commodities

a. The AID Commodity Eligibility Listing in its entirety may be incorporated into implementing documents, *or, in some cases, a specific list of eligible commodities may be provided.* The nonproject assistance agreement, implementation letters or CPI must specify the U.S. Department of Commerce Schedule B identification codes of commodities to be financed. *Incorporation of the Commodity Eligibility Listing satisfies this requirement.* The CPI provides the rules, procedures, documentation, and mechanics governing authorized procurement. Agreements listing or referencing CPI's which list commodities by codes should add the clause "or such other commodities as AID may agree in writing to finance." This will permit subsequent addition of codes not included in the original agreement.

b. On occasion, an eligible Schedule B code may encompass luxury or nonessential items or other commodities that should not be financed with AID funds. In other instances, a normally eligible commodity, such as a basic industrial chemical, may be rejected for AID financing because it generates problems due to end-use reasons.

b. When commodities are identified as unsuitable for AID financing, such unsuitable commodities are deleted from subsequent issues of the AID Commodity Eligibility Listing (Handbook 15, Appendix B). If instructed by AID/W, the Mission arranges with the B/G to discontinue licensing the unsuitable commodities and negotiates amendments to existing agreements to formalize the arrangement.

c. In exceptional cases, AID may have to take unilateral action to deny financing for newly noted objectionable commodities. This could occur if an item falling within an authorized Schedule B code is potentially so damaging to the achievement of AID objectives that its financing must be stopped immediately; e.g., previously unknown information regarding danger or effectiveness may become available for a given pharmaceutical. To exercise effective control in such instances, AID

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reserves authority to decline to finance such commodities even when they are included in the list of eligible commodities. This authority is reserved by including the provision given below in each nonproject assistance agreement:

"A.I.D. reserves the right in exceptional situations to delete commodity categories or items within commodity categories described by Schedule B codes on the positive list. Such right will be exercised at a point in time no later than commodity prevalidation by A.I.D. (Form 11 approval) or, if no commodity prevalidation is required, no later than the date on which an irrevocable Letter of Credit covering U.S.-source procurement of the commodity is confirmed by a U.S. bank in favor of the supplier or, with respect to non-U.S. procurement, the date on which the credit is opened in favor of the supplier. If no prevalidation is required and payment is not by Letter of Credit, A.I.D. will exercise this right no later than the date on which it expends funds made available to the borrower/grantee under this agreement for the financing of the commodity. In any event, however, the borrower/grantee will be notified through the A.I.D. Mission in its country of any decision by A.I.D. to exercise this right pursuant to a determination that financing the commodity would adversely affect A.I.D. or foreign policy objectives of the United States or could jeopardize the safety or health of people in the importing country."

The above provision may be omitted only on a finding by the appropriate Assistant Administrator and the Director of M/SER/OP that inclusion of the provision would adversely affect the negotiation or implementation of the specific agreement concerned. Control is exercised as indicated in the text of the provision, with prompt notification to the B/G. However, action to decline financing is taken only with the concurrence of M/SER/OP and the Bureau concerned, or on instruction from the Administrator.

8. Formal Procurement Procedures

Nonproject procurement transacted through governmental channels is generally accomplished through formal *competitive bidding*. B/G's may use their own rules and regulations as modified by AID procedures spelled out in pertinent procurement rules or regulations, *normally*, AID Regulation 1. The basic document for procurement accomplished through formal procedures is the Invitation for Bids (IFB). It provides details, clauses, and other information required for the proposed transaction and serves as the basis for the selection of contractors and suppliers. When necessary, a sample IFB may be included as one of the attachments to the Implementation Letter. (See Handbook 15, Appendix G-9, for a sample IFB.)

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9. Borrower/Grantee Responsibilities

a. Effective Use of Commodities

The cooperating country shall insure that AID-financed commodities for nonproject activities shall be used for the purpose for which the assistance is made available. Such use shall include:

(1) Prompt processing of commodity imports through customs at ports of entry and the removal from customs of such commodities by the importer. The period from the date the commodities arrive at the port of entry to the date at which the importer removes the commodities from customs shall not generally exceed 90 calendar days, unless the importer is hindered by force majeure.

(2) Consumption or use by the importer or the sale or transfer by the importer for consumption or use shall take place no later than 1 year from the date of arrival of the commodities at the port of entry, unless a longer period can be justified to the satisfaction of AID by reason of force majeure or special market or other circumstances. (See Handbook 15, Chapter 12, for guidance on adequacy and evaluation of B/G arrival and utilization systems.)

b. Cargo Preference Compliance

The B/G is responsible for ensuring that the expenditure of loan or grant funds for shipping is in compliance with the Cargo Preference Act of 1954, Section 901(b) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241(b)). (Guidance and instructions are contained in Handbook 15, Chapter 7.)

c. Marine Insurance

B/G's are expected to comply with all AID requirements in regard to marine insurance, including AID policy on requiring marine insurance, use of loss proceeds, antidiscrimination procedures, procedures with respect to loss or damage, and general average procedures. (See Handbook 15, Chapter 8.)

d. Commingling

Efforts must be made to avoid AID financing of nonproject imports which, contrary to the best interests of the United States, would be used in promoting or assisting the foreign aid projects or activities of Communist-bloc countries.

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e. Records and Reports.

Records required to be maintained by the B/G on arrival and utilization of commodities financed by AID must accomplish the following:

(1) Indicate whether the commodities financed by AID have in fact been received by the B/G in the quantity and condition for which payment was made.

(2) Provide means for determining whether commodities clear through Customs promptly.

(3) Provide means of identifying the importer or the first purchaser or transferee if the importer is the B/G.

(4) Identify commodities received through specific payments made by AID as reflected in monthly detail transaction reports prepared by AID and forwarded to the B/G.

(5) Assistance in establishing records necessary to accomplish the foregoing may be obtained from the Mission. Reporting requirements, whether normal AID requirements; e.g., customs arrival and release data of the commodities financed, or requirements determined by the AID Geographic Bureaus as essential to the monitoring of the implementation of the Agreement, are established by the Agreement and amplified as necessary by the Implementation Letters. During negotiations, care is taken to assure that the B/G is able to satisfy the records maintenance and reporting requirements imposed by AID and fully understands AID audit and inspection rights.

APPENDIX 5A

SAMPLE IMPLEMENTATION LETTER

The following represents the text of a typical implementation letter which may be used in connection with a nonproject loan. It can be tailored for use in implementing nonproject activities under grants.

Mr. _____
Minister of _____
Department of _____
(Country)
(City and Country)

Subject: A.I.D. Loan AID xxx-K-xxx
(Country)
Program Loan
Implementation Letter No. 1

Dear Sir:

This letter with its attached Commodity Procurement Instruction (Attachment 1) issued in accordance with Section ____ of the Agreement, sets forth the procedures for utilizing the proceeds of the subject loan and provides information to assist you in implementing the program. A.I.D. Regulation 1, as from time to time amended and in effect as of the time of each relevant transaction (Attachment 2), also applies to the loan as set forth in Section ____ unless otherwise provided in this or future implementation letters. Except as permitted by the Agreement, nothing in this letter or its attachments modifies the Agreement. This letter and the attachments may be supplemented or modified as necessary by subsequent implementation letters.

PART ONE - Loan Description:

The purpose of this loan is to finance imports of essential agricultural machinery, equipment, spare parts, and other commodities and related services.

PART TWO - Loan Implementation:

I. Conditions Precedent to Disbursement:

A.I.D. will issue Letters of Commitment (L/COM) requested by the Government of ____ or authorize disbursement by other means to finance transactions under the Agreement after the conditions prescribed in the Agreement and as listed below have been met:

A. Legal Opinion - Section _____

Information to aid in preparing such opinion is transmitted herewith as Attachment 3.

B. Designation of the Borrower's Representative(s) - Section _____

Specimen signatures and authority of the person or persons who will act for Borrower pursuant to Section _____ of the Agreement may be certified by the person who renders the legal opinion or the person who executes the Agreement.

C. Procurement Plan - Section _____

A.I.D. representatives will assist in preparing the required procurement plan.

In accordance with Section _____ of the Agreement, the conditions precedent established by Section _____ must be met within ninety (90) days from the date of the Agreement.

II. Procurement Procedures:

A. A.I.D. agrees that the commodity categories listed as eligible in the Commodity Procurement Instruction (CPI), Attachment 1, are eligible for financing under the Agreement subject to the restrictions indicated in the CPI and continuation pages thereof.

B. The codes of the U.S. Department of Commerce, Schedule B, will be used on all pertinent documentation. The latest version of the Schedule B will be made available to interested Government of _____ agencies upon request.

C. Procurement shall be carried out in accordance with the provisions of the CPI, Attachment 1. The Borrower shall ensure that sufficient copies of the CPI are distributed among Government of _____ offices and approved applicant banks with instructions that importers are required to strictly comply with the provisions contained therein.

D. Public sector procurement shall be through formal competitive bid procedures in accordance with Section 201.22 of A.I.D. Regulation 1 unless A.I.D. and the Borrower agree otherwise in writing.

Negotiated procurement, when authorized, shall be in accordance with good commercial practice. Solicitations by importers for quotations and offers shall be made uniformly to a reasonable number of prospective suppliers and all quotations and offers received, whether or not specifically solicited, shall be given consideration before making an award or placing an order.

II

E. Procurement shall not be from suppliers whose names appear on A.I.D.'s "List of Ineligible Suppliers," as from time to time amended. (See Attachment 5.)

F. Compliance with the U.S.-flag vessel shipping requirement as set forth in Section 201.15 of A.I.D. Regulation 1 is solely the responsibility of the Borrower. A.I.D. Washington will monitor compliance through a quarterly report submitted by the (cooperating country). (See Attachment 6.) Applications for determination of U.S.-flag nonavailability should be addressed to the Transportation Support Division, Office of Commodity Management, Agency for International Development, Washington, D. C. 20523.

G. Air and Sea Charters, whether or not financed by A.I.D., must have prior approval of A.I.D./Washington in order to move A.I.D.-financed cargo. Requests for charter approvals should be submitted by airmail or telegram to the Transportation Support Division, Office of Commodity Management, Agency for International Development, Washington, D. C. 20523.

H. In accordance with Section 201.11, A.I.D. Regulation 1, commodities otherwise eligible for financing under this loan will not be so financed if shipped on transportation media owned, operated, or under the control of any of the following countries:

Albania, Bulgaria, People's Republic of China, Cuba, Czechoslovakia, Estonia, East Germany, Hungary, North Korea, Latvia, Lithuania, Outer Mongolia, Poland, Rumania, North Vietnam, and the Union of Soviet Socialist *Republics* (USSR).

III. Disbursement:A. Procedures and Documentation:

Requests for issuance of L/COM's or for other forms of disbursement under the Agreement shall be submitted on the Financing Request (FR) form A.I.D. 1130-2. (See Attachment 9.) The full identification number shown on the L/COM issued by A.I.D. must be shown on all subsequent correspondence and payment documents in connection therewith, including the Supplier's Certificate (form A.I.D.

III.A

282), submitted to A.I.D. or U.S. banking institutions. Actions to be taken by the Borrower after L/COM's are issued, and the documentation required by A.I.D. as a basis for disbursing the loan funds, are described in A.I.D. Regulation 1, Subpart F.

B. Terminal Dates:

Except as A.I.D. may otherwise agree in writing, no disbursement shall be made against documentation received by A.I.D. after July 31, 1976. The terminal date for requesting A.I.D. issuance of L/COM's or authorizations to disburse loan funds by other means is March 15, 1976. No letter of credit may be established having a terminal shipping date later than June 30, 1976.

C. Eligibility Date:

In accordance with Section _____ of the Agreement, the eligibility date for transactions which will be financed under this loan is February 28, 1975. No commodity or commodity-related services are eligible for financing under this Agreement which were the subject of a contract entered into prior to this date.

IV. Commissions, Service Payments and Discounts:

Eligibility for financing of commissions, service payments, and discounts is governed by the provisions of Section 201.65 of A.I.D. Regulation 1. Payments to purchasing agents, including charges by an agency of the Government of _____ purchasing on behalf of another agency of the Government of _____, are ineligible for financing under the loan.

V. Records - Section 4.07:

The records required to be maintained by the Government of _____ under the Agreement concerning the arrival and utilization of the Eligible Items financed by A.I.D. must accomplish the following:

A. Ascertain whether commodities are received in the quantity and condition for which payment was made by A.I.D.

B. Assure that A.I.D.-financed commodities clear customs within ninety (90) calendar days from date commodities arrive at port of entry.

C. Permit determination of the amount, nature and value of A.I.D.-financed commodities not cleared from customs and the reasons for their failure to clear.

V

D. Have the capability of indicating adjustments resulting from importers' claims for loss, shortages, or damage to A.I.D.-financed commodities.

E. Assure availability of data for end-use verification, including information needed to monitor A.I.D.'s prohibition of reexports. (Section 201.42 of A.I.D. Regulation 1.)

VI. Reporting:

You are requested, in accordance with Section _____ of the Agreement, to furnish A.I.D. with the reports described in Attachment 7 to this letter.

A.I.D. will be glad to discuss with your representatives any problem or questions you may have concerning the implementation of the Agreement, or relative to this letter or attachments to it.

Sincerely yours,

Attachments:

1. Commodity Procurement Instruction
2. A.I.D. Regulation 1
3. Guide for Assistance of Counsel in Preparing Legal Opinions
4. Designation of B/G Representatives and Specimen Signatures
5. Ineligible Suppliers List
6. Financing Request Form (AID 1130-2)
7. Monthly Progress Reporting Requirements

CPI	AGENCY FOR INTERNATIONAL DEVELOPMENT Washington, D. C. 20523 COMMODITY PROCUREMENT INSTRUCTION
-----	---

1. To: Government of _____ (Country)	3. CPI NO. 1
2. Subject: Republic of _____ - Nonproject Loan or Grant A.I.D. - xxx-A-xxx	4. APPROPRIATION SYMBOL 72-XXXXXXX
	5. ALLOTMENT SYMBOL XXX-XX-XXX-XX-XX-99

AID will finance the reasonable foreign exchange cost of commodities and of commodity related services, described or referenced herein, procured to carry out the purposes of the Agreement, subject to the terms, procedures and/or special provisions contained in this CPI and any amendments thereto. Procurement authorized under the Agreement must await the receipt of Letters of Commitment or other disbursing authorizations unless specifically stated to the contrary in the special provisions attached hereto.

6. ELIGIBLE ITEMS AND SCHEDULE B COMMODITY CODES: OCEAN FREIGHT <u>Eligible Commodities:</u> (See attached "Special Provisions Applicable to Letters of Commitment" and "Commodities Eligible for Financing," Appendix A and Appendix B respectively.)	7. CPI AMOUNT Previous _____ Increase _____ Decrease _____ TOTAL _____
	8. AREA OF SOURCE AND CODE Code 000 - United States

9. ELIGIBILITY DATE February 29, 1988	10. CONTRACTING PERIOD a. February 29, 1988 b. May 31, 1989	11. SHIPPING PERIOD a. February 29, 1988 b. June 30, 1989	12. TERMINAL DISB. DATE August 31, 1989
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13. METHOD(S) OF FINANCING
 LETTER OF COMMITMENT OTHER (Specify)

14. AID COMMODITY FINANCING PROCEDURES
 Financing Procedure - A.I.D. Regulation 1, as amended, applies except as otherwise authorized by A.I.D.

15. _____ the "Special Provisions Applicable to Letters of Commitment" Special provisions set forth in _____ and Appendix A thereto, attached, are applicable, and will be incorporated by AID as appropriate, in all Letters of Commitment or other disbursing authorizations issued pursuant to this CPI.

16. APPROVED FOR AID (Signature) _____ Director,	17. DATE
---	----------

- E. The supplier's invoice required under Section 201.52 of A.I.D. Regulation 1 shall, in addition to other required information, contain a statement by the supplier to the effect that he has airmailed to the A.I.D. Representative, c/o American Embassy, (Name of Country), Attn: _____, one copy of each of the ocean or charter party bill of lading, supplier's invoice and packing list.
- F. Responsibilities of the U.S. Banking Institution with respect to Appendix A:
1. The U.S. bank may issue, advise, or confirm any letter of credit hereunder provided that the commodity description includes a USDC Schedule B Number appearing in Appendix A hereto.
 2. The U.S. bank shall be responsible for obtaining the additional documentation required for reimbursement wherever specified in Parts II and III of Appendix A hereto.
- G. Reporting by the U.S. Banking Institution to A.I.D.:
- Within 30 days after the expiration date of the Letter of Commitment, the bank is to provide A.I.D., Washington, D.C. 20523, Attn: Assistant Controller, Program Accounting Finance Division, Office of Financial Management, a report of total expenditures hereunder. The report must state the total dollar amount disbursed during the effective period of this Letter of Commitment and the amount reimbursed to the bank by A.I.D. Forward one copy of the report to the Office of the Controller, USAID/(Name of city), Washington, D.C. 20520, as soon as possible within the 30 day period.
- H. When submitting documentation for reimbursement hereunder, the Voucher SF 1034, must cite the transaction to "APPROPRIATION SYMBOL NO. 72-XXXXXXX PROGRAM."

*use plain bondpaper for additional pages.

SPECIAL PROVISIONS APPLICABLE TO LETTERS OF COMMITMENT

ISSUED UNDER A.I.D. LOAN NO. XXX-A-XXX

- A. This letter of commitment is available for the financing of the U.S. dollar costs of:
1. Commodities identified by appropriate USDC Schedule B Number in Appendix A hereto.
 2. Marine (including war risks) insurance premiums in connection with insurance placed within the United States of America.
 3. Ocean transportation (including air freight) costs incurred on U.S.-flag carriers.
 4. Any other delivery services, as defined in 2.1.01(1) of A.I.D. Regulation 1, as amended, if costs are incurred and services are performed within the USA.
 5. Banking Charges of the U.S. Banking Institution to whom this letter of commitment is issued.
- B. All letters of credit issued, advised, or confirmed hereunder must apprise the supplier that the authorized area of source for the time set forth in Special Provisions A.1 through A.4 above is (Area and applicable Geographic Code).
- C. Minimum Size of Transactions
- Except when authorized by A.I.D. in writing, no letter of credit issued, advised, or confirmed hereunder shall be in an amount of less than \$10,000.
- D. Eligibility Dates:
1. No Letter of Credit may be issued, advised, or confirmed hereunder after _____, unless the U.S. Banking Institution shall have received advice from the approved applicant that the underlying contract was entered into on or before the terminal contracting date. The foregoing also applies to any other arrangement for effecting payments hereunder.
 2. Documents submitted for reimbursement hereunder must evidence shipment not earlier than _____ and not later than _____. (Dates should be consistent with those in CPI and/or IL's.)

SPECIAL PROVISIONS

COOPERATING COUNTRY REFERENCE	AID REFERENCE		
	AGREEMENT NO.	CPI NO.	L/COM NO.
Government of _____	AID xxx-A-xxx	1	XXXXXXXX

Cover Sheet

APPENDIX B

TO

COMMODITY PROCUREMENT INSTRUCTION

Commodities Eligible for Financing

Under (Loan or Grant) XXX-A-XXX (Government of _____)

NOTE: Included in this Appendix B are Part I: AID Commodity Eligibility List; Part II: Eligibility Criteria for Certain Commodities; and Part III: Special Provisions applicable to certain commodities. Footnotes will indicate applicability of these *provisions*.

****** SPECIAL PROVISION - 33

Colors, Dyes and Pigments

471.3010-472.7500 Dyes, pigments and pigment-like materials
474.3710-474,5000 Paints, varnishes, and lacquers

Special Requirements

Colors, dyes, and pigments included in these
Schedule B Numbers must:

1. Be listed in the Color Index (Society of Dyers and Colorists, and The American Association of Textile Chemists and Colorists); or
2. Be the type product covered by or invented or produced subsequent to the issuance of the Color Index.

LEGAL OPINION

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO _____

GUIDE FOR ASSISTANCE IN PREPARING OPINIONS CONCERNING VALIDITY OF OBLIGATIONS OF THE GOVERNMENT PURSUANT TO PROVISIONS IN THE (LOAN OR GRANT) AGREEMENT.

GENERAL PRINCIPLES:

- (a) The Loan or Grant Agreement provides for an opinion of (the Ministry of Justice, the State Council, or other office as appropriate of the Government of _____).
- (b) The opinion should reach in substance the conclusions stated in Section _____ of the (Loan or Grant) Agreement.
- (c) AID will look for an explanation of the legal basis on which such conclusions were reached.
- (d) AID will expect the opinion to include relevant excerpts in English from the Constitution, Statutes, executive orders or decrees, public notices, etc., relied upon in such opinion.
- (e) Two copies of the opinion should be submitted to AID and should be in English.

The Legal opinion should support its conclusions by an explanation of how the conclusions arrived at were reached. This would include: citation of the basic legal authority for entering into the Agreement, indication how the Government representative signing was authorized to do so, and an affirmative representation that there are no other requirements of law to make the (Loan or Grant) Agreement or the actions taken pursuant to it valid and binding.

DESIGNATION OF AUTHORIZED REPRESENTATIVES

Re: Grant or Loan No. XXX-X-XXX

THE GOVERNMENT OF _____ hereby represents and warrants to the Agency for International Development that due authority is vested in the following persons to act on its behalf in the capacities specified in connection with the execution and operation of the Agreement No. XX-X-XXX dated _____ between (Borrower or Grantee) and AID establishing a credit in the (Borrower's or Grantee's) favor.

- (1) To make representations by signing certificates and otherwise:

Name(s)	Title(s)	Signature(s)
---------	----------	--------------

- (2) To make requests for disbursements:

Name(s)	Title(s)	Signature(s)
---------	----------	--------------

It is also represented and warranted that the above signatures are authentic signatures of the respective persons.

THE GOVERNMENT OF _____

By: _____

Title: _____

Att 5 to App 5A
Ch 5, HB 4
(TM 4:1) 9-30-75

LIST OF INELIGIBLE SUPPLIERS

(The latest list of suppliers suspended, debarred, or subject to prior review should be obtained from SER/COM and included as an attachment to the implementation letter.)

AID 1130-2 (1-68)	FR	FINANCING REQUEST	2. AMOUNT - U.S. DOLLARS Previous Amount _____ Increase _____ Decrease _____ Total _____	4. REQUEST NO. _____
TO DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT WASHINGTON, D. C. 20523			5. <input type="checkbox"/> ORIGINAL OR AMENDMENT NO. _____	6. AGREEMENT NO. _____
FROM: _____			3. AREA OF SOURCE AND CODE _____	7. CPI NO. _____
8 METHOD OF FINANCING <input type="checkbox"/> LETTER OF COMMITMENT (L/COM) <u>U.S. BANKING INSTITUTION</u> <u>APPROVED APPLICANT</u> <input type="checkbox"/> PROCUREMENT AUTHORIZATION/PURCHASE REQUISITION (PA/PR) NAME OF U.S. GOVERNMENT AGENCY: _____ <input type="checkbox"/> OTHER METHOD OF FINANCING: (SPECIFY) _____				
9 ITEMS TO BE FINANCED AND AID COMMODITY CODES _____				
10 CONTRACTING, SHIPPING, OR OTHER PERTINENT DATES _____				
SPECIAL RESTRICTIONS WITHIN TERMS OF ABOVE-REFERENCED CPI _____				
12 THE METHOD OF FINANCING AS DESCRIBED ABOVE IS HEREBY REQUESTED <div style="display: flex; justify-content: space-between;"> _____ _____ </div> <div style="display: flex; justify-content: space-between;"> BORROWER/GRANTEE AUTHORIZED SIGNATURE DATE </div>				

13 CONDITIONS PRECEDENT TO DISBURSEMENT HAVING BEEN MET, THIS FINANCING REQUEST IS HEREBY APPROVED FOR IMPLEMENTATION

 APPROVED FOR AID (SIGNATURE)

 (TITLE)

DATE

FINANCING REQUEST - INSTRUCTIONS

This form is submitted in original and one copy to request issuance by AID of disbursing authorizations or amendments thereto, pursuant to AID Commodity Program Assistance Agreements. It may be used to request the issuance of a Letter of Commitment (L/COM) to a U.S. bank or a Procurement Authorization/Purchase Requisition (PA/PR) to a U.S. Government Agency. Other methods of financing (e.g., Direct Reimbursement) may be requested if specifically authorized under the terms of the Agreement.

Separate Financing Requests are required for each L/COM or PA/PR requested. A Financing Request, which may be amended from time to time, is required for that amount under the Agreement expected to be financed by Direct Reimbursement.

The form is designed to permit the reflection of any restrictions desired as to commodities, amounts, contracting and/or shipping dates and any other special restrictions desired, subject to the terms of the Agreement, and the pertinent Commodity Procurement Instruction (CPI).

The identification number shown on the AID financing document (L/COM, PA/PR or Direct Reimbursement Approval) is to be shown on all documents, including Supplier's Certificates, required for payment in connection with transactions to be financed thereunder.

Financing Requests are to be completed in English as follows:

BLOCK 1 - Insert the name and address of the borrower or grantee who is a party to the Agreement cited in block 6.

BLOCK 2 - Insert the U.S. Dollar amount for which the financing described in Block 8 is requested. Enter the amount for original requests on the lines titled "increase" and "total". Enter the amounts relevant to amendment requests on the lines titled "previous amount", "increase" or "decrease", and "total".

*BLOCK 3 - Insert area of source and AID Geographic Code for the procurement described in block 9.

BLOCK 4 - Insert the identifying number assigned to this Request by the borrower or grantee. A maximum of 99 requests may be submitted under one Agreement.

BLOCK 5 - Indicate whether this request is an original issuance by placing an X in the square, or an amendment by placing the number of the amendment in the space provided. If an amendment, also include, for reference purposes, the number of the AID disbursing authorization for which amendment action is requested.

BLOCK 6 - Insert the identifying number of the Agreement under which this request is being submitted.

BLOCK 7 - Insert the identifying number of the Commodity Procurement Instruction (CPI) under which this request is

being submitted. One request may not be submitted under more than one CPI. However any number of requests, within the maximum for the Agreement, may be submitted under a single CPI.

BLOCK 8 - Indicate by an X in the appropriate square the specific method of financing requested. For L/COM or PA/PR financing, complete the necessary spaces for the name and address of the U.S. Banking Institution and Approved Applicant, or U.S. Government Agency, respectively. (The Approved Applicant may be the borrower or grantee, or a person or organization, such as a bank in the cooperating country, authorized to request the U.S. Banking Institution to open commercial letters of credit or to make payments to suppliers by other means.) If Direct Reimbursement or another authorized method of financing is requested, place an X in the appropriate square, state the method being requested, and provide essential details.

*BLOCK 9 - Describe the items to be financed in terms of AID 3 or 4 digit commodity codes (see AID Commodity Code Book). Additional data, e.g., estimated quantities and dollar costs by commodity code, inclusion of delivery costs, flexibility among category amounts, may be specifically requested by AID. For PA/PR, give detailed specifications of procurement unless separately submitted, in the latter case, refer in this block to the document in which necessary details were submitted to AID. If detailed specifications are to be developed by AID or another U.S. Government Agency, so indicate and refer to any pertinent communications on the subject.

*BLOCK 10 - Insert those desired dates pertinent to the financing document requested in block 8. The expiration date for a Letter of Commitment may in no case be later than the terminal date specified in the Agreement or implementing CPI. Contracting and/or shipping dates may be specified if desired; such dates must allow sufficient time for submission of documents for payment prior to the terminal date. For a PA/PR, the shipping period ending date may not be later than the terminal date.

*BLOCK 11 - Insert any special restrictions in addition to those which may be required by AID desired to be incorporated into the financing document. These restrictions must be within the terms of the referenced CPI.

BLOCK 12 - Signature of individual authorized to sign for the borrower or grantee, and date of signing.

BLOCK 13 - To be completed by AID Regional Assistant Administrator or his designee. Signature will indicate that Conditions Precedent have been met and that the request is approved for implementation.

*NOTE: Whenever information to be furnished in Blocks 3, 9, 10 or 11 is identical with that contained in the referenced CPI, then enter the following: "See above referenced CPI"

MONTHLY PROGRESS REPORT: MONTH ENDING _____

LOAN NO. _____

LOAN AMOUNT _____

Status of Funds

<u>Letters of Commitment</u>		<u>Letters of Credit Issued: Cumulative to Date</u>	<u>Balance Available: End of Month</u>
<u>Identifying Number</u>	<u>Amount</u>		

Letters of Credit Issued

<u>Schedule B (2-Digit)</u>	<u>Previous Months</u>	<u>Current Month</u>	<u>Total</u>

INSTRUCTIONS: This report is to be completed within 15 days of the end of each month and forwarded to the AID Representative or AID Mission. An original and three copies should be submitted. Narrative comments are encouraged to explain any unusual circumstances affecting utilization of funds.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LETTER OF COMMITMENT

1. TO		4. NUMBER
		5. DATE
2. BORROWER/GRANTEE		6. AMOUNT
		7. SOURCE COUNTRY
3. APPROVED APPLICANT		8. EXPIRATION DATE
9. FR NO.	10. APPROPRIATION	11. ALLOTMENT

Gentlemen:

In accordance with provisions of the Foreign Assistance Act of 1961, as amended, the Administrator of the Agency for International Development has approved a program of the borrower/grantee named in block 2 above; and this letter of commitment is delivered to you at the request of said borrower/grantee or its authorized agent. The Administrator has agreed to reimburse the approved applicant as named in block 3 above (upon the authorities and signatures of which as designated and identified to you by the Administrator, or known by you from your own records, you may fully rely in any action taken by you hereunder) for monies expended by or for the account of such approved applicant in accordance with the special provisions cited below.

In consideration of your advising, issuing, or confirming at your option of one or more commercial letters of credit or making at your option payments to suppliers or to the approved applicant and/or the borrower/grantee

SPECIAL PROVISIONS:

(no such letter of credit to have a maturity, and no such payment to be made, later than the date cited in block 8 above) in accordance with application or request therefor by the approved applicant, the Administrator agrees with, and guarantees to you that, in accordance with the said Act, he will make reimbursement (without addition of interest or of your commissions, expenses, or other charges) to the approved applicant, in the manner and subject to the terms and provisions set forth in subparts F and H of A.I.D. Regulation 1, as in effect on the date hereof, of all amounts paid by you at sight under any such commercial letter of credit for the account of the approved applicant and the amount of all payments made by you at sight to or for the account of the approved applicant and/or the borrower/grantee and bank charges to the extent authorized for reimbursement under the special provisions of this letter of commitment, up to but not exceeding the respective dollar amounts for the procurement of commodities or services indicated in the following special provisions.

You are hereby approved as an assignee of the monies due and to become due under this letter of commitment.

The making of reimbursement hereunder shall be governed solely by the terms and provisions set forth in subparts F and H of A.I.D. Regulation 1, as in effect at the date hereof and incorporated herein by reference, and shall not be affected by any rights that the Administrator or the United States Government may have against the borrower/grantee, the approved applicant, or third parties.

If this letter of commitment is satisfactory to you, please sign and return the enclosed copy hereof promptly.

Yours very truly,

Administrator, Agency for International Development
under Foreign Assistance Act of 1961, as amended

By _____
AUTHORIZED REPRESENTATIVE

ACCEPTED

BANK BY DATE

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LETTER OF COMMITMENT

Page 1 of

1. TO		4. NUMBER
		5. DATE
2. BORROWER/GRAANTEE		6. AMOUNT
		7. SOURCE AREA AUTHORIZED
3. APPROVED APPLICANT		8. EXPIRATION DATE
9. FR NO.	10. APPROPRIATION	11. ALLOTMENT

Gentlemen:

In accordance with provisions of the Foreign Assistance Act of 1961, as amended, the Administrator of the Agency for International Development has entered into an agreement with the borrower/grantee named in block 2 above; and this letter of commitment is delivered to you at the request of said borrower/grantee or its authorized agent. The Administrator has agreed to reimburse the approved applicant as named in block 3 above (upon the authorities and signatures of which as designated and identified to you by the Administrator, or known by you from your own records, you may fully rely in any action taken by you hereunder) for monies expended by or for the account of such approved applicant in accordance with the terms and provisions set forth herein or stated in attachments hereto as identified below and incorporated herein by reference.

In consideration of your advising, issuing, or confirming at your option of one or more commercial letters of credit or making at

your option payments to suppliers or to the approved applicant and/or the borrower/grantee (no such letter of credit to have a maturity, and no such payment to be made, later than the date cited in block 8 above) in accordance with application or request therefor by the approved applicant, the Administrator agrees with, and guarantees to you that, in accordance with the said Act, he will make reimbursement to the approved applicant, in the manner and subject to the terms and provisions set forth herein, of all amounts paid by you at sight under any such commercial letter of credit for the account of the approved applicant and the amount of all payments made by you at sight to or for the account of the approved applicant and/or the borrower/grantee and bank charges to the extent authorized for reimbursement hereunder, up to but not exceeding the respective dollar amounts for the procurement of commodities or services as authorized below and in accordance with the conditions stated below.

PROVISIONS OF THE FOLLOWING ATTACHMENTS ARE APPLICABLE TO AND A PART OF THIS LETTER OF COMMITMENT:

You are hereby approved as an assignee of the monies due and to become due under this letter of commitment.

The making of reimbursement hereunder shall be governed solely by the terms and provisions set forth herein and shall not be affected by any rights that the Administrator or the United States Government may have against the borrower/grantee, the approved applicant, or third parties.

If this letter of commitment is satisfactory to you, please sign and return the enclosed copy hereof promptly.

Yours very truly,

Administrator, Agency for International Development
under Foreign Assistance Act of 1961, as amended

by _____
AUTHORIZED REPRESENTATIVE

ACCEPTED
BANK BY DATE

ATTACHMENT 1

**GENERAL TERMS AND PROVISIONS APPLICABLE TO,
AND RIGHTS AND RESPONSIBILITIES OF BANK UNDER,
THIS LETTER OF COMMITMENT**

GENERAL TERMS AND PROVISIONS

1. Payments prior to receipt of letter of commitment. Any payments made at sight in anticipation of receipt of this letter of commitment and falling within the scope of payments authorized by this letter when issued will be deemed to be a payment to be reimbursed by A.I.D. hereunder.

2. Approved applicant's request to bank

a. Form and effect of request. An approved applicant may apply to the bank holding this letter of commitment for the issuance, confirmation, or advice of a commercial letter of credit for the benefit of a supplier, or may instruct the bank to make payments at sight to such supplier, or may instruct the bank to make payments at sight to or for the account of the borrower/grantee.

b. Borrower/grantee assignment under this letter of commitment. The borrower/grantee's request to A.I.D. for this letter of commitment shall be deemed notification to A.I.D. of assignment of any rights to receive reimbursement for the specified funds under the related implementing document. A.I.D. by issuance of this letter of commitment shall be deemed to have consented to such assignment. Any such assignment or consent shall inure to the benefit of the bank's legal successors and assignees.

c. Requirements imposed by bank. The borrower/grantee and the approved applicant shall be deemed to have consented to imposition by the bank upon the beneficiary of any letter of credit or payment instruction of such requirements as the bank deems necessary in order to comply with its applicable obligations to A.I.D. Such consent shall be deemed an express condition incorporated in any request of the approved applicant under subparagraph a. of this paragraph.

3. Letters of credit under this letter of commitment. Any letter of credit issued, confirmed, or advised under this letter of commitment and any agreement relating to such letter of credit or to the instructions for payment issued by an approved applicant may not be inconsistent with or contrary to the terms of this letter of commitment. In particular, the description of commodities or services in any such letter of credit or agreement may not be inconsistent with the Schedule B identification or other description set forth in this letter of commitment. Any such letter of credit or agreement may be modified or extended at any time in such manner and to such extent as is acceptable to the approved applicant and the bank; provided, that such modification or extension may not be inconsistent with or contrary to the terms of this letter of commitment. In the case of any inconsistency or conflict between the terms and conditions of this letter of commitment and the instructions of the approved applicant, the terms and conditions of this letter of commitment shall control. In any event every application for a letter of credit and every request for payment shall include

the substance of the directions as to documents required for reimbursement set forth in this letter of commitment. In addition, unless instructed by A.I.D. to the contrary, the bank shall not open, confirm, or advise any letter of credit and shall not issue or make payment under any payment instruction to a beneficiary or payee with a payment address (as provided by the importer or by the approved applicant to the opening or paying bank or by the opening bank to the confirming or advising bank) outside a country included in the authorized geographic source code.

4. Reimbursement of bank. Upon presentation to A.I.D. of the documents prescribed for reimbursement in this letter of commitment, A.I.D. will reimburse the bank for any amounts paid by it in dollars to or on behalf of the approved applicant pursuant to this letter of commitment, subject, however, to compliance by the bank with the requirements as to the rights and responsibilities of banks as set forth below. Such documents in the normal course should be presented to A.I.D. promptly. Bank charges will be eligible for reimbursement if authorized in this letter of commitment. Reimbursement will be made by check within 30 days.

5. Final date for presentation of documents. The documents prescribed for reimbursement in this letter of commitment shall be presented by the bank to A.I.D. and shall cover (a) payments or negotiations made under letters of credit expiring no later than the expiration date stated in this letter of commitment, or (b) payments to a supplier, the approved applicant, or at the request of the approved applicant, to a person other than the supplier, made no later than such expiration date.

6. Fees and charges. Fees and charges for the issuance or legalization of consular invoices shall not be paid from funds provided by this letter of commitment.

7. Successors and assignees. This letter of commitment shall inure to the benefit of the bank's legal successors and assignees.

8. Termination or modification. A.I.D. reserves the right at any time and from time to time, and for any reason or cause whatsoever, to supplement, modify, or revoke this letter of commitment to the extent and in such manner as it deems necessary; provided, however, that no supplement, modification, or revocation shall become effective as to the bank until the receipt by it from A.I.D. of written notice of such supplement, modification, or revocation, and such supplement, modification, or revocation shall in no event affect or impair the right of reimbursement to the extent of any payment made prior to receipt of such notice, or any obligation incurred under an irrevocable letter of credit issued or confirmed prior to receipt of such notice, for which the bank has not been repaid by the approved applicant (without, however, any obligation on its part to obtain such repayment). The term "letter of commitment" shall be deemed to include

each such supplement or modification from and after receipt by the bank from A.I.D. of written notice of the same, subject always, however, to the foregoing terms and provisions preserving right of reimbursement in its behalf. In the event the bank shall incur any costs, expenses, or liabilities, including any liability to the approved applicant, in effecting compliance with such supplement or modification, it shall be repaid and reimbursed by A.I.D. in respect thereof.

RIGHTS AND RESPONSIBILITIES OF THE BANK UNDER THIS LETTER OF COMMITMENT

1. Making payments

a. **Collection of documents.** The bank shall be responsible for obtaining the documents specified in this letter of commitment when making payment under a letter of credit or pursuant to instructions of an approved applicant.

b. **Examination of documents other than Supplier's Certificate.** The bank shall examine the documents (other than the Supplier's Certificate and the Contractor's Certificate) to be submitted to A.I.D. in accordance with good commercial practice to determine whether such documents comply with the requirements of subparagraphs (1) through (7) of this paragraph in the following particulars, and no other.

(1) **Shipment.** The documents submitted as evidence of the shipment of commodities shall be dated within the shipping period, if any, specified in this letter of commitment.

(2) **Source of commodities.** The documents submitted in connection with the claim for reimbursement of commodities may not indicate that the source of the commodities is inconsistent with the A.I.D. geographic code designation contained in this letter of commitment.

(3) **Destination.** The documents submitted shall indicate that the destination of the commodities, by shipment, transshipment, or reshipment, is the country of the borrower/grantee named in this letter of commitment.

(4) **Description.** The documents shall describe and identify the commodities of services in a manner which, according to good commercial practice, is not inconsistent with the description contained in the letter of credit or payment instructions issued under this letter of commitment. The bank shall not be required to determine whether the supplier's invoice meets the detailed requirements set forth in an attachment to this letter of commitment or whether the carrier statement of charges is indicated on the bill of lading.

(5) **Discounts and purchasing agent's commissions.** If the documents disclosed that the invoice price includes either discounts or commissions payable to purchasing agents, the bank shall not make payment of such discounts and commissions. In the absence of such information, however, the bank shall not be required to make independent inquiry as to whether the invoice price includes such items.

(6) **Certifications.** Each supplier's invoice presented for payment shall contain such other certifications as may be

required in this letter of commitment. The bank shall accept only certifications which, to the best of its knowledge and belief, have been signed by hand.

(7) **Other requirements.** The documents submitted shall contain such other information as required by this letter of commitment except that the bank shall have responsibility in this regard only to the extent specifically indicated in this letter of commitment.

c. **Acceptance of certificates.** A bank shall not accept for submission to A.I.D. the original of the Supplier's Certificate, or the Contractor's Certificate, unless, to the best knowledge and belief of the bank, each such original has been signed by hand by the supplier.

2. **Limitations on the responsibilities of banks.** The following general limitations on the responsibilities of banks issuing, advising, or confirming letters of credit and making payments under letters of credit or otherwise, shall apply.

a. **Sufficiency and completeness of documents.** Any document, including the Supplier's Certificate and the Contractor's Certificate, submitted by a bank to A.I.D. in support of a claim for reimbursement, shall be sufficient if it purports to be the sort required to be delivered and if it has been accepted by the bank in the ordinary course of business in good faith. Except as may be required in discharge of its responsibilities under subparagraphs 1.b. and 1.c. above the bank's right of reimbursement shall not be affected by the fact that any document required to be submitted by it is incomplete or may indicate noncompliance with any provision of this letter of commitment.

b. **Reimbursement right notwithstanding certain deficiencies.** A bank's right to reimbursement from A.I.D. for payments which the bank has made will not be affected by the fact that the Invoice-and-Contract Abstract on the Contractor's Certificate, or the Invoice-and-Contract Abstract on the reverse of the Supplier's Certificate may be incomplete, or may indicate noncompliance with any provision of this letter of commitment, or any other implementing document, or may be inconsistent with other documents required for reimbursement.

c. **Nonresponsibility of bank for truth or accuracy of statements or certifications.** The bank shall not be responsible for the truth or accuracy of any information or statement contained in any Supplier's Certificate or any other document or certification to be submitted by it to A.I.D., notwithstanding any knowledge or information in the actual or constructive possession of the bank to the contrary. The bank shall not be obligated to look beyond the documents, including any certification endorsed thereon, to be submitted by it or to make any independent investigation as to the truth or accuracy of any information or statement contained therein.

d. **Protection of bank making payment.** Acceptance by the bank of any document in the ordinary course of business in good faith as being a genuine and valid document and sufficient in the premises, and the delivery thereof to A.I.D., shall constitute full compliance by the bank with any

LETTER OF COMMITMENT - CONTINUATION SHEET

Page _____ of _____
NUMBER

provision of this letter of commitment requiring delivery of a document of the sort that the document actually so delivered purports to be. The bank shall be entitled to receive and retain reimbursement of the amount of all payments made by it against documents so accepted.

e. **Payment to third persons.** The bank's right of reimbursement shall not be affected by the fact that payment is made to the approved applicant or at the request of the approved applicant to a person other than the supplier under the contract to which such payment relates, if the bank has complied with all other requirements of this letter of commitment and has satisfied itself in good faith that the person to whom it makes payment has, in turn, made payment to the supplier.

f. **Bank procedures with regard to certain suppliers.** In the event a bank receives written advice from A.I.D. concerning special conditions which are applicable to transactions of particular suppliers, such bank will use reasonable care to maintain procedures designed to ensure that accommodations thereafter furnished by it with respect to such suppliers by means of the issuance, confirmation, advising or transfer of letters of credit, or the making of payments not under letters of credit shall reflect such special conditions. While banks are expected to comply with the foregoing obligation, a bank which has used reasonable care to establish and maintain such procedures will not be responsible for any inadvertent furnishing of any such accommodation not containing applicable special conditions or the making of payment thereunder. For the purpose of ascertaining whether the supplier is a person or organization subject to an A.I.D. advice concerning special conditions applicable to its transactions under this paragraph, a bank, in making payment under a letter of credit or otherwise, may consider as supplier the person or organization issuing the invoice.

g. **Provision of implementing documents.** A bank shall not be responsible for compliance with any provision of an implementing document other than this letter of commitment.

3. Additional documents for A.I.D. In addition to the documents required for reimbursement a bank shall retain in its files for a period of at least 5 years and shall make available to A.I.D. promptly upon request a copy of any of

the following documents which may pertain to an A.I.D.-financed transaction:

- a. Each letter of credit issued, confirmed, or advised by it, together with any extension or modification thereof.
- b. Payment instructions received from the approved applicant.
- c. Each application and agreement relating to such letter of credit or instructions for payment, together with any extension or modification thereof.
- d. A detailed advice of the interest, commissions, expenses, or other items charged by it in connection with each such letter of credit or payment instructions.

4. Reports for A.I.D.

a. **Letters of credit.** As of the close of business the last day of each month prior to the expiration date hereof, a report is to be furnished to A.I.D. giving the following information concerning this letter of commitment:

- (1) Letter of commitment serial number;
- (2) Dollar value of letter of commitment as issued or amended;
- (3) Total value of letters of credit advised, issued, or confirmed, including amendments as to value, to date;
- (4) Total amount disbursed as of the end of the month.

This information is to be furnished to A.I.D. as soon as possible, hopefully within 5 days, after the end of each month. These reports, which may be prepared in a format most convenient to the bank, are to be forwarded to: Chief, Banking Division, SER/FM, A.I.D., Washington, D.C. 20523.

b. **Expenditures.** As of 30 days after the expiration date of this letter of commitment, the bank is to furnish to A.I.D. a report of its total expenditures hereunder. This report need state only the total dollar amount of disbursements made by it during the effective period of the document, and the amount reimbursed to it by A.I.D. The report is to be forwarded to: Chief, Banking Division, SER/FM, A.I.D., Washington, D.C. 20523, as soon as practicable after the expiration of the 30-day period.

DEFINITIONS OF TERMS USED IN THIS LETTER OF COMMITMENT

As used in this letter of commitment, the following terms shall have the meanings indicated below.

"The Act" means the Foreign Assistance Act of 1961, as amended from time to time.

"A.I.D." means the Agency for International Development or any successor agency, including, when applicable, each A.I.D. mission or representative abroad.

"Approved applicant" means the person or organization designated by the borrower/grantee to establish credits with banks in favor of suppliers or to instruct banks to make payments to suppliers, and includes any agent acting on behalf of such approved applicant.

"Bank" means a banking institution organized under the laws of the United States, or any State, territory, or possession thereof, or Puerto Rico or the District of Columbia.

"Borrower/grantee" means the government of any cooperating country, or any agency, instrumentality or political subdivision thereof, or any private entity to which A.I.D. directly makes funds available by loan or grant.

"Commodity" means any material, article, supply, goods, or equipment.

"Commodity-related services" means delivery services and/or incidental services.

"Contractor's Certificate" means form AID 1440-3, "Contractor's Certificate and Agreement with the Agency for International Development," including the "Contractor's Invoice-and-Contract Abstract," or any substitute form which may be prescribed in this letter of commitment.

"Cooperating country" means the country receiving the A.I.D. assistance.

"Delivery" means the transfer to, or for the account of, an importer of the right of possession of a commodity, or the rendering to, or for the account of, an importer of any commodity-related service.

"Delivery services" means any service customarily performed in a commercial export transaction which is necessary to effect a physical transfer of commodities to the cooperating country. Examples of such services are the following: export packing, local drayage in the source country (including waiting time at the dock), ocean and other freight, loading, heavy lift, wharfage, tollage, switching, dumping and trimming, lighterage, insurance, commodity inspection services, and services of a freight forwarder.

"Implementing document" means any document issued by A.I.D. which authorizes the use of A.I.D. funds for the procurement of commodities, commodity-related services, or engineering and other professional services and which specifies conditions which will apply to such procurement.

"Incidental services" means the installation or erection of A.I.D.-financed equipment, or the training of personnel in the maintenance, operation and use of such equipment.

"Letter of commitment" means this A.I.D. letter of commitment and each supplement to or modification hereof which is accepted by the bank.

"Mobilization payment" means any payment due a contractor for costs incurred or to be incurred by the contractor in the procurement and delivery to the construction site of equipment and materials required to perform the work but which will not be incorporated in the project and title to which will be retained by the contractor after completion of the work.

"Schedule B" means "Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States" issued and amended from time to time by the U.S. Bureau of the Census, Department of Commerce and published in 15 CFR 30.92.

"Source" means the country from which a commodity is shipped to the country of the borrower/grantee, or the country of the borrower/grantee if the commodity is located therein at the time of the purchase. Where, however, a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which the commodity was shipped to the free port or bonded warehouse.

"Supplier" means any person or organization, governmental or otherwise, who furnishes commodities, commodity-related services, engineering and other professional services or construction services.

"Supplier's Certificate" means form AID 282, "Supplier's Certificate and Agreement with the Agency for International Development," including the "Invoice-and-Contract Abstract" on the reverse of such form, or any substitute form which may be prescribed in this letter of commitment.

"United States" means the United States of America, any State, territory or possession thereof, Puerto Rico and the District of Columbia.

ATTACHMENT 3

A.I.D. GEOGRAPHIC CODES

The A.I.D. Geographic Code Book sets forth the official description of all geographic codes used by A.I.D. in authorizing or implementing documents to designate authorized source countries or areas. The following are summaries of the principal codes:

Code 000—The States of the United States, the District of Columbia, areas of U.S.-associated sovereignty (including trust territories), and the Ryukyu Islands under U.S. control.

Code 940—"The Americas": The United States and areas of U.S.-sovereignty (excluding the Ryukyu Islands) and all independent countries in the Americas south of the United States, except the cooperating country itself and Cuba.

Code 901—"Limited Free World": Any area or country in the Free World, excluding the cooperating country itself and the following developed countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany (Fed. Rep.), Italy, Japan, Luxembourg, Monaco, Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, and the United Kingdom.

Code 899—"Free World": Any area or country excluding the cooperating country itself and the following countries:

Albania, Bulgaria, China (Mainland) and other Chinese Communist-controlled Areas, Cuba, Czechoslovakia, Estonia, East Germany, Hungary, North Korea, Latvia, Lithuania, Outer Mongolia, Poland, Romania, North Vietnam, and the Union of Soviet Socialist Republics (USSR).

Code 935—"Special Free World": Any area or country in the Free World, including the cooperating country itself.

Code 941—"Selected Free World": Any independent country in the Free World, except Algeria, Andorra, Australia, Austria, Belgium, West Berlin, Canada, Cyprus, Denmark, Finland, France, West Germany, Greece, Hong Kong, Iceland, Iraq, Ireland, Israel, Italy, Japan, Kuwait, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Portugal, Southern Rhodesia, San Marino, Somali Republic, South Africa, Spain, Sudan, Syria, Sweden, Switzerland, United Arab Republic, United Kingdom, Vatican City, Yemen, Yugoslavia, and the cooperating country itself.

Code 910—"Selected Less Developed Countries": India, Morocco, Pakistan, the Philippines, Taiwan, South Korea, Singapore, Thailand and Tunisia. Code 000 shall also be included within this Code.

**DOCUMENTS REQUIRED FOR REIMBURSEMENT BY A.I.D.
FOR
ENGINEERING AND OTHER PROFESSIONAL SERVICES
BUT NOT INCLUDING CONSTRUCTION SERVICES**

Claims for reimbursement under the letter of commitment in respect to engineering and other professional services, but not including construction services, shall be supported by the documents listed below, each of which must cite the A.I.D. serial number under which the letter of commitment was issued.

1. Voucher, SF 1034. Original and three copies, prepared by the bank as assignee or as agent for and in behalf of the approved applicant.

2. Supplier's invoice. One copy of the invoice describing the services performed and itemizing in detail the costs, such as salary, travel, materials, and equipment, if any, for which payment is invoiced (except in the case of fixed-price contracts in which case the invoice shall identify the covering contract and the section or paragraphs which provide for such payment and the terms of payment). The invoice either shall be marked "Paid" by the supplier or shall be accompanied by a certificate from a bank indicating that payment has been made. In addition, each invoice covering a shipment of commodities shall bear a certification by the supplier that a nonnegotiable copy of the ocean or charter party bill of lading containing all the information required under this letter of commitment has been mailed to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235.

3. Contractor's Certificate and Agreement. Manually signed original and one copy of the Contractor's Certificate and Agreement with the Agency for International Development, including the related Contractor's Invoice-and-Contract Abstract, executed by the supplier in accordance with the instructions thereon.

4. Certificate of performance for progress payments. The following manually signed certificate executed by an authorized representative of the borrower/grantee showing his title and date of execution:

The undersigned certifies that (a) the services (or equipment and materials) for which reimbursement is requested have been satisfactorily delivered, (b) the costs thereof are properly reimbursable in accordance

with the terms of the contract, and (c) any reports or recommendations required under the terms of the contract have been received and are in accordance with the terms of the contract.

5. Certificate of performance for final payment. The following manually signed certificate executed by an authorized representative of the borrower/grantee showing his title and date of execution:

The undersigned certifies that the services (or equipment and materials) for which final payment is invoiced meet in all respects the specifications prescribed in the covering contract, and the amount invoiced is properly due and payable under the terms of the contract.

6. Cancellation charges (if authorized in the letter of commitment). In lieu of the invoice and certificate of performance specified under paragraphs 2, 4, and 5 above, the following documents will be required:

a. One copy of the invoice setting forth the amount claimed as cancellation charge, citing the covering contract and the section or paragraph providing for such payment and the terms of payment;

b. A sealed envelope said to contain a written justification by the supplier supporting in detail the claimed charge;

c. One of the following:

(1) Written concurrence by the borrower/grantee to the supplier's claim; or

(2) A certified copy of an arbitration award, together with a certification by the supplier that such award has not been disputed by the borrower/grantee in a court of law; or

(3) A final decree of the court showing the amount of the award.

7. Additional or substitute documentation. Such additional or substitute documentation as may be specified in the letter of commitment.

ATTACHMENT 5

**DOCUMENTS REQUIRED FOR REIMBURSEMENT BY A.I.D.
FOR
CONSTRUCTION SERVICES, INCLUDING COSTS OF
CONTRACTOR-PROCURED EQUIPMENT, MATERIALS, AND
COMMODITIES INCLUDING COMMODITY-RELATED SERVICES**

Claims for reimbursement under the letter of commitment in respect to construction services, including costs of contractor-procured commodities, equipment, and materials (hereafter referred to as "commodities") including commodity-related services, shall be supported by the documents listed below, each of which must cite the A.I.D. serial number under which the letter of commitment was issued.

1. **Voucher, SF 1034.** Original and three copies, prepared by the bank as assignee or as agent for and in behalf of the approved applicant.

2. Supplier's Invoice

a. **For construction services.** One copy of the invoice describing the services performed and identifying the covering contract and the section or paragraphs which provide for such payment and the terms of payment, setting forth detailed costs of commodities, freight, and insurance. In the case of a cost reimbursement contract the invoice shall be itemized in detail, setting forth separately costs such as salary, travel, and commodities, if any. In either case, the invoice either shall be marked "Paid" by the supplier or shall be accompanied by a certificate from a bank indicating that payment has been made. Each invoice shall have attached or endorsed thereon the following manually signed certification executed by the supplier:

The undersigned certifies that the costs reimbursable and the amount payable in accordance with the terms of the contract, up to the date of this certificate, are not less than the total payments received or claimed under the contract (including the payment claimed under this invoice), and that the terms and conditions of the contract, including the plans and specifications, have been fully complied with.

In addition, each invoice covering a shipment of commodities shall bear a certification by the supplier stating that a copy of the bill of lading required under paragraph 3 below has been mailed to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235.

b. **For mobilization payments.** One copy of the supplier's invoice setting forth the detailed costs and bearing manually signed certification by the supplier that the amount being claimed represents mobilization expenses as defined in the contract and that the amount being drawn is in accordance with the terms and conditions of the contract. The invoice either shall be marked "Paid" by the supplier or shall be accompanied by a certificate from a bank indicating that payment has been made.

3. **Evidence of shipment.** For all costs of commodities included in progress and/or mobilization payments, a copy of the bill of lading or substitute as follows:

a. One copy or photostat of the bill of lading (ocean, charter party, airway, railway, barge, or truck) or parcel post receipt evidencing shipment from the point of export in the source country or a free port or bonded warehouse to the importing country. The bill of lading shall indicate the carrier's complete statement of charges including all relevant weights, cubic measurements, rates, and additional charges, whether or not freight is financed by A.I.D. Any bills of lading submitted for reimbursement of ocean freight on shipments from other than U.S. ports shall bear the following manually signed carrier's certification:

The applicable ocean freight tariff rates have been filed with Transportation Division, SER/COM, A.I.D., Washington, D.C. 20523. The freight charges shown hereon identify the rate and weight or measurement basis by which the ocean freight amount collected for the commodity shipped hereunder was calculated; such charges are exclusive of all credits, allowances, discounts, rebates, and other payments of any kind given or to be given by the carrier to or for the account of the commodity supplier, importer, or their agents.

b. When the commodity is transported to the importing country under its own power (e.g., as in the case of a fishing vessel, aircraft, etc.), a certificate signed by the importer (or his authorized agent), submitted in lieu of a bill of lading, certifying that the commodity has been received in satisfactory condition and has been accepted by the importer.

c. Where shipment is effected from a free port or bonded warehouse, a copy of the bill of lading, bearing a notation of the freight costs, covering shipment from the source to the free port or bonded warehouse and, if the free port or bonded warehouse is located within the importing country, accompanied by a delivery receipt evidencing release from the free port or bonded warehouse to the importer. The date of the delivery receipt will be considered as the shipment date for the transaction and therefore must be dated within such delivery period as may be specified in the letter of commitment.

4. **Contractor's Certificate and Agreement.** Manually signed original and one copy of the Contractor's Certificate and Agreement with the Agency for International Development, including the related Contractor's Invoice and Contract Abstract, executed by the supplier in accordance with the instructions thereon. However, this document is not required

from the carrier or the insurer notwithstanding that the costs of freight and insurance are included in the price of the commodity.

5. Certificate of performance for progress payments. The following manually signed certificate executed by an authorized representative of the consulting engineer showing his title and date of execution:

The undersigned certifies that (a) the services (or equipment and materials) for which reimbursement is requested have been satisfactorily delivered, (b) the costs thereof are properly reimbursable in accordance with the terms of the contract, and (c) any reports or recommendations required under the terms of the contract have been received and are in accordance with the terms of the contract.

6. Certificate of performance for final payment. The following manually signed certificate executed by an authorized representative of the consulting engineer showing his title and date of execution:

The undersigned certifies that the services (or equipment and materials) for which final payment is invoiced meet in all respects the specifications prescribed in the covering contract, and the amount invoiced is properly due and payable under the contract.

7. Cancellation charges (if authorized in the letter of commitment). In lieu of the invoice and certificate of performance specified under paragraphs 2, 5, and 6 above, the following documents will be required:

a. One copy of the invoice setting forth the amount claimed as cancellation charge, citing the covering contract and the section or paragraph providing for such payment and the terms of payment;

b. A sealed envelope said to contain a written justification by the supplier supporting in detail the claimed charge;

c. One of the following:

(1) Written concurrence by the borrower/grantee to the supplier's claim; or

(2) A certified copy of an arbitration award, together with a certification by the supplier that such award has not been disputed by the borrower/grantee in a court of law; or

(3) A final decree of the court showing the amount of the award.

8. Additional or substitute documentation. Such additional or substitute documentation as may be specified in the letter of commitment.

ATTACHMENT 6

**DOCUMENTS REQUIRED FOR REIMBURSEMENT BY A.I.D.
FOR
COMMODITIES AND COMMODITY-RELATED SERVICES
(NOT INCLUDING PROGRESS PAYMENTS)**

Claims for reimbursement under the letter of commitment in respect to procurement of commodities and commodity-related services by a borrower/grantee, or by a contractor or agent acting for a borrower/grantee, shall be supported by the documents listed below, each of which must cite the A.I.D. serial number under which the letter of commitment was issued.

1. **Voucher, SF 1034.** Original and three copies, prepared by the bank as assignee or as agent for and in behalf of the approved applicant.

2. **Supplier's invoice**

a. One copy of the supplier's detailed invoice showing the quantity and description of each item, gross sales price, net sales price (after deducting discounts, purchasing agents' commissions, and, as the case may be, ineligible supplier's agents' commissions), name and address of the importer, and basis of delivery (e.g.; f.o.b., c.& f., c.& i., c.i.f., f.a.s.) of the commodities, or details of the freight and/or marine insurance services. When marine insurance costs are \$50 or less, the name and address of the insurer and the amount of insurance must be shown. The invoice either shall be marked "Paid" by the supplier or shall be accompanied by a certificate from a bank indicating that payment has been made. In addition, there must appear on or be attached to each invoice a certification by the supplier stating that a copy of the bill of lading required under paragraph 4 below has been mailed to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235.

b. When the invoice covers commodities shipped from a free port or bonded warehouse, it shall include an endorsement so indicating, and designating also the country or area from which shipment was made to the free port or bonded warehouse.

c. When an invoice covering costs of freight or marine insurance is rendered separately (i.e., when these costs are not billed on the invoice covering the costs of the commodities), an appropriate reference must be furnished to the voucher, SF 1034, and invoice under which the cost of the commodities was paid.

3. **Supplier's Certificate and Agreement.** Manually signed original and one copy of the Supplier's Certificate and Agreement with the Agency for International Development, including the related Invoice-and-Contract Abstract, executed by the supplier in accordance with the instructions thereon covering the following:

a. The cost of the commodity and any commodity-related services, including the cost of ocean freight and/or marine insurance (including war-risk insurance) when such costs are paid by the supplier for his own or the buyer's account, to be executed by the supplier of the commodity.

b. The cost of ocean or air transportation, to be executed by each carrier or, in the case of a through bill of lading, the issuing carrier.

c. The cost of marine insurance (including war-risk insurance) if such costs exceed \$50, to be executed by the insurer or by an insurance broker on behalf of the insurer.

4. **Evidence of shipment.** One copy of the bill of lading or substitute as follows:

a. One copy or photostat of the bill of lading (ocean, charter party, airway, railway, barge, or truck) or parcel post receipt evidencing shipment from the point of export in the source country or a free port or bonded warehouse to the importing country. The bill of lading shall indicate the carrier's complete statement of charges including all relevant weights, cubic measurements, rates, and additional charges, whether or not freight is financed by A.I.D. Any bills of lading submitted for reimbursement of ocean freight on shipments from other than U.S. ports shall bear the following manually signed carrier's certification:

The applicable ocean freight tariff rates have been filed with Transportation Division, SER/COM, A.I.D., Washington, D.C. 20523. The freight charges shown hereon identify the rate and weight or measurement basis by which the ocean freight amount collected for the commodity shipped hereunder was calculated; such charges are exclusive of all credits, allowances, discounts, rebates, and other payments of any kind given or to be given by the carrier to or for the account of the commodity supplier, importer, or their agents.

b. When the commodity is transported to the importing country under its own power (e.g.; as in the case of a fishing vessel, aircraft, etc.) a certificate signed by the importer (or his authorized agent), submitted in lieu of a bill of lading, certifying that the commodity has been received in satisfactory condition and has been accepted by the importer.

c. Where shipment is effected from a free port or bonded warehouse, a copy of the bill of lading, bearing a notation of the freight costs, covering shipment from the source to the free port or bonded warehouse and, if the free port or bonded warehouse is located within the importing country, accompanied by a delivery receipt evidencing release from the free port or bonded warehouse to the importer. The date of the delivery receipt will be considered as the shipment date for the transaction and therefore must be dated within such delivery period as may be specified in the letter of commitment.

5. **Additional or substitute documentation.** Such additional or substitute documentation as may be specified in the letter of commitment.

ATTACHMENT 7

**DOCUMENTS REQUIRED FOR REIMBURSEMENT BY A.I.D.
FOR
PROCUREMENT OF COMMODITIES UNDER CONTRACTS
PROVIDING FOR PROGRESS AND/OR FINAL ACCEPTANCE PAYMENTS**

Under a letter of commitment issued to finance a contract identified to the supplier named in the letter of commitment, such contract providing for progress payments prior to shipment and/or final acceptance payments in respect to procurement of the commodities authorized in the letter of commitment, claims for reimbursement shall be supported by the documents listed below, each of which must cite the A.I.D. serial number under which the letter of commitment was issued.

1. **Voucher, SF 1034.** Original and three copies, prepared by the bank as assignee or as agent for and in behalf of the approved applicant.

2. **Supplier's invoice.** One copy of the supplier's invoice, which invoice shall cite the pertinent article or section of the contract under which the invoice is drawn. The invoice either shall be marked "Paid" by the supplier or shall be accompanied by a certificate from a bank indicating that payment has been made. In addition, there must appear on or be attached to each invoice a certification by the supplier stating that a copy of the bill of lading required under paragraph 4 below has been mailed to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235.

3. **Works progress certificate.** Four progress or final payments, for partial or final shipment, or for final contract completion, a manually signed certification by the supplier endorsed on or attached to the invoice as follows:

The undersigned certifies that (a) the sales value of the equipment covered by this invoice; plus the value of equipment already delivered; plus the sales value of engineering services, labor, and purchased material for which expenditures have been made; plus the amount expended on account of commitments for equipment remaining to be supplied under the subject contract, are not less than the total payment already received or claimed against this contract, including payments claimed under this invoice; and (b) it is complying with the terms and conditions of the subject contract.

4. **Evidence of shipment.** For all commodities and commodity-related services, whether invoiced under a progress payment or a final acceptance payment, one copy of the bill of lading or substitute as follows:

a. One copy or photostat of the bill of lading (ocean, charter party, airway, railway, barge, or truck) or parcel post receipt evidencing shipment from the point of export in the source country or a free point or bonded warehouse to the importing country. The bill of lading shall indicate the

carrier's complete statement of charges including all relevant weights, cubic measurements, rates, and additional charges, whether or not freight is financed by A.I.D. Any bills of lading submitted for reimbursement of ocean freight on shipments from other than U.S. ports shall bear the following manually signed carrier's certification:

The applicable ocean freight tariff rates have been filed with Transportation Division, SER/COM, A.I.D. Washington, D.C. 20523. The freight charges shown hereon identify the rate and weight or measurement basis by which the ocean freight amount collected for the commodity shipped hereunder was calculated; such charges are exclusive of all credits, allowances, discounts, rebates, and other payments of any kind given by the carrier to or for the account of the commodity supplier, importer, or their agents.

b. When the commodity is transported to the importing country under its own power (e.g.; as in the case of a fishing vessel, aircraft, etc.) a certificate signed by the importer (or his authorized agent), submitted in lieu of a bill of lading, certifying that the commodity has been received in satisfactory condition and has been accepted by the importer.

c. Where shipment is effected from a free port or bonded warehouse, a copy of the bill of lading, bearing a notation of the freight costs, covering shipment from the source to the free port or bonded warehouse and, if the free port or bonded warehouse is located within the importing country, accompanied by a delivery receipt evidencing release from the free port or bonded warehouse to the importer. The date of the delivery receipt will be considered as the shipment date for the transaction and therefore must be dated within such delivery period as may be specified in the letter of commitment.

5. **Contractor's Certificate and Agreement.** Manually signed original and one copy of the Contractor's Certificate and Agreement with the Agency for International Development, including the related Contractor's Invoice-and-Contract Abstract, executed by the supplier in accordance with the instructions thereon. However, this document is not required from the carrier or the insurer notwithstanding that the costs of freight and insurance are included in the price of the commodity.

6. **Cancellation charge (if authorized in the letter of commitment).** In lieu of the invoice and evidence of shipment specified under paragraphs 2 and 4 above, the following documents will be required:

a. One copy of the invoice setting forth the amount claimed as cancellation charge, citing the covering contract

and the section or paragraph providing for such payment and the terms of payment;

b. A sealed envelope said to contain a written justification by the supplier supporting in detail the claimed charge;

c. One of the following:

(1) Written concurrence by the borrower/grantee to the supplier's claim; or

(2) A certified copy of an arbitration award, together with a certification by the supplier that such award has not been disputed by the borrower/grantee in a court of law; or

(3) A final decree of the court showing the amount of the award.

7. **Additional or substitute documentation.** Such additional or substitute documentation as may be specified in the letter of commitment.

ATTACHMENT 8

DOCUMENTS REQUIRED FOR REIMBURSEMENT BY A.I.D.
FOR
BANK CHARGES UNDER LETTER OF COMMITMENT

1. **Charges for other than interest.** To claim reimbursement for commissions or other charges, not including interest on advances, the bank shall submit Voucher, SF 1034, and shall attach thereto a copy of the payment advice which identifies the costs being billed.

2. **Charges for interest on advances.** To claim reimbursement for interest on advances, the bank shall claim reimbursement on Voucher, SF 1034, and shall attach thereto

a. The monthly statement of advance account established under the letter of commitment, in duplicate, showing

(1) The opening balance;

(2) The date and amount of each charge attributable to the letter of commitment, indicating the number of the letter of commitment or payment instruction or request under which the charge was made;

(3) The date and amount of each A.I.D. reimbursement to the bank, indicating either the A.I.D. bureau voucher

number or the number of the letter of commitment or payment instruction or request under which the payment was made; and

(4) The closing balance:

b. The bank's monthly advice of charge, in duplicate, showing

(1) The outstanding balance in the advance account on each day of the period covered; and

(2) The amount of interest charged during the period.

3. **Certification.** Each claim for reimbursement shall have endorsed thereon or attached thereto a certification by an authorized representative of the bank that the charges for which payment is being claimed are in accordance with the schedule of charges agreed on between the bank and the approved applicant.

APPENDIX 5D

STANDARD DIRECT LETTER OF COMMITMENT

I. BACKGROUND

The Standard Direct Letter of Commitment, (SDLC), is attached hereto for use in the procurement of commodities and commodity-related services. The SDLC was developed by the Commodity Financing Task Force, comprised of representatives of the Office of General Counsel and the Bureau For Management. The Task Force was established to improve Internal Controls with respect to financing procedures related to the procurement of commodities and commodity-related services.

The SDLC is comprised of two parts of three pages each. The first part contains the basic provisions of the Standard Direct Letter of Commitment. The second part contains Standard Documentation Requirements, including the documents described in Section 201.52 of A.I.D. Regulation 1, as amended, plus certain additional requirements deemed to be necessary by the Task Force. Those additional requirements are covered by the certifications (a. thru d.) appearing at the top of page two of the attachment.

Standard Direct Letters of Commitment for the procurement of commodities and commodity-related services under CIP transactions will normally be issued by A.I.D./W (FM/PAFD/BPCB). However, the SDLC is also to be used where a Mission issues the Letter of Commitment; in those cases there will only be minor modifications required to reflect issuance by the Mission.

The SDLC has also been adapted for freight financing. The SDLC for freight (Appendix 5E) contains its own instructions for adaptation to the transportation transaction. Where banks finance A.I.D. transactions under commercial letters of credit, A.I.D.'s letter of commitment to the bank will contain documentation requirements similar to those attached to the SDLC.

II. INSTRUCTIONS FOR USE - GENERAL

A. The text of the SDLC is to be included in the solicitation document (IFB or RFQ), in all cases where;

1. The IFB or RFQ specifically states that Direct Letters of Commitment will be used to finance awards made; and

2. Procurement is to be undertaken in accordance with A.I.D. Regulation 1, as amended.

B. The SDLC may also be used for the financing of commodities where the supplier performs additional incidental services such as installation, start-up, erection, training etc., after the commodities have arrived in country. In those cases the SDLC can be used for the payment of all costs incurred for the actual shipment of the commodities. The IFB/RFQ should specify, however, that payment for all costs in connection with services performed after arrival of the goods will be paid under a separate Direct Letter of Commitment to be issued and paid by the mission. The IFB/RFQ should also specify what documentation the supplier will be required to present to the mission to obtain payment for such additional services (voucher, invoice, Form AID-282, Certificate of Performance issued by the Host Country Contracting Entity or by the Importer). Documentation for suppliers of services would normally not include the Form AID 11.

C. The SDLC may not be used in connection with the financing of any commodity of a custom-made nature, where the supplier is to be paid any payments prior to the actual shipment of the commodity. Separate guidelines covering that type of procurement will be issued.

II. INSTRUCTIONS FOR USE - SPECIFIC

A. PREPARATION

Prior to inserting the SDLC into the IFB/RFQ the responsible A.I.D. office in Washington or the Mission must complete ATTACHMENT A of the SDLC, with respect to Paragraph 6, as follows:

1. Any additional documents required for the commodity being procured, as prescribed by Part III of Appendix B, HB 15, are to be inserted in Paragraph 6, and separately identified by Subparagraph .

2. Instructions to the supplier with respect to the forwarding of the original commercial documentation is also to be included as a separate Subparagraph of Paragraph 6, in accordance with the following example:

Your signed certification to the effect that the originals of all commercial shipping documents has been forwarded by Registered Airmail to:

The task force believes that in those cases where partial shipments are not allowed, M/FM/PAFD can decommit any unutilized balance remaining after payment has been made to the supplier. Those funds can then be restored to the balance of the agreement and made available for future use. At the present time unrequired funds are left open in L/Coms. until the mission requests that they be decommitted and used for new items.

7. Identify the authorized area(s) of source for commodities and for commodity-related services, (transportation and insurance).

8. The terminal shipment date.

9. The expiration date.

10. In some cases A.I.D./W is asked to open "inoperable" letters of commitment, pending A.I.D./W receipt of advice from the mission that the importer has received and accepted a satisfactory performance guaranty from the supplier. If such is the case the word "inoperable" should be included.

11. The instructions should identify any additions required to PARAGRAPH 6 OF ATTACHMENT A. which appear in the SDLC incorporated into the IFB/RFQ. Example:

A. Inspection Certificate issued by _____ attesting that _____ etc.

B. Analysis Certificate issued by _____ attesting _____ that _____ etc.

C. Suppliers Certification that he has forwarded the originals of all commercial shipping documents by Registered Airmail to _____

5. REQUIRED DOCUMENTS: ALL CLAIMS FOR PAYMENT HEREUNDER MUST BE SUPPORTED BY THE DOCUMENTATION AS SET FORTH IN ATTACHMENT A. HEREOF.
6. Terminal Shipment and Expiration Dates: Documents submitted for payment hereunder must evidence shipment not later than _____, and must be presented to A.I.D. at the address specified in Paragraph 10.A., below not later than _____.
7. Amendments: Payment hereunder is contingent upon written approval by A.I.D. of any amendment of the contract being financed hereunder negotiated after the effective date of the contract. Approval by A.I.D. will be indicated by the issuance of an amendment to this Letter of Commitment.
8. Assignment: Funds due or to become due from A.I.D. under this letter of commitment may be assigned only in accordance with the provisions of the U.S. Code concerning Assignment of Claims (31 U.S.C.A. s3727 and 41 U.S.C. 15).
9. Pursuant to authority granted A.I.D. under Section 640A,(b) of the Foreign Assistance Act of 1961, as amended by Section 302 (f) of the Foreign Assistance Act of 1968, (22 U.S.C. Section 2399b), A.I.D. may deduct from and set off against payment specified in Paragraph 1 above, any amounts owed by you to A.I.D. and covered by A.I.D. Bills for Collection, provided such deductions shall be made by A.I.D. in accordance with the provisions of 4 C.F.R., Part 102.
10. Communications with A.I.D.:
 - A. The documents required for payment hereunder as specified in ATTACHMENT A hereof shall be forwarded directly to:

Office of Procurement (M/SER/OP/COMS/M)
Agency for International Development
Room 1200J SA-14
Washington, D.C. 20523
Telephone: (703) 875-1769

(or if delivery is by special courier directly to):

Office of Procurement
Commodity Support Division Monitoring Branch (M/SER/OP/COM/M)
Agency for International Development
Twin Towers II, 11 Wilson Blvd., Room 1200J
Rosslyn, Virginia, 22209
Telephone: (703) 875-1769

B. All other communications regarding this letter of commitment shall be addressed to:

Program Accounting and Finance Division (FM/PAFD)
Office of Financial Management
Agency for International Development
Washington, D.C. 20523
Telephone: (202) 632-8480

11. Acceptance: This letter of commitment shall become effective upon your acceptance of the terms and conditions set forth above, which acceptance shall be indicated by your signing and returning the enclosed copy to the address indicated in Paragraph 10.B., above.

Sincerely yours,

Administrator, Agency for
International Development
Under Foreign Assistance
Act of 1961, as amended

By _____

(Authorized Representative)

NAME OF SUPPLIER	ACCEPTANCE	DATE
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ATTACHMENT A TO A.I.D. LETTER OF
COMMITMENT NO. _____

THE AGENCY FOR INTERNATIONAL DEVELOPMENT REQUIRES THAT THE FOLLOWING DOCUMENTS BE PRESENTED BY THE SUPPLIER WITH EACH CLAIM FOR PAYMENT UNDER THE LETTER OF COMMITMENT IDENTIFIED ABOVE. ALL DOCUMENTS MUST SHOW THE ABOVE LETTER OF COMMITMENT NUMBER, AND BUDGET PLAN CODE NO.

1. Voucher: Public Voucher Form SF 1034, in original and three copies to be executed by the addressee of this letter of commitment, or by a bank, as assignee of the addressee of this letter of commitment.

NOTE: All payments will be made by Electronic Fund Transfer to the suppliers account in a U.S. Bank. The following information must be shown in the PAYEE BLOCK OF THE VOUCHER: a.) the name and address of the U.S. bank; b.) the nine (9) digit American Bankers Association account number of the bank; c.) the name of the supplier; and d.) the U.S. bank account number of the supplier. Should assistance be required with respect to this requirement it may be obtained by calling the A.I.D. at Area Code 202, 632-8480.

2. Suppliers Invoice: One copy of the supplier's detailed commercial invoice showing the following:

- a.) the name and address of the importer, and the IFB or RFQ and Notice of Award Numbers, as applicable.

- b.) the quantity and description of each item shipped, in sufficient detail (including the appropriate U.S. Department of Commerce Schedule B. No.) for ready identification;

- c.) the total gross sales price;

- d.) the total net sales price, determined by deducting from the total gross sales price the amounts required to be deducted under 201.65 (g) of A.I.D. Regulation 1, as amended;

- e.) the sales price for each item net of all trade discounts to which the importer is entitled;

- f.) the delivery terms (e.g. f.o.b., f.a.s., c.i.f. c.& f.);

- g.) the dollar amount of any incidental services which are not included in the price of the commodity and for which payment is claimed;

h.) the dollar amount of all delivery services obtained by the supplier of the commodity for the importer's account which are not included in the price of the commodity and for which payment is being claimed;

i.) to the extent that the commodity price includes transportation cost as defined in 201.61 (c) of A.I.D. Regulation 1, as amended, or other commodity-related services, a description of such services and the dollar amounts attributable to such services;

j.) unless a Supplier's Certificate covering marine insurance is submitted, the name and address of the supplier of such insurance, and the dollar cost thereof.

Each invoice submitted for payment must contain a certification signed by the supplier to the effect that;

a.) the A.I.D. marking requirements set forth in Section 201.30 of A.I.D. Regulation 1, as amended, have been complied with;

b.) that the supplier has airmailed to the Controller, USAID Mission in the Capital City of the Cooperating Country, one copy each of the invoice, packing list, and bill of lading,;

c.) that the supplier has mailed to the Agency for International Development, Commodity Support Division, Office of Procurement (M/SER/OP/COMS/M), Washington, D.C. 20523, a copy of the sales contract with the purchaser, proforma invoice or other document under which the buyer and seller fix the price and terms of sale;

d.) that the supplier has mailed one copy of the bill of lading described in 201.52(a)(4) of A.I.D. Regulation 1, as amended, (and if a Non-Vessel Operating Common Carrier is used one copy of the Operating Carrier's rated bill of lading) to: Office of Procurement, Transportation Division, Agency for International Development, Washington, D.C. 20523, and to The Maritime Administration, Division of National Cargo, 400 Seventh Street, S.W., Washington, D.C. 20590.

NOTE: This requirement (d) is only applicable if shipment is effected by ocean vessel.

3. Supplier's Certificate: An original and one copy of the Supplier's Certificate and Agreement with The Agency for International Development/Invoice-and-Contract Abstract, A.I.D. (Form AID-282) executed by:

(i) the supplier of the commodity, for the cost of the commodity and any commodity-related services furnished by the commodity supplier;

(ii) the carrier, for the cost of ocean transportation financed by A.I.D.and;

(iii) the insurer, for the cost of marine insurance financed by A.I.D. if such cost exceeds \$50.00

The original of each Supplier's Certificate shall be signed by hand and shall bind the person or organization in whose behalf the execution is made.

4. Commodity Approval Application: One signed original of the Commodity Approval Application (Form AID-11), executed by the commodity supplier and countersigned by A.I.D. (Office of Procurement, Commodity Support Division, Technical Support Branch, (M/SER/OP/COMS/T). In the case of a claim for payment of a partial shipment presented subsequent to submission of the original Commodity Approval Application, one re-produced copy of the original countersigned Commodity Approval Application appropriately certified as such by the supplier is acceptable. The original of each Commodity Approval Application shall be signed by hand by the commodity supplier and shall bind the person or organization in whose behalf the execution is made.
5. Evidence of Shipment: one copy (or photostat) of a clean rated on board ocean bill of lading evidencing shipment(on a carrier bearing the flag of a country within the authorized area of source) from the point of export in the source country to the cooperating country. The bill of lading shall indicate the carrier's complete statement of charges, including all relevant weights, cubic measurements, rates and additional charges, whether or not freight is financed by A.I.D. If a Non-Vessel Operating Common Carrier is used, a copy of the Operating Carrier's rated bill of lading is to be presented also.

ADDITIONAL DOCUMENTS.

- 6.

APPENDIX 5E

LETTER OF COMMITMENT

Date:

Name of Beneficiary:
Address of Beneficiary:

Re: A.I.D. Letter of Commitment No.
Charter Party or Booking Agreement dated
Value: \$

Gentlemen:

1. At the request of the Government of , the Administrator of the Agency for International Development ("A.I.D."), acting for the United States of America, subject to compliance with the conditions prescribed in this Letter of Commitment, hereby undertakes to make payment to you in an amount not to exceed \$ _____, to cover the U.S. dollar costs of ocean transportation charges as described in paragraph 2 below.

2. The ocean transportation costs eligible for financing are as set forth in the Charter Party or Booking Agreement cited above and as summarized below:

(The summary shall include a description of all of the commodities to be shipped, the loading port(s) and destination(s) of the commodities, together with details describing the quantities and the transportation costs for each of the commodities.)

For example: 2,500 gross metric tons Potassium Chloride (5% more or less, vessel owner's option), (2% empty bags freight free); 4,000 gross metric tons Triple Superphosphate (5% more or less, vessel owner's option), (2% empty bags freight free), to be shipped via SS James Lykes or substitute, laydays January 5/15, 1985, loading Corpus Christi, Texas and Tampa, Florida at \$115.00 per gross metric ton of fertilizer, plus \$0.75 per gross metric ton on entire cargo for second loadport, destination Dar es Salaam, Tanzania.

3. Payment is subject to compliance with the terms of this Letter of Commitment, the Charter Party or Booking Agreement herein identified, and the provisions of A.I.D. Regulation 1, as amended (22 CFR Part 201), as in effect at the date hereof, all of which are incorporated into this Letter of Commitment and which shall govern the relationship between A.I.D. and your firm. The making of payment under this Letter of Commitment does not in any way relieve you of any of the obligations that you assume in executing the Supplier's Certificate and Agreement with A.I.D. as called for in this Letter of Commitment.

4. Expiration Date: Documents submitted for payment must be presented to A.I.D. at the address specified in paragraph 9A. below, not later than _____, except that documents submitted for a 10% balance may be presented during a period 90 days subsequent to this date.

5. Required Documents: All claims for payment hereunder must be supported by the documentation as set forth in ATTACHMENT AA. hereof.

6. Amendments: Payment hereunder is contingent upon written approval by A.I.D. of any amendment to the pertinent Charter Party or Booking Agreement being financed, negotiated after the effective date of such Charter Party or Booking Agreement. As a condition of receiving payment under this Letter of Commitment, the supplier agrees to undertake the obtaining of such A.I.D. approval. Approval by A.I.D. will be indicated by the issuance of an appropriate amendment to this Letter of Commitment.

7. Assignment: Funds due or to become due from A.I.D. under this Letter of Commitment may be assigned only in accordance with the provisions of the U.S. code concerning the Assignment of Claims (31 U.S.C.A. §3727 and 41 U.S.C. §15).

8. Pursuant to authority granted A.I.D. under §640A (b) of the Foreign Assistance Act of 1961, as amended by §203 (f) of the Foreign Assistance Act of 1968 (22 U.S.C. §2399b), A.I.D. may deduct from and set off against payment specified in Paragraph 1 above, any amounts owed by you to A.I.D. and covered by A.I.D. Bills for Collection, provided such deductions shall be made by A.I.D. in accordance with the provisions of Title 4 C.F.R., Part 102.

9. Communications with A.I.D.:

A. The documents required for payment are as specified in ATTACHMENT AA and shall be forwarded directly to:

Office of Procurement
Monitoring Branch (M/SER/OP/COMS/M)
Agency for International Development
Room 1200J, SA-14
Washington, D. C. 20523
Telephone: (703) 875-1769

(or if delivery is by special courier directly to):

Office of Procurement
Monitoring Branch (M/SER/OP/COMS/M)
Agency for International Development
1100 Wilson Blvd.
Room 1200J SA-14
Rosslyn, Virginia 22209
Telephone: (703) 875-1769

B. All other communications regarding this Letter of Commitment shall be addressed to:

Program Accounting and Finance Division (FM/PAFD)
Office of Financial Management
Agency for International Development
Washington, D. C. 20523
Telephone: (202) 632-8480

10. Acceptance: This Letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above, which acceptance shall be indicated by your signing and returning the enclosed copy hereof to the address indicated in paragraph 9.B.

Sincerely yours,

Administrator, Agency for
International Development
under Foreign Assistance Act
of 1961, as amended

By: _____
(Authorized Representative)

NAME OF SUPPLIER

ACCEPTANCE

DATE

ATTACHMENT AA TO A.I.D. LETTER OF COMMITMENT NO. .

THE AGENCY FOR INTERNATIONAL DEVELOPMENT REQUIRES THAT THE FOLLOWING DOCUMENTS BE PRESENTED BY THE SUPPLIER WITH EACH CLAIM FOR PAYMENT UNDER THE LETTER OF COMMITMENT IDENTIFIED ABOVE. ALL DOCUMENTS MUST SHOW THE ABOVE LETTER OF COMMITMENT NUMBER, AND APPROPRIATION NO. _____, AND BUDGET PLAN CODE _____.

A. FOR THE 90% PAYMENT:

1. Voucher: Public Voucher Standard Form 1034, in original and three copies to be executed by the addressee of this Letter of Commitment, or by a bank, as assignee of the addressee of this Letter of Commitment.

NOTE: All payments will be made by electronic fund transfer to the supplier's account in a U.S. Bank. Therefore, the following information must be shown in the PAYEE BLOCK OF THE VOUCHER:

- a.) the name and address of the U.S. Bank;
- b.) The nine (9) digit American Banking Association number of the U.S. Bank;
- c.) the name of the supplier;
- d.) the U.S. bank account number of the supplier.

Should assistance be needed with respect to this requirement, call the A.I.D. at Area Code 202 632-8480.

2. Carrier's detailed invoice, setting forth the full amount due for freight costs and the 90% claimed in the invoice.

3. Supplier's Certificate and Agreement with A.I.D., including the related Invoice and Contract Abstract, Form AID 282 (1/78), in original and one copy, executed by the carrier.

4. Copy of the Charter Party or Booking Agreement, approved by A.I.D.

5. Evidence that vessel was presented on or before cancelling time and date of Charter Party or Booking Agreement (to indicate that no carrying charges were incurred), or commodity supplier's invoice marked "PAID" covering carrying charges.

6. Two copies (or legible photostats) of the nonnegotiable on-board ocean bill of lading.

7. One legible copy of the Charterer's notice that the vessel has safely arrived at the first port of discharge.

8. One legible copy of the invoice of each commodity supplier, showing rate and quantity delivered FOB/FAS.

9. One copy (or legible photostat) of invoice marked "PAID" and signed (or signed receipt) by the Charterer's agent, to whom commission is due under the terms of the Charter Party or Booking Agreement.

10. One copy (or legible photostat) of invoice marked "PAID", or receipt by the Charterer's agent for forwarding fees at the loading port.

11. Additional documents:

(Additional documents shall include any that may be required in the Charter Party, Booking Agreement, or other contractual agreement. Where it is appropriate to use this Attachment AA to make payment of 100% of freight costs (rather than 90%), the additional document, along with those required by the 90% payment, is: (a) A signed copy (or legible photostat) of outturn report, if available, and, if not (b) a copy (or legible photostat) of Charterer's Stevedore's tally report, as applicable.)

B. FOR THE 10% PAYMENT:

(NOTE: The ten percent (10%) balance shall not be payable until all documents have been reviewed and approved by A.I.D.)

1. Public Voucher SF 1034, in original and three copies, prepared by the addressee of this Letter of Commitment, or by a bank as assignee or as agent for or on behalf of the addressee. (See instructions in A.1., above.)

2. Carrier's final detailed invoice, showing the total value of the amount of ocean freight, the amount previously received, and the ten percent (10%) balance due, adjusted for laytime or other adjustment.

3. Copies (or legible photostats) of loading and discharge laytime statements.

4. Statements of Fact at loading and discharge ports. The Statements must be countersigned by the Charterers/Receivers (or agents) at the discharge port.

5. Signed copy (or legible photostat) of outturn report, if available, and, if not, copy (or legible photostat) of Charterer's Stevedore's tally report, as applicable.

6. Signed original and one legible copy of the Supplier's Certificate, Form AID 282, executed by the carrier covering the balance claimed.

7. Additional documents:

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CHAPTER 6
DOLLAR FINANCING OF LOCAL COSTS

(RESERVED)

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C H A P T E R 7

RESERVED

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CHAPTER 8
CASH TRANSFER PROCEDURES

8A. Definition

A Cash Transfer is the release of funds to a cooperating country in the absence of, or in advance of, requirements for documentation showing actual use of the funds. It is usually associated with an emergency situation.

8B. When Used

1. Cash Transfers for nonproject assistance purposes are generally used to provide budget support when the particular AID purpose cannot be accomplished in any other manner.
2. On some occasions it may be used for emergency foreign exchange support.
3. It is used only when other nonproject assistance financing methods are demonstrably inoperable or undesirable.

8C. When Not Used

Cash Transfers cannot be used as a method of financing commodities.

8D. Approvals of Cash Transfers

When a Geographic Assistant Administrator determines that it would not be feasible to apply standard commodity financing procedures, he may authorize assistance not identified with commodity imports, in the form of direct purchase of local currency or provision of dollars to the borrower/grantee.

8E. Implementation

1. The implementation of a Cash Transfer generally follows those requirements or processes set forth for other categories of nonproject assistance (see Chapters 2 and 3).
2. The Supporting Analysis to the PARD and the PAAD for Cash Transfers must explain why it is necessary to choose this method of financing, the economic and AID policy implications of the choice, etc. Political considerations may dictate the need for Cash Transfers. In those cases the analysis must indicate the political considerations involved and identify the senior officials who view them as overriding.

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3. Nonproject Assistance Agreements are the obligating documents for Cash Transfers. They must contain the following provisions:

a. Covenants for performance of agreed cooperating country undertakings;

b. The amount, nature, and agreed timing of the assistance to be obligated;

c. The use to be made of local currencies, if any, generated as a result of the assistance;

d. Standard obligation provisions;

e. If the Cash Transfer Agreement is to require the deposit of counterpart or the transfer to the United States of local currency, the Agreement must express this requirement and must state in appropriate detail how the requirement is to be carried out. (For example, when and how the local currency is to be made available, the exchange rate, and the method for its release, etc.) The Agreement is to make clear that the total commitment will not be released as a lump sum but will be turned over to the cooperating country periodically in response to estimated requirements, ordinarily for a period of no greater than 3 months.

4. Preparation, Negotiation, and Execution of Program Assistance Agreements

a. The approved PAAD provides necessary substantive guidance for the negotiation and preparation of the related Nonproject Assistance Agreement. If a draft agreement is not attached to the PAAD, the PAAD should specifically describe the expected content of the agreement. A copy of the PAAD, or a telegraphic summary, will be sent to the Mission when the Mission is authorized to negotiate and execute the agreement, supplemented, as necessary, by further negotiating instructions.

b. Preparation of the Nonproject Assistance Agreement

The PAAD indicates whether responsibility for the preparation of the agreement is assigned to the AID/W Geographic Bureau or to the Mission. In the latter event, specific language, with respect to the terms of the agreement, may be provided by AID/W for inclusion in the agreement.

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c. Negotiation and Execution of the Nonproject Assistance Agreement

Responsibility for the negotiation and execution of the Nonproject Assistance Agreement for a Cash Transfer is normally assigned to the Mission Director. When the agreement is to be executed in the United States, the Geographic Assistant Administrator, or his/her designee, assumes this responsibility.

d. Public Announcement

Signing of the Nonproject Assistance Agreement is normally an occasion for public announcement jointly by AID and the cooperating country. The Mission should inform AID/W by telegram at least 72 hours in advance of the time of signing and of the text of salient paragraphs of the announcement.

e. Administration of the Nonproject Assistance Agreement

See Chapter 9 for discussion of the reporting and evaluation of nonproject assistance activities as an integrated activity group.

f. Program Assistance Agreement Abstract

A Program Assistance Agreement Abstract (see Chapter 4) is prepared by the Geographic Bureau for each Cash Transfer and amendment thereto. This document is used as the basis for recording obligations in the official accounting records of AID/W and serves to support such entries until the conformed copies of the agreement and other documents are distributed. Therefore, it is essential that the data entered on the abstract be accurate; that the abstract be authorized by the Geographic Assistant Administrator or his/her designee; that it be cleared by the Geographic Bureau General Counsel for the purpose of indicating the status of the agreement concerned with respect to validity under Section 1311 of the Supplemental Appropriation Act of 1955.

5. Financing Request

Financing Request for a Cash Transfer is prepared by the Mission and signed by the Mission Director and the designated representative of the borrower/grantee. Normal procedures for the preparation of a Financing Request are set forth in Chapter 5.

6. Transfer of Funds

- * A cash transfer may be made either by the Mission or by AID/W. Most cash transfers are made to or through U.S. Banks, and it is generally more prudent for AID/W, M/FM to make the payments. In *

* Revised

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* order for AID/W, M/FM to effect a cash transfer disbursement to a cooperating country, the Geographic Bureau responsible for execution of the Nonproject Assistance Agreement must provide to M/FM (M/FM/PAD for Grants and M/FM/LMD for Loans) the following information:

a. A copy of the executed agreement or an executed Program Assistance Agreement Abstract;

b. Evidence that all conditions precedent to the making of the disbursement of the agreement have been met and the date they were met;

c. A written request to establish a Cash Transfer Disbursing Authorization;

d. Any other documents which may be required under the terms of an agreement to make the disbursement, e.g., a financing request;

e. The Dollar amount to be disbursed;

f. The Bank address, account name and number to receive funds.

For Nonproject Assistance Agreements executed in the field, the information required under b, d, e, and f above and advice of execution of the agreement may be in the form of cables from the Mission. The responsible Geographic Bureau will transmit the required information with a "draft" copy of the Agreement by covering memorandum addressed to the Chief, M/FM/PAD (for Grants), or Chief, M/FM/LMD (for Loans). An original and one copy of the executed agreement must be sent to above addressee as soon as it becomes available.

Once M/FM has received complete documentation, a prompt disbursement will be effected. To permit an orderly review of the relevant documentation and observation of prudent internal control procedures, two full working days will be required from receipt of the documents to effect disbursement.

Deviations from the above procedure may only be authorized by the Controller, Deputy Controller, or other Office of Financial Management personnel performing in an "acting" capacity. *

* Revised

CHAPTER 9
EVALUATION GUIDELINES FOR COMMODITY IMPORT PROGRAMS
(CIPs) AND CIP-LIKE ACTIVITIES

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CHAPTER 9

EVALUATION GUIDELINES FOR COMMODITY IMPORT PROGRAMS (CIPs) AND CIP-LIKE ACTIVITIES

9A. Introduction

The purpose of this chapter is to provide guidelines for the evaluation of commodity import programs (CIPs) and CIP-like programs (CIP programs emphasizing a specific sector).

Commodity import programs, through which the United States finances the foreign exchange costs of procuring and shipping a variety of commodities for use in the factories, farms, and homes of developing countries, have been an integral and major part of American foreign assistance efforts for over 30 years. Both grants and loans were authorized as Security Supporting Assistance under the Foreign Assistance Act of 1971. The Economic Support Fund, Part II, Chapter 4, of the Foreign Assistance Act of 1961, as amended, is the current source for most such loans and grants.

Common to all CIP programs, is the requirement to fulfill the need for rapid infusion of foreign exchange or commodities into a nation's economy. CIP objectives are varied: to reduce high balance of payments deficits, to provide a measure of economic or political stability, to generate local currency for developmental needs, to provide the resources to meet reconstruction efforts resulting from natural calamities such as earthquakes, or to meet U.S. national interests by providing economic support based on "special economic, political, or security conditions." Obligations for CIP and CIP-like programs have constituted about 40 percent of the total obligations for U.S. economic assistance since World War II. Despite their size and importance, A.I.D./Washington did not formally evaluate a CIP until 1984.

In general, there are two major aspects to any evaluation. One deals with administrative and logistical considerations, such as team composition, numbers and methods of interviews, development of questionnaires, and similar matters. The other is concerned with the theory and substance of the evaluation: what is to be evaluated and what kind of economic or other models might be best utilized in the process. This chapter considers both areas.

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The appendices to this chapter contain scope of work models which incorporate many of the lessons learned from evaluation efforts, a listing of reference materials, and a glossary of abbreviations.

9B. Descriptions and Definitions

This section sets forth the major characteristics of CIP and CIP-like assistance, as well as the differences among the various methods of overseeing such programs, whether through auditing, monitoring, accounting, inspecting, or evaluating these programs.

1. Nonproject Versus Project Assistance

Both CIP and CIP-like assistance fall under the rubric of nonproject assistance. Nonproject assistance, also referred to as program assistance, is accomplished by the transfer of resources, in the form of either foreign exchange or commodities, to support economic development or political stability, or both, as a means of relieving budgetary or balance of payments constraints on the host country's economy. Project assistance is based on a single activity designed to generate specific results. For example, a project could be designed to upgrade teacher skills at the primary level in the rural areas of a country.

"Commodities," as used in this chapter, encompasses the vast array of raw materials and manufactured goods normally utilized by the business and industrial sectors in a country. Less often it includes foodstuffs such as grains, cereals, milk, and so forth, which are the major components of the PL 480 programs administered by A.I.D. The programs may complement each other in any given country but have different goals and objectives. Typically, CIP assistance is provided for the producers and manufacturers of finished goods whereas PL 480 imports are provided for consumers of foodstuffs.

2. Commodity Import Programs

An important characteristic of a CIP is its potential to provide rapid and large infusions of capital or goods into a country's economy, particularly in contrast to projects involving long-term technical assistance or training with a small commodity input. Within limits, the rate of infusion can be controlled to meet shifting economic or political circumstances. It also may be halted at any time without running the risk of leaving half-finished buildings or roads. It may be utilized by private as well as the public sector and may be financed through grants or loans. It is one of A.I.D.'s most flexible assistance tools.

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3. CIP-Like Programs

In contrast to regular commodity import programs, CIP-like activities are usually directed at a specific sector such as agriculture, industry, energy, or education. Typically, they are based on a single commodity or package of related commodities. Such activities are of limited duration and their objectives and goals are expressed in more precise quantitative terms than those for CIPs. They may have a target for the growth or development of a sector in measurable outputs or a goal for supplying given quantities of inputs for a specified period.

4. Cash Transfers

Cash transfers are used as short-term balance of payments support to meet emergency needs such as those resulting from crises or disasters, whether economic, natural or political. In addition, some transfers involve local currency generations to be used for specific development projects.

5. Local Currency Special Accounts

In accordance with Section 609 of the Foreign Assistance Act, countries receiving commodities on a grant basis under arrangements that will result in the accrual of local currency proceeds to the country from the sale of those commodities must establish a special account for depositing these proceeds. Certain amounts are to be made available to the U.S. Government for its requirements, and the balance is to be used for recipient country development programs agreed to by USAID.

6. Methods for Oversight

A.I.D. exercises its oversight responsibilities for its projects and programs in several ways. This chapter, delineates the major areas of evaluations. Our primary concern here is evaluation.

a. Monitoring

Once underway a project or program is subject to continuous monitoring by those responsible for its implementation through periodic visits by Mission staff, or Washington program personnel. Periodic progress reports are issued by contractors or host country representatives and in direct reports by project officers to the Mission Director and then to A.I.D./Washington to ensure that progress meets predetermined target dates, funds are made available as needed, and

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required technicians and other personnel are on the staff. A monitoring system should provide benchmarks or warning signals for project officers to determine when events slip or timetables are not being met.

b. Accounting

Accounting activities parallel monitoring and take place in the Mission or in Washington in the form of basic bookkeeping or sophisticated computer and ADP tracking of thousands of vouchers and transactions (such as are common to CIP activities).

c. Inspections

A.I.D. inspections are the statutory responsibility of the A.I.D. Office of the Inspector General who may audit, inspect, assess, or even evaluate Agency activities. Inspections are performed at any time during or after the life of a project or program.

d. Auditing

Auditing implies checking and, in a narrower sense, checking on financial transactions. In A.I.D., the Office of the Inspector General audits and inspects every facet of A.I.D.'s activities, including the actual checking of figures. The General Accounting Office also conducts audits of A.I.D. activities, often at Congressional direction.

e. Evaluation

Section 125 of the Foreign Assistance Act of 1961 directs the Administrator of A.I.D. "to improve the assessment and evaluation of the programs and projects carried out by that agency" Section 621A, "Strengthened Management Practices," requires A.I.D. to establish a management system that includes "the definition of objectives and programs" for U.S. assistance, the development of quantitative indicators of progress toward these objectives, and "the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken." Furthermore, "the system should provide information to the agency and to the Congress that relates agency resources, expenditures, and budget projections to such objectives and results in order to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities." Pursuant to those directives, A.I.D. established a thorough project evaluation process, guidelines for which are found in Chapter 12 of Handbook 3 and in Design and Evaluation of Aid-Assisted Projects, a 1980 publication of the training and development division of A.I.D. A.I.D. initiated impact evaluations in the late 1970s.

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9C. Why Evaluate CIPs?

Originally, CIPs were designed almost exclusively as balance of payments support. However, through the years additional purposes have been grafted onto CIPs including support of policy dialogue, support of IMF and World Bank initiatives; generation and use of local currency proceeds; complementary support of A.I.D. project efforts; and pursuit of independent development goals. If a CIP is also to augment an A.I.D. development program, A.I.D. evaluation policy requires an evaluation of that facet of a CIP.

1. Purposes of a CIP Evaluation

When A.I.D. CIP activities are evaluated, the first step is an analysis of the purposes of the evaluations.

The illustrative scopes of work for CIP evaluations (see appendices) emphasize four areas of concern: (1) how well has the program been managed, (2) to what degree has it met its documented goals and objectives, (3) what has been its impact within the recipient country (which may involve unintended goals and objectives), and (4) what lessons are to be learned?

a. Management

The purpose of evaluating the management of a CIP is to determine how efficiently commodities and foreign exchange move; how effectively the CIP staff have worked with the government, the banks and importers; how well the Mission and the recipient country meet their responsibilities for the local currency sales proceeds special account; how the arrival accounting system is operated and utilized (including an analysis of any automated data processing system); the extent to which end-use audits are made and applied; and how the Mission integrates the development goals of a CIP with its project activities.

The review of voucher files and examination of individual transactions, to determine whether Regulation One rules have been met, is the responsibility of the auditors and inspectors.

b. Objectives

One purpose of evaluating CIPs from an objectives standpoint is to determine whether the program is being overburdened with goals and purposes.

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In addition to the CIP agreements, objectives and goals are often set out in Congressional Presentations, Country Development Strategy Statements (CDSS), and Program Assistance Authorization Documents (PAAD) Evaluators should analyze these documents to ensure that there is a consistency of approach.

c. Impact

Impact and objectives are an integral part of the evaluation process. Many objectives may be expressed as desired impacts: "To increase production in the textile sector by 20 percent per annum" or to "reduce urban unemployment by 30 percent over 2 years.

It is seldom that an A.I.D. project has the widespread impact of a CIP, which affects economic, developmental, social, and even political areas. The isolation and assessment of its impact on any one of these areas could be the most important aspect of a CIP evaluation.

d. Lessons To Be Learned

The purpose of an evaluation is to provide guidelines and recommendations so that A.I.D. programmers and managers can adjust ongoing activities and put the lessons to work when they design and implement new activities. This purpose should not be lost sight of by either drafters of scopes of work or evaluators.

2. Purposes of a CIP-Like Evaluation

Evaluation of CIP and CIP-like activities must emphasize management. CIP activities usually have elaborate arrival accounting systems, often as part of an ADP program; include scores of different commodities; and they must relate to several institutions ranging from the government to banks and private importers. A sector program, on the other hand, may only involve a single commodity, imported through one importer or government ministry, rely on a simple arrival accounting system, and receive its necessary backstopping from SER/OP in A.I.D./Washington. A large CIP may have numerous staff members; a sector activity may require only one project officer in a technical division to monitor imports.

Evaluation of the achievement of objectives and the various impacts of a grant or loan on its particular sector is of similar importance in both activities. The lessons to be learned are of equal value, despite differences in techniques and methodologies.

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9D. The Scope Of Work

The design of a successful evaluation effort begins with a well-considered scope of work. The evaluation team uses it to check its own progress, and as a standard against which to judge the final product. There must be a careful selection of the most important issues and a ranking of those in order of priority. Including an indication of the level of precision required in addressing them. The following concerns will merit priority.

1. Inputs

It is important that all offices dealing with substantive issues related to the evaluation be given ample opportunity to contribute. This includes A.I.D.'s geographic bureaus and offices, SER/OP, PPC, evaluation specialists in Washington and the program staff, CIP managers, the administrative office, and the controller's office in the USAID. The USAID administrative office should make clear what logistical support will or will not be made available (office, transportation, word processing), and the controller's office should indicate the availability and access to ADP systems for the team.

A paragraph describing the history of the program and problems that were encountered or that are foreseen is helpful, as is a brief sketch of the political and economic climate in the recipient country.

Evaluators should be given an opportunity to comment and suggest amendments to the scope of work before they leave Washington.

2. Issues

To be able to answer specific questions with precision is like drawing a good map for the evaluators. It helps plot the course and defines the limits of the journey. All parties to the evaluation should know the limits before the evaluation starts so that unreasonable expectations are not created. Evaluators should know for whom they are writing--are they primarily economists or managers? Will the host government receive copies? Does the U.S. Embassy have more than a passing interest? Should there be a restricted appendix for discussing matters of political impact?

Once defined, issues should be divided into those that require qualitative answers and those that require quantitative answers. In either case, appropriate indicators are necessary if the impact on policy dialogue is being evaluated. The complexity and scope of

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economic indicators should not exceed the limits of available data, which may often be incomplete or out of date, to maintain a sense of proportion.

Each list of issues should then be ranked in order of agreed importance, indicating those which must be addressed versus those which could be addressed if time permits. Time is the critical key--there should be a realistic assessment of what can be done within the allotted period.

3. Time

The scope of work should state precisely the time allowed for the team briefings and preparations in Washington, for field work, and for writing the final report. (An ample period in Washington for briefings by A.I.D. and outside agencies would be 5 days, including logistical preparations. Field time should be 3 weeks at a minimum, with up to 5 or 6 weeks not to be considered unusual.) The impact of data collection on fieldwork must be measured--it can consume more time than any other facet of the process. The Mission should be consulted for the effect of any local holidays or logistical problems that could impinge on the team's time.

4. Data Collection

Data collection involves collecting statistical data and scheduling and conducting interviews. The data must then be assembled into forms suitable for analysis.

The scope of work should indicate the sources of data and the extent to which the evaluators are expected to use quantitative data. It should make clear who has the responsibility for such work and when it is to be done.

It is recommended that in-country data collection be made part of the evaluation team's responsibility. Provision may be made for advance work by one or more members of the team, who, if necessary, would be assisted by locally employed personnel. Sufficient time must be allowed to permit data collection. Mission guidance is important on this point.

5. Team Composition

The scope of work is the appropriate place to detail the size and makeup of the team. Commonly, a three-member team is assembled, although team size will vary with the size and complexity of the program to be evaluated. It is recommended that one member be an economist, one

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have CIP operations management experience, and one have had prior evaluation experience. Given the requirements for economic analysis at the macro and micro levels, an experienced economist is a crucial member of the team.

If an evaluation is to be accomplished entirely by A.I.D. direct hire employees, care should be taken that those selected are available full time and that no other duties are assigned. A team composed entirely of mission employees might be perceived as not being as objective as a team of outside specialists. A mixed team could quell that particular concern, particularly if the team leader is an outside person.

Whatever the composition of the team, a USAID Mission employee should be available to the team on virtually a full-time basis. It is not necessary for that person to be from the CIP or technical office, but the person should be able to supply information and suggestions on firms and persons to be interviewed and to assist in setting up interviews within USAID and with other organizations. The selected employee should begin to compile lists of suggested interviews and schedules should be compiled well before the team's arrival.

Thought should be given to including a local expert on the team, both for intrinsic skills and for foreign language capability. Such a person should not be from the government. Businessmen are reluctant at best to discuss business matters with strangers, but even more so if they know that the interviewer is from the government.

The scope of work, once agreed on by all relevant offices, can become part of the contract and when signed, preparatory work may begin.

Two outlines of proposed scopes of work, one for CIP and one for CIP-like activities (with checklists), are included as Appendixes 9C and 9D.

9E. Preparatory Work

1. In Washington

The base office should set up interviews and briefings in Washington for the team and should collect relevant documentation. Within A.I.D., the country desk officer should supply the program agreements, PAAD, CDSSs, local currency agreements, and other relevant documents. SER/OP can provide computer printouts showing details of the program in terms of yearly totals, types, dates, and similar data including copies of Regulation One. PPC, as the repository of A.I.D.

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evaluation reports, may schedule interviews with some of the authors of those reports, and provide other evaluation material on CIP and CIP-like programs.

A.I.D./W can obtain World Bank evaluation and country reports for the team's use through the office of the U.S. Executive Director (there is a liaison office in PPC). Also, the local embassy may be a good source of country statistics, particularly on imports and exports. The U.S. Department of Commerce will have data on U.S. exports to the country concerned. Both IMF and World Bank personnel should be sought out for their views on the economic situation in the country and what requirements or standby agreements, if any, the IMF has in place or is negotiating with the recipient government. The State Department country desk officer should be consulted with respect to the current political situation and the U.S. Embassy's involvement in policy dialogue.

2. In-Country

Preparatory work in the recipient country consists primarily of data collection, and the scheduling of interviews. Accomplishing as much as possible before the entire team arrives will save valuable time. As noted above, it is recommended that data collection not be left to a separate entity, whether contractor or otherwise. The USAID Mission can make a valuable contribution by identifying sources of statistics and the persons who can provide these materials.

The team should manage the interview process. The Missions CIP and Program offices should be asked in advance to suggest firms or persons to be interviewed. This process may be guided by an instruction from the team on whether it wishes to use a random or stratified sampling method. (For a large CIP program, a stratified sampling might be more valid.) Appointments for interviews should be made before the team's arrival, including those with USAID and embassy officers and key government officials. Ample time must be allowed for reaching appointment sites, for postponements, time-consuming delays, and of returning for possible follow-up interviews.

Finally, USAID Missions should advise the team whether a single government entity wants to coordinate interviews, particularly if the program is in the public sector.

3. Conducting Interviews

To save person-hours in the field, team members usually should split up, in order to do more interviews. If language is a problem,

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obtain local assistance. Even if it is not a problem, inclusion of a local person may minimize the foreign nature of the evaluation.

a. Questionnaires

The use of a well-designed questionnaire (see Appendix 9A) will help focus the interviewer's ideas and save time. If possible, a copy of the questionnaire should be sent to the interviewee in advance. (Questionnaires should be sent to those who are direct participants in the program--representatives of firms, end-users, banks--and to those government agencies or organizations that are direct beneficiaries; they should not be sent before calls on recipient country government officials or high ranking U.S. officials). If a questionnaire is not sent ahead, a copy should not be given to the interviewee unless it is asked for. At the time of the interview, it should be used, as unobtrusively as possible, as a guide by the interviewer.

Questionnaires should be short, carefully focused and questions should be tailored for various groups: banks, public officials, private firms. Good interview practice suggests that the questionnaires should be pretested. Interviewers should be flexible and prepared to change questions and approaches based on experience.

The scope of work will be the basis for determining most of the questions, supplemented by the team's specific interests and methodology. The questionnaire should reflect the methodology adopted for the evaluation, and the hypotheses that are being tested. The questionnaire usually should assume some background knowledge of the person being interviewed, for example, what his or her firm imports, how much it has imported in the last year or years, and what it manufactures based on information available from the CIP office and through the CIP arrival accounting system. If the interviewer asks many questions eliciting such basic information, the interviewee may view the exercise as less than serious. On the other hand, specific questions on the effect of CIP imports on production, employment, profits, market share, or exports will indicate the scope and depth of the interview.

Good sampling techniques may dictate that the number of interviews that should be carried out far exceed the capacity of the team. Discretion should be used. A large CIP involving hundreds of importers and thousands of transactions suggests the need for at least 50 well-selected interviews. Smaller programs will require fewer. The aim should be to select firms or agencies whose experience is representative of the various issues to be examined. The views of the team's backup

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offices concerning sample size should be obtained before the team leaves Washington. The scope of work might contain reference to the sample size.

b. Training Interviewers

If interviews are conducted by people not on the evaluation team, a training session for interviewers is a requirement. First, interviewers should be given a clear idea of the content and substance of the program. Second, interviewers should be told the type of information that is being sought (numerical data, impressions, opinions) and what hypothesis is being tested. Third, they must learn to use patience and diplomacy, particularly when talking with businesspeople or officials who may regard the activity as an intrusion on their time. Experience gained from the initial interviews should lead to the development of procedures that make each new interview more productive.

c. Recording the Results

Recording the answers on the questionnaire at the time of the interview ensures validity of the end product and enables facts to be recalled more accurately. The data collector should capture what people say "in their own words" instead of immediately fitting them into a category. The task then becomes one of transferring the answers into a usable format. By scheduling interviews in the morning, the afternoon is available for debriefing the interview teams. These sessions provide an opportunity for trading ideas on revising questions and for the initial analysis of results. The format of the questionnaire should be developed so answers can be reduced to multiple choice responses. Also, it is necessary that the questions be limited in range and scope to facilitate analysis by the team.

d. Interviewing Those in the American Sector

Appropriate advance measures should be taken to facilitate the participation of the American sector in the data collection process. Other than for courtesy calls, the team should consult with the ambassador or deputy chief of mission (DCM), the economic counselor or a designated member of his or her staff, the commercial attache, and officials of the American Chamber of Commerce, if one exists. Interviewers may choose to use questionnaires to make the process efficient and to focus the conversations. High in priority should be questions concerning the effect of the CIP or CIP-like activity on the policy dialogue. These questions should concentrate on what has been accomplished and what part the CIP has played.

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The DCM or ambassador may be willing to share views on the political effects of cutting back a program, increasing it, or changing its nature. Embassy personnel will have views concerning the visibility or sensitivity of the programs. If the program under evaluation is the focus of political attention, thought should be given to including politically sensitive issues in an appendix designated for limited distribution.

The commercial attaché will often have insights on local firms' views about the efficacy and efficiency of the program and will be able to interpret preliminary results in terms of this knowledge. The American Chamber of Commerce will be a focus for U.S. suppliers' concerns about the program as well as local importers' views.

The economic office of the embassy is a good source for statistics and views on the credibility of local data, particularly from government sources. That office is often a liaison point with the USAID Mission and may reflect the ambassador's ideas on the program being evaluated.

In the USAID Mission, the first and most important source of information will be the officials that manage the CIP or CIP-like activity. There should be strong efforts by the team to establish a good working relationship with those officials, because initial concerns that the evaluation is really an audit or an inspection will have to be overcome.

For statistical data, both the office that manages the CIP and the controller's office are invaluable. In many Missions the controller has jurisdiction over the arrival accounting and ADP system and will understand the local currency generation program. The program office will have access to economic statistics of the country; indeed, it may have been the chief designer and contributor to the scope of work for the evaluation.

Mission organization varies, so no pattern exists on how and where a CIP program is supervised. The supervisory officer should be interviewed. The Mission director and the deputy are valuable sources of information on both the management of the activity and its economic and developmental impact.

9F. Evaluating the Economic Impacts

1. Major Aspects of the Evaluation Task

CIPs and CIP-like programs have direct economic impacts through three channels. First, they can provide foreign exchange and/or specific imports and, therefore, have an economic impact on particular

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markets (e.g., foreign exchange, food, fertilizer). Second, the assistance can be associated with policy reforms and/or self-help measures, and contribute to economic development through that mechanism as well. Third, the assistance can generate counterpart funds whose economic impact A.I.D. can increase. Each of these impacts must be evaluated. Moreover, CIPs often are provided as part of a multi-donor effort in support of a rather comprehensive balance-of-payments adjustment program, in which case the evaluation ought to look at the effectiveness of the program itself, i.e., whether it was worth supporting. In passing, it may be noted that PL-480 is a special case of a commodity import program; many of the same evaluation problems are encountered.

2. Three General Problems of Methodology

At the most general level, there are two ways of judging the effects of CIPs and CIP-like programs. First, evaluators will want to compare the actions expected to result from the program with the actions realized. Second, evaluators will want to relate the actions taken under the program to changes observed in the economy in an attempt to describe program economic impacts.

The first case is rather easy to handle, and evaluation may be carried out based on the logical framework of the program. Program documentation may be detailed or otherwise, depending on country practice. In all cases, the basic rationale and the specific program intent will be apparent, either explicitly in a formal logical framework presentation or informally in the structure of the program. If the original PAAD did not include a logical framework, the evaluators may want to construct one to help in understanding the program. An ex post examination of the extent to which the terms of the framework were met would then form the basis of the evaluation of the actions taken under the program.

Determining economic impact, however, is extraordinarily difficult because of the problems of fungibility, additionality, and causality.

a. The Problem of Fungibility

All aid is fungible, which means in effect that it is not possible technically to trace the end use of resources. For example, if resources are intended for sector A, and audits show that they are used in that sector, it nevertheless cannot logically be inferred that this particular assistance was the true basis of increased resource availability in sector A. A host country whose economy is relatively

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efficient (one that relies on price signals that are clearing prices determined in relatively free markets) would not unreasonably have been expected to supply resources to the very sectors now supported by A.I.D. That is, A.I.D. would attempt to place resources where the returns are highest just as would a market-oriented host country. The economic assistance in this case would be used to free resources for use in different sectors which would not otherwise have received such resources given A.I.D.'s own priorities. The corollary is that in a host country with distorted markets, A.I.D. will be in a better position to achieve a high return on investments which the government would otherwise pass over to settle for lower returns on marginal investments.

b. The Problem of Additionality

The second problem may be called the problem of additionality. Here the question is whether the commodities transferred through program assistance are in addition to those that would have been imported in the absence of the program or are commodities that would have been imported under any circumstance. If A.I.D. is providing commodities additional to those which would have been imported in the absence of the program, then the evaluation can properly focus on the effects of such increments on the sectors affected. If A.I.D. is providing goods which would have been imported anyway, then A.I.D. is in effect providing additional foreign exchange, not additional goods. In the latter case, it is impossible to trace the specific impact of commodities. Rather, the evaluation will need to examine whether the host government policy environment was conducive to the most productive use of foreign exchange. (This is examined below, section 4a.)

The importance of the additionality issue, then, is that it determines which approach is most appropriate for the evaluation team. At the outset, therefore, the team will have to make a finding as best it can on the additionality issue. In-country interviews with officials and others will help resolve the matter, as will a review of the actual level of imports over time. Decisions on this issue, however, will inevitably be judgmental since direct evidence may be absent. The basis for the team's decision concerning the additionality issue must be noted in the evaluation.

c. The Problem of Causality

The causality problem is the difficulty of relating the actions taken under a given program or project to observed changes in the economy. The issue here is that of judging the difference between

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what happened and what would have happened in the absence of the program. It is not a "before/after" question. A with/without comparison isolates the relation between the program and the observed changes. However, since this involves counter-factual hypotheses--what would have happened without the CIP--it is inevitably heavily judgmental. Before/after comparisons can inform these judgments, but are not by themselves conclusive.

3. Institutional Aspects of Policy Reform

a. Rationale for Policy Reform

Current development thinking is that the many critical problems facing less-developed countries today can be addressed most successfully with policies which rely on and stimulate the strength of market forces. The basic case for the market is that economic decisions will most closely reflect individual wants and resource scarcities when they are decentralized among autonomous, privately-held producing units. These units are efficient because they have the best information available on consumer needs and production capabilities, and serve the individual (motivational) needs of the producer (who keeps the profit) as well as the worker (who keeps his wage). When markets are competitive, and there are no significant external effects (the case of public goods, for example, or externalities in production), price forms the main kind of information needed by both households and producers for rational decision-making which associates ends with the means of satisfying those ends. The role of government in this model is one of referee, providing "honest weights and measures," an enforceable system of contracts, and the like, and providing legitimate public goods. The evaluation team will find its most important work in evaluating the degree to which markets and efficiency are affected by the program assistance.

The team must consider in this respect both static and dynamic efficiency. In the former, the extent to which efficient use is made of existing resources is the paramount consideration. In dynamic efficiency the major consideration is human and physical capital accumulation and technological change. "Growth" from both sources needs to be considered.

b. The "Additionality" Aspect of the Policy Question

A central and difficult question here is whether the conditionality specified in the program assistance actually resulted in policy changes, or whether they would have been made in any case. At

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heart, this is a subjective question somewhat akin to that aspect of the additionality question with respect to resource transfers noted above. Evaluators will need to base their judgment on (i) the past record of the government in designing and implementing economic policies, (ii) activities of other donors in urging the same or similar reforms, (iii) the credibility of the donor "leverage" brought to the policy dialogue, and (iv) the inherent necessity of policy reform that is driven by economic crises in the host country.

c. Evaluating the Extent of Program Completion

The evaluation team will need to evaluate the extent to which specific policy changes were carried out as stipulated in the program. This may be done through the use of performance disbursement benchmarks if the program had provided for detailed on-going evaluation of performance. In its most developed form, there is an on-going monitoring of the execution of the NPA program by establishing what have been called performance disbursement benchmarks to accompany the tranches. Funding is divided into a series of tranches which are disbursed on the basis of satisfactory progress in implementing policy and institutional reforms. Policy and institutional changes are similarly divided into a sequence of revisions. Benchmarks are established to trace progress toward achieving ultimate policy and institutional objectives in this way. A final evaluation would include a summary and analysis of previous tranche benchmarks, and an analysis relating completion of the program to the original purposes of the program.

d. The Effects of Policy Reforms on Markets and Institutions

In looking at the direct impact of policy reforms, there are some standard, important questions to be asked about policy reforms that affect specific markets (e.g., agricultural outputs, inputs). These questions relate to economic efficiency: pricing, competition, the efficiency of distribution systems, information flows, and the like. The evaluators need to reach a judgment about whether, and to what extent, the policy reforms led to increased economic efficiency in the markets that were affected. Considerations of comparative advantage, consumer and producer surplus, and second best theory, ought to come into play here.

For example, fertilizer sector reforms in a country might result in lower prices which more closely approximate world prices, improve distribution, and increase usage. In principle, the direct benefits to farmers could be quantified, given data on changes in prices and

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quantities, and assumptions or information about the shape of the demand curve for fertilizer. At the same time, judgments about gains to the economy need to take into account distortions in other closely related markets such as that for food, that is, judgments must consider the second-best problem.

In sum, while there is no precise way to fix a causal relationship between a policy change (or resource transfer) and the subsequent changes hypothesized, it is possible nonetheless to examine carefully certain linkages. For example, a policy reform may be intended to raise or lower a price, and thereby affect quantities supplied and demanded. The evaluation can focus first on whether the policy was actually implemented, second on whether price moved in the intended direction, and third on whether there was a quantity response. A similar sequence of questions can be asked of the resource transfer itself.

Many policy reforms are intended to improve the institutional setting. Institutions stand between people and nature and determine in large measure how well people will use the resources available and how effectively they "create" new resources. The CIP in some cases will represent a large new flow of resources relative to host country institutional absorptive capacity. Because we lack a clear theory which relates institutions to development, the economic impact of such reform may be difficult to gauge. In some cases social or political institutions may be important in the evaluation. Generally speaking, however, the primary focus of the evaluation ought to be on markets, and institutions that support market efficiency.

An important question of institutional impact is how private enterprises fared as a result of the CIP. Since our interest in the private sector is linked to goals of increased efficiency and sustainable growth, the team must focus on this linkage. This linkage depends in large measure on how competitive or protected are the markets in which these private firms operate? This question is not nearly as rhetorical as it might first appear. For example, in one country PL-480 self-help measures were successful in providing for private sector importation of wheat, in lieu of a public sector monopoly. However, the private sector's importers then colluded and formed a cartel controlling the wheat/flour markets. Domestic flour prices remained well above world prices, thanks to protection from import competition, and lack of competition among domestic producers. This is just one example of the extent to which the meaning of the "private sector" and "competitiveness" must be examined. The basic issue is whether market forces are competitive and function efficiently. For tradeables, comparisons of domestic and international prices are important indicators.

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A more general approach which aims at gauging the impact of the CIP on the private sector, would be to conduct interviews at both large and medium-size firms. Since small firms are the most numerous, they must be included in the survey; however, the results obtained from the small firms must be gauged against the time and expense of evaluation. In all cases, interviews should provide answers to a number of questions regarding the effect on individual firms, including the following:

- How did output with the use of CIP commodities compare with output if those commodities had not been available?
 - How did gross/net revenues with the use of the CIP commodities compare with such revenue if those commodities had not been available?
 - What were the employment effects with use of the CIP commodities compared with employment if those commodities had not been available?
 - If machinery was imported (U.S. origin), was it appropriate to the situation in the country?
 - Did the capital-labor ratio shift? If the ratio rose, did this result in some workers being laid off? Or, did the output rise sufficiently to offset adverse labor effects?
 - Were raw materials (U.S. origin) suitable for machinery already in use?
 - What was the rate of capacity utilization for the plants with use of the CIP commodities compared to what it would have been in the absence of the commodities? Which output level is closer to the social optimum?
 - In the opinion of management, what were the positive and negative impacts of the CIP program on the firm?
 - To what extent did profits benefit from the use of the CIP commodities compared to what they would have been in the absence of such commodities?
 - What are the primary reasons for a firm staying in the CIP: quality of U.S. goods; availability of spare parts; customer preference; favorable foreign exchange (U.S. dollar) rates; access to foreign exchange and import licenses not otherwise available?
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These questions merely point to the kinds of salient issues to be examined concerning private sector development. (Similar questions exist when the CIP is provided to parastatals.) The key to the approach here is for the evaluators to focus on what kind of resource is provided by the CIP, and the problems created for the use of that resource by the market as it currently functions, namely, pricing, distribution, market segmentation, accessibility to the private sector, impacts on other markets, and the like. The questions above, and/or others judged relevant, will need to be grouped by evaluators into categories such as these so that the focus of the discussion is sharply on markets and efficiency. The latter must be understood to include efficient use of existing resources and also the importance of growth from technological change and capital accumulation which may be facilitated through the use of a CIP.

In addition to considerations of the firm and the private sector as a whole, the growth of small business should be evaluated (subject to the qualification concerning small business noted above), and at least an attempt should be made to find examples of small-scale business development. A chamber of commerce or association of private enterprises may be helpful in providing information. Here, attempts to quantify results may be difficult. However, the number of licenses issued annually for new businesses might be a useful indicator, as would the number of loans granted to new businesses and for plant expansion. Domestic development banks should be able to provide data on the size of loan recipients, with attention directed toward the small business sector.

4. The Economic Impact of the CIP Resource Transfer

CIPs and CIP-like programs are designed for fast-disbursing balance-of-payments assistance. The balance of payments is an accounting device for recording merchandise and financial flows beyond national borders. The merchandise imported under a CIP will appear in the current account. The balancing entry for a CIP grant or a cash transfer will ordinarily appear in the current account as well, while loans will be part of the capital account. It is important that the team be clear on the economic questions it is asking of the CIP, and then proceed quickly beyond the balance-of-payments accounts to answer those questions. The central issue is the efficiency of capital absorption under the resource transfer.

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a. The "Additionality" Issue and the Balance of Payments

The first question to be faced is that of additionality (noted above in section 2b). The question is, what resources were actually provided to the economy and how were they used? This essentially involves a comparison of the merchandise imports of the balance of payments with and without the CIP--a hypothetical comparison. This comparison has obvious difficulties. However, two useful hypotheses to posit and explore are the following.

- Commodities provided by the CIP were strictly additional to what would have been imported without the CIP. (e.g., fertilizer imports were larger than they would otherwise have been by the full amount of the CIP).
- Commodities provided by the CIP would have been imported even without the CIP. (E.g., the overall level of fertilizer imports was not at all affected by the CIP.) Therefore, the effect of the CIP was to increase other merchandise imports or, necessarily, some other element in the debit column of the balance of payments.

In the first case, the economic impact should be looked at in terms of the economic impact of additional fertilizer. (Arguments about balance of payments assistance and foreign exchange are irrelevant in this case). The broad impact question ought to deal with problems in the market for fertilizer, and in related markets, and whether providing more fertilizer to the economy was a good thing. This would call for some analysis of incentives and the policy setting, whether resource allocation is efficient or distorted, and how (and how much) the CIP fertilizer improved things. How the fertilizer was priced and distributed would obviously be important. Again, as previously noted (section 3) concerning the impact of policy reform on markets, questions of consumer and producer surplus, comparative advantage, and second-best need to be considered. Obviously these questions are more difficult when large numbers of commodities are involved. However, the evaluators are urged to at least point the evaluation in the right direction, that is, to focus on markets, on questions of efficient use of existing resources, and on the effects on capital accumulation and technological change.

In the second case, where the CIP commodities are in lieu of imports which would have been imported even in the absence of the CIP, the CIP essentially has provided free foreign exchange and the CIP evaluation becomes similar to a cash transfer evaluation. One way to get at the economic impact question is to ask how the foreign exchange was used

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(debt service, increases in reserves, capital flight), and to make judgments about the productivity of that use. A second, more general approach is to treat foreign exchange as a commodity for which there is a market, and to ask the same kinds of questions about efficiency of resource allocation posed above in the example of fertilizer. For example, the following kinds of questions are important: pricing (the exchange rate), rationing, and incentives to activities which generate or use foreign exchange (the trade regime). More broadly, appraisal of adjustment programs is often important here because they essentially address the question of making efficient use of foreign exchange, and achieving equilibrium between supply and demand for foreign exchange, and because CIPs are often intended to support such programs.

b. Economic Impacts of Local Currency Uses

Through letters of commitment from A.I.D. and letters of credit from the banking system, a mechanism is established for the importer to place orders for desired equipment and commodities under the CIP. Private and often public importers of CIP goods pay for CIP imports through the banking system, with funds eventually being deposited into a CIP special account at the central bank or, possibly, some designated commercial bank.

Two kinds of questions are asked of the funds in local currency accounts: administrative and economic. The administrative questions would include the following. How responsive was the banking system in handling the CIP accounts on initiation of the program? Was the government "fair" in its allocation of CIP business to the banking community? Did the recipients of CIP goods have problems in obtaining loans for their purchases? What were recipients' view on the terms of the loans and the period of repayment? What percentage of borrowers under the CIP defaulted on their loans? Were the extra management costs of the programmed use of counterpart funds met easily or at substantial cost to the A.I.D. Mission? How effectively were counterpart funds advanced to development banks used? (E.g., if they were included in a bank's loan portfolio, counterpart funds advanced to development banks have the advantage of being self-replenishing since they are repaid and can be loaned again.) These are merely illustrative of the administrative questions of interest concerning generation and use of counterpart funds.

The other focus of the evaluators should be the economic impact of the use of these funds. A CIP is designed to ease balance of payments pressures, but the real resource transfer takes place when imported goods are provided through the CIP. In strict economic terms, the

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imported commodities are the additive resource to the economy. Local currency counterpart funds are generated but do not represent an additive, real resource to the LDC. For example, if an LDC's domestic economy is producing \$1000 and A.I.D. provides a CIP of \$10, then the economy has a total resource availability of \$1010. If the A.I.D. CIP generates local currency of \$10, that is not an additive resource. The economy does not have resources of \$1020--it only has \$1010. (This assumes the local currency use does not have a Keynesian effect of increasing output through use of enterprises' unemployed resources.) However, A.I.D. will have acquired a degree of influence or control over use of \$10 of the domestic \$1000.

The economic effects of spending of such counterpart funds can be viewed from two perspectives. From the macroeconomic viewpoint, when the commodities are additive to the economy, the spending of counterpart funds is not in itself inflationary, because such funds are simply the financial mirror of the real resource transfer. If such funds are not spent but are in effect "sterilized," then resources are being provided in excess of spending on those resources, and the overall effect is deflationary. This assumes the local currency is obtained by selling dollars (or goods) to local importers (private or parastatal) from the existing money supply. In effect, the importers give up claim to local resources in order to take claim to imports, with no effect on the price level. However, if the government prints (borrows) money to create the local currency account, use of the increased money stock will be added to an undiminished demand by others, and spending of these funds will be inflationary.

The effects of counterpart spending are different in the case when CIP commodities merely replace commodities which would otherwise have been imported without the CIP, that is, when the commodities are not additive. Here the counterpart funds (whether created out of an existing or expanded money supply) represent excess purchasing power since there is no first round net increase in commodities availability although purchasing power is increased. While this is clearly the short-run inflationary effect, the build-up of foreign exchange reserves (CIP funds not spent in the short-run on imports) may so improve the credit standing of the LDC that additional funding becomes available, is spent on imports, and the excess purchasing power is wiped out. (In the case of a cash transfer, funds can be used for imports of goods and services, transfers out of the country, debt service and other capital transfers, and changes in reserves.)

This is just one possible scenario in which short-run inflationary effects can be offset by long-run deflationary changes. In brief, when

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the CIP essentially provides free foreign exchange rather than commodities (i.e., when commodities are not additive), the most important sets of questions for evaluators relate to the foreign exchange market, and to balance-of-payments management.

The implications for fiscal and monetary policy are clear, although implementation may be difficult. In the short run, the fiscal implication is that when commodities are not additive, but when counterpart funds are spent, net government revenues should be increased by a factor which (considered in conjunction with the multiplier) will wipe out the excess. (Since local currency generations often count as a revenue to the government, it would appear initially that revenues have in fact increased. The increase suggested here would be in addition to that initial first increase.) Similarly, this scenario suggests that monetary policy in the short run should be tightened with the intent of damping increases in the money supply. Finally, the velocity of money will have to be considered in judging the inflationary effect of a CIP. Increased velocity presumably would require compensation through a deflationary fiscal policy and a restrictive monetary policy.

More generally, evaluators will--in view of the additionality problems--need to reach some basic judgments about overall monetary and fiscal policy, since a free foreign exchange transfer will influence the effects of those policies. The general point here is that the macroeconomic effects of counterpart availability can be quite complex. Evaluators will need to sort through very carefully whether the commodities imported under a CIP were additive. Also, short-run effects must be distinguished from long-run effects. A rough measure of the relative importance of counterpart funds from a macroeconomic perspective can be achieved by expressing the amount generated in counterpart funds over relevant years as a percentage of business/corporate and personal savings, or in relation to the government deficit. Evaluators will also need to examine the exchange rate used in calculating payments into the local currency account since the rate will affect the size of that account.

From a microeconomic viewpoint, the funds give A.I.D. a role in determining the composition of expenditures, particularly public expenditures. This role may be passive, as in programming in which the host government simply credits counterpart funds to the development budget or to A.I.D. projects with no USAID involvement in those decisions. In contrast, A.I.D. may adopt an activist approach, in which Mission technical offices work closely with their host government counterparts to identify specific potential investment projects. The

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Mission and the appropriate Ministry then agree on specific projects which will be funded, and the Mission closely monitors the construction and operation of those projects.

The activist approach can have important effects, and evaluators must watch for them. For example, at the time when the host government might be cutting back sharply on its development budget, A.I.D. is able to assure funding of those projects it has identified as most critical. In effect, under this circumstance, A.I.D. is able to intervene in the host government's budget process to promote key projects and sectors. The local currency programming will be considered as important by the Mission, if not more important, than the CIP commodities. In sum, evaluators will need to consider the extent to which the use of counterpart funds was programmed, the effectiveness of this programming, and the degree to which government funding allocations were in fact affected by A.I.D. programming.

There is the possibility that CIPs may become important in the future in providing for recurrent costs of projects previously funded by A.I.D. In principle this raises no new problems in evaluation of the use of local currencies. However, it will be useful to examine the timing of the use of these funds relative to the drawing down of the CIP. If the latter is delayed, then so too will be spending from the fund, possibly jeopardizing the project. At the same time, use of such funds provides one more avenue of leverage for advancing projects assigned high priority by A.I.D. There is a broader qualification which must be noted concerning use of CIPs for recurrent costs. The costs associated with Regulation 1 procurement and cargo requirements may place any who use CIPs at a disadvantage. Because market-clearing foreign exchange rates are a goal of A.I.D., the evaluators need to be aware of this potential problem and to note in the evaluation how use of the CIP has been affected by it.

Evaluators will need to examine what exchange rate was used in calculating local currency requirements. Payments into the local currency account should be at least at the highest lawful exchange rate. If commodities are sold to private importers at an overvalued exchange rate, and the importers sell the product of those imports at prices determined by a higher parallel rate, or if import restrictions raise prices of CIP products sold by private importers, then sales of CIP imports to private buyers should be at prices that prevent windfall profits to those buyers. An overvalued rate can encourage the wrong type of imports and the wrong type of industries. Evaluators must identify the rate used, and analyze the effects of the use of that rate. (The rate used also influences the size of the counterpart funds generated by the CIP, as noted above.)

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c. Relating Policy Changes to the National Economy and Major Subsectors

A central task of evaluators is to relate the effects of the program to the results anticipated in the original program documentation. For almost all developing countries, little can be said about a CIP's impact on the national economy. The CIP is generally too small relative to the economy, and exogenous factors are too great. Rather than searching for economy-wide impacts, the evaluation might more fruitfully focus on specific markets (e.g., for fertilizer, food, foreign exchange) in relative isolation of other markets, or on sectors, which should be viewed essentially as collections of markets.

The evaluation should consider the question of how efficiently particular markets allocate resources, and therefore the extent to which the resources provided by A.I.D. are used productively. In effect, the nature of this discussion will vary considerably depending on the context and purposes of the CIP. At the extreme, a CIP provided to a country to assist efforts at balance-of-payments adjustment--particularly where the CIP provides free foreign exchange and/or is associated with structural policy reforms--calls for much more economy-wide analysis than one which provided a specific commodity which mainly affects one or two sub-sectors. When the CIP is part of a larger "aid package" arranged with other donors, the evaluation of the program must place it in the context of all donor assistance which is part of the package.

Programs initiated for political or immediate development effects will be typical of unrestricted import programs. CIP-like programs (often "projectized"), in contrast, specify commodities or sectors eligible for the program. Before analyzing any of the sectors, the team should review the overall mix of goods imported under the program, and data should be aggregated into sectoral categories. Second, it should be asked whether any of the imported goods replaced domestically produced goods. A finding that imported goods under the program replaced goods produced in the country would likely be a negative factor in the evaluation because of the loss of output and employment for domestic producers. Finally, the evaluation team should determine from program documentation how the allocation of CIP goods was made originally, and should make a judgment on whether the selection of commodities proved to be justified.

To the extent that a CIP can be used to introduce some discipline into the use of a key targeted commodity to be procured, and services are provided through the CIP to ensure that the commodity is used correctly

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and, if applicable, maintained, the CIP has an impact beyond mere procurement of goods. The quick-disbursement quality of a CIP also allows for an emergency procurement of essential items that may otherwise be foregone because of a foreign exchange bottleneck (e.g., key agricultural inputs at planting or harvesting time). However, special attention should be directed by evaluators to the tension in programming between the goal of rapid disbursement rates and the targeting of commodities to specific beneficiaries, many of which will have been cited in the Country Development Strategy Statement. Targeting slows down disbursement, and therefore the trade-off between speed and targeting must be analyzed by evaluators.

In any sectoral analysis, an important economic question is whether the country has a comparative advantage in the industrial sector or subsector (manufacturing or agricultural) that has been a recipient of imports under the import program. Although a determination of the comparative advantage might be elusive, the more extreme cases can be identified. For example, a high level of effective protection, and a large divergence between domestic and international prices, normally indicate efficiency losses to the economy. In those cases in which it is obvious that economic costs, or lack of comparative advantage, are high with regard to the particular industry, the CIP activity may have contributed to a misallocation of resources. In those cases in which there is an obvious comparative advantage, the positive impacts of the CIP program should be noted.

Many industrial enterprises (manufacturing and agricultural) are in a gray area where problems of inefficiency exist, but are not gross and blatant. To measure the extent of inefficiency would require a study of domestic resource costs or effective protection, along with some consideration of second-best factors. This analysis could help determine comparative costs and the extent to which a country has a comparative advantage in a particular industry or activity. However, the international market is evolving continuously, and what currently may be uneconomical may be economical in the future. Growth of local markets also can convert many industries into sound entities in the near future as economies of scale take hold.

Data requirements for statements about efficiency and comparative advantage are often very heavy. This is an area in which it is specially important for the evaluation team to complete its "home work" prior to departure. On site, the team often will find it difficult to work on this question.

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Evaluators also must address another "intangible" aspect of the program. Technical assistance and/or studies may be provided through the CIP as part of a package to ensure that the most important subsectors of the economy are targeted for imports, that the correct materials and quantities are obtained, that they are used in the most effective and productive manner, and that possible related problems (e.g., policy bottlenecks, misuse, counter-productive practices, and so forth) are identified and explained in a way that demonstrates to recipients that these problems should be addressed and that provides guidance on how that might be done. Evaluators must analyze the effectiveness of such technical assistance and studies.

d. Program Impact on Employment and Equity

Rapid population growth and policy distortions that have weakened both the formal and informal sector of the economies of developing countries have retarded a transformation in the sectoral structure of the labor force. As a result, vast numbers of people remain in low-productivity agricultural, off-farm, and urban activities. In the production process, inputs may be viewed as capital and labor, and more output requires more capital or labor, or both, in the absence of technological change. Or, output can be increased when policy reform (whether or not induced by policy dialogue) removes inefficiency in resource use in the short run, either of the kind caused by parastatal and government overstaffing or the kind caused by setting prices that conceal relative scarcities. Similarly, policy reform can affect capital accumulation and technological progress, and hence long-term growth.

In brief, growth is directly related to employment, and unless the technology of production changes sharply, or capital is substituted for labor because of prices or other factors, increased growth means increased employment. Where increased efficiency results in higher growth rates, the additional income generated will in turn lead to increased demand and hence employment. In economies where fiscal systems are weak, transfer systems for protecting the poor are weak or nonexistent. In these situations, employment is the link between growth and equity. Since growth depends on efficiency, and employment and equity depend on growth, it is clear that equity and efficiency are very closely linked.

For purposes of evaluating the effects of CIPs and CIP-like programs, it follows that the basic question is whether policies and incentives in markets affected by the CIP foster broadly-based growth or not. For example, consider a country in which the market for electric power is

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characterized by low tariffs, significant excess demand, and costly power cut-offs at peak loads. In this case the structure of tariffs will have led to rapid expansion in urban residential demand for power, particularly for air conditioners. Among industrial users, policy distortions and other factors will have favored large-scale firms--which are more energy-intensive and capital intensive--at the expense of small-scale and medium-scale enterprises, which tend to be more labor intensive. Without policy and institutional reforms, provision of additional electrical generation equipment under a CIP will simply increase output in a market where resource allocation is both inefficient and inequitable.

Or, consider the problem of pricing commodities available under CIPs. The sale of the commodities to private importers should not be made at prices that provide those importers with windfall profits because the purchase prices are related to an overvalued exchange rate while the importers' final sales are at prices determined by a higher parallel rate or by import restrictions that raise the prices on those final sales above free market levels. If windfalls are permitted (worsening income distribution), they are likely to be captured by importers with personal incomes well above the national average. Such an inequitable consequence is undesirable. Auctions, supplemental fees, or other means should be used where such a consequence appears likely in the absence of such measures.

The evaluators will have to examine these and similar effects of CIPs on individual or classes of markets. In some cases, by using internal data, or data from comparable economies, evaluators can attempt to estimate the impact of the CIP on employment and incomes depending on the uses to which the resources are put. Short- and long-term employment effects will also differ. And beyond direct employment, CIPs can affect informal employment and on-farm agricultural employment.

9G. Some Measures of Program Effectiveness

1. Management and Efficiency of the CIP

One member of the team, preferably one who has had prior A.I.D. management, program direction, or CIP experience, should be given responsibility for this part of the evaluation. Care should be taken to resist adopting an audit approach when evaluating the management of a CIP or CIP-like activity. Although they may be mentioned in the report, unless they are seen to be endemic in the system, they should not become the focus of the report.

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Similarly, evaluators must maintain a fine line between the efficiency of the system and its impact. There is a tendency to examine the rate and level of fund disbursements and imports at a single point, or at the beginning of a program, and conclude that the program impact is adversely affected. No CIP or CIP-like activity will be able to disburse funds or generate imports for the first several months of its existence. Once they begin, however, such activities will reach measurable levels. The test then is how well the level was maintained. There will be aberrations among various commodities. Complaints will be heard from individual firms about U.S. regulations, red tape, 50/50 shipping requirements, bid problems, inspection delays, and so forth, but care must be taken to determine whether the complaints are part of a pattern or isolated examples. If the former, these complaints should be mentioned in the report as an impact problem or as a problem affecting the perception, and even the participation, of the import community.

Indicators for Evaluation of CIP Management and Efficiency

1. The average disbursement rate and import level for the program since the first transaction.

Data sources: SER/OP printouts for CIP; USAID Mission arrival accounting figures.

2. The opinion of program participants concerning the efficiency of the system.

Data sources: Interviews with importers, bankers, and government officials, validated by interviews with USAID and embassy personnel.

3. Percentage of the transactions, by number and value, that have been subject to end-use audits in USAID. How thorough are the audits? Has there been follow-up?

Data source: Controller's office for copies of the audits and examples of follow-up actions.

4. Extent of USAID Mission monitoring of generation and use of the local currency special account.

Data sources: Controller's office for reports; appropriate government agency records concerning deposit of funds; program office for agreement on funding of selected projects.

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5. The frequency of CIP or technical staff meetings with relevant government officials, the import community, and the banks.

Data sources: Interviews with participants in the program.

6. The degree of interaction between the CIP office in USAID and the rest of the Mission.

Data sources: Interviews with CIP staff and USAID management, including program office; review of Mission orders.

7. Any input by the technical divisions into CIP decisions that affect a given technical area.

Data sources: Interviews with technical division personnel and CIP staff; examination of Mission project review system.

8. Attitude of the CIP staff toward the purposes and function of the CIP.

Data sources: Interviews with CIP, program, and Mission management.

9. Size and composition of the CIP staff.

Number and variety of CIP transactions.

2. Policy Dialogue

Pursuing a policy dialogue with host government officials to effect structural adjustments or changes in the economy is a major priority for USAID Mission directors and often for ambassadors. The extent to which CIP and CIP-like activities form the basis for such discussions often depends on how the particular programs are conditioned. Practice indicates that CIP-like activities, more often than CIPs, are specifically structured through preconditions, disbursement of funds in tranches, or specific covenants to support policy dialogue. On the other hand, CIP agreements increasingly include such conditions. However, even without imposed conditions, large CIPs are often important in such dialogues. Once it is confirmed that the policy dialogue includes these programs, it is incumbent on the evaluators to examine their effect on the discussions.

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Indicators of success may be either objective or subjective. If the latter, interviews with participants on both sides of the dialogue will reveal what they feel has been progress to date and the impact of the program under evaluation. But caution is indicated. Host government officials may be defensive about the need for using existing programs to "force" them to take given actions. U.S. participants may be no less frank in discussing what are often sensitive areas of negotiation between the two governments (and often between the host government and the IMF or World Bank).

Indicators of Impact on Policy Dialogue

1. Overt policy changes corresponding to conditions and covenants in program agreements.

Data sources: Host government announcements, rules, decrees, laws, or regulations; interviews with USAID Mission and embassy officials.

2. Unannounced policy changes pursuant to conditions in program agreements.

Data sources: Interviews with government officials; market research; interviews with USAID Mission and embassy officials.

3. Economic policy reforms planned or implemented in connection with agreements with multilateral institutions.

Data sources: Documents and officials of the IMF, World Bank, and other multilateral agencies.

3. Development Impact

Because CIP-like activities are more narrowly focused than regular CIPs (usually on one sector or even subsector), the evaluation of development impact is more straight-forward. If, for example, the loan or grant is for the energy sector, the evaluation of the development impact could be the same as it is for a regular project, and the project evaluation techniques in A.I.D.'s Handbook No. 3 would be applicable. The indicators in Sections 9G1 and 9G2 above may be used to determine the management and efficiency of the program and its impact on policy dialogue. However, for regular CIP activities the problem may be more difficult, unless specific development goals are made part of the CIP agreement. Most CIP's are not primarily designed for their development impact (despite the admonition in the Foreign Assistance Act of 1961

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that development policy be taken into consideration when planning Economic Support Fund assistance). The emphasis remains on disbursements and import flows, and development goals are added without making material changes in imports. One effective method has been to emphasize imports for specific sectors, such as industrial production or agriculture. When this is done, evaluation is made easier because measurements of productivity or output may be meaningful.

However, because of the emphasis on inputs, development may be adversely affected through the financing of imports of commodities and equipment too sophisticated, complex, or expensive in relation to the basic development needs and priorities of the country. An example is financing sophisticated medical diagnostic equipment, the usefulness of which is limited to a few unique cases, when the country needs equipment or medicine to provide primary health care for the majority of the population. Such adverse impacts are difficult to measure in quantitative terms. They are often most effectively illustrated by case histories. Indeed, case histories may provide a better methodology for evaluating the development impact of a CIP activity in the absence of quantitative goals in the CIP agreement, but care must be taken in extrapolating from anecdotal experience.

When a program is established largely to support government agencies and parastatal organizations, the government allocates the foreign currency credits by ministry, agency, and sector. A review of the selection and allocation system may provide insight into the government's development policies and the efficiencies of the system as it pertains both to foreign exchange and commodities. (In a largely private sector program, it is assumed that normal market forces result in a proper allocation and selection of commodities unless there is government intervention.) Evaluation of the government's allocation system requires an examination of the budget process, beginning with individual agency or organization budgets, tracing the review process through each level, and ending with an analysis of the final decisionmaking process. This could be included in a scope of work, but if so, the team should have a public administration or budget expert available.

Indicators of Development Impact

1. If the development targets or criteria are set out in the CIP agreement, they may be used as primary indicators.

Data sources: CIP records, including arrival accounting systems; on-site visits to facilities receiving and using the equipment; end-use audit reports; interviews with the health division staff in the USAID Mission and the ministry of health officials in the government.

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2. If a stated target was an increase in productivity in a given sector of the economy, the indicators would be productivity figures for the sector before and after CIP, making allowances for the effect of other factors such as domestic or other foreign investments. However, the data may not be that readily available in many less developed countries.

Data sources, if available: National bank statistics; industry association records; interviews with leading firms within the sector; embassy statistics; chamber of commerce interviews.

3. The benefit-cost analysis of its use.

Data sources: Records showing number of tons imported; purchases by small, intermediate, and large farmers; interviews with users to determine effect on crop yields; profits before and after the use of fertilizer.

4. Political Impact

Measurement of the political impact of any part of an A.I.D. program requires a sensitivity on the part of the evaluators to the nuances of the political setting. Briefings in Washington should have provided some insights. Policy dialogue and the part played by CIP and CIP-like activities will be a prime area of inquiry. In addition, the scope of work may require the evaluators to assess the impact of the program in other areas.

If the scope of work asks for a political impact evaluation, it should also indicate whether that portion of the report should be in a separate limited-distribution annex. However, only in sensitive situations should a part of an evaluation be administratively restricted. If the report is to be credible to its audience, the less it is limited the better. A carefully crafted report could avoid direct quotations and still retain the essence of the points made.

Indicators of Political Impact

1. The public perception of the role played by this particular U.S. activity.

Data sources: Interviews with embassy staff and U.S. Information Agency (USIA) officials; USIA files for newspaper articles or television publicity programs; interviews with bankers and firms not participating in the program.

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2. The visibility of the program.

Data sources: Interviews with the embassy concerning feedback from government officials on "too many Americans" or "too much emphasis on U.S. marketing requirements"; embassy staff on its perception of "too many Americans."

3. Demands for converting the program to alternate methods such as cash transfer programs.

Data sources: USAID interviews, embassy comments, carefully selected interviews with recipient government officials.

5. Distribution of Benefits

In a CIP-like activity with its narrower focus, determination of the extent of the distribution of benefits should present no difficulties.

Indicators of Division of Benefits Between Producers and Among Producers

Degree of access that designated beneficiaries have to obtaining the CIP-like commodity, e.g. fertilizer.

For a CIP activity, even the determination of the beneficiaries, other than naming the active participants such as importers, end-users, and banks may prove to be difficult. Firms may have problems in isolating the effect of their CIP imports on employment. To determine benefits for consumers of the output generated by CIP imports, inquiry would have to be made on a sector-by-sector basis. This underscores the advisability of using a case history approach.

Indicators of Benefit Distribution for CIP Activities

1. Indicators will vary from one industry or sector to another. For example, if the CIP has provided additional railroad equipment, a more complicated analysis would be required that first determines how much is replacement and how much additive. Then, resulting effects on passenger and freight miles and rates must be computed along with a determination of whether new lines were extended into previously unserved areas or communities. The social benefits may then be estimated for passengers and those dependent on freight.

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2. If a large quantity of raw materials, such as iron coils or bars, has been imported, an analysis would be required of the products that were manufactured from those bars and coils, the uses to which the end products were put (construction of buildings or homes), and the beneficiaries or users.

Data sources: For this type of analysis there is little likelihood of statistical data being available beyond the import figures and the amount going to individual firms or government agencies. The primary source of information would be interviews and on-site visits. Mission CIP staff should be able to provide leads that would yield a useful analysis of both the beneficiaries and the benefits.

6. U.S. Market Share

An unspoken, but nonetheless important, aspect of a CIP is the effect it may have on American suppliers' permanent share of the import market in the recipient country through the sale of equipment and spare parts.

Indicators of Effects on U.S. Market Shares

1. Determining the share is a matter of comparing data for the period before and during the life of a CIP. Bar charts can be used to show a comparison of U.S. imports in the country to all imports by totals and by major commodity groups.
2. For a determination of the trend of U.S. market penetration, specific CIP Commodities may need to be examined and compared to imports from other countries. Whether import trends will continue at higher levels or even stay the same depends on other less quantifiable factors such as consumer acceptance, price, availability of adequate foreign exchange at rates that make U.S. goods competitive with other imports, aggressiveness of U.S. suppliers in exploiting the market, and the quality of local representation and service. This is particularly important if the CIP is reduced or terminated.

9H. Producing the Report

The purpose of an evaluation is to develop a method by which the evaluators can record and transmit their findings, conclusions, and recommendations to those who will use them in designing future assistance activities or apply them to ongoing programs.

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The A.I.D. format for project evaluation reports presented in Handbook No. 3, of which many good examples are found in the series of published evaluation reports, is useful for nonproject evaluations as well. A suggested outline of a report is found in Appendix 9B. Experience shows that many readers do not go beyond the executive summary. Drafters should extract their major findings and recommendations for inclusion in that section with detailed statistical findings and tables saved for appendixes.

Recommendations for future action, whether by the managers of the program being evaluated or by designers of future programs, should flow logically and directly from the findings and conclusions. Statements which appear to be unsupported weaken the creditability of the entire report. Therefore, it is better at the outset to indicate areas in which data were not available or were inconclusive.

Keeping in mind that an evaluation should be constructive, the language and style should remain unsensational and professional. Raised hackles will only result in defensive responses and little inclination to accept recommendations. The report should be directed to its audience, taking into consideration host government sensitivities and the often disparate interests of programmers and implementers.

In some situations, the USAID Mission may require a final draft of the report before the team's departure--a manner of ensuring that the USAID has an input into the final product. This should be accompanied by a debriefing session with interested USAID Mission and embassy personnel. This not only helps to emphasize important portions of the report or underscores certain recommendations, but it also provides the team with some initial reactions that will aid in writing the final version. This is especially true if the draft has been circulated at least 24 hours before the debriefing.

The final section contains a series of appendixes. The sample scopes of work in Appendixes 9C and 9D to a large extent capture the essence of this report. They are not to be slavishly followed but should be tailored to the specific situation.

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APPENDIX 9A

SAMPLE QUESTIONNAIRES

1. CIP EVALUATION FOR PRIVATE SECTOR FIRMS

(Note: Actual questionnaire should leave ample space in which to record answers.)

NAME OF FIRM: _____ PERSON(S) INTERVIEWED: _____

LOCATION: _____

_____ TITLE: _____

MAJOR PRODUCT OR SERVICE: _____

ESTIMATED DOLLAR VOLUME: US\$ _____ PER YEAR

YEARS IN CIP: _____ TYPE OF CIP IMPORTS: _____ US\$ _____

_____ US\$ _____

1. Is firm an end-user _____ retailer _____ wholesaler _____
plantation _____ truckers _____ construction firm _____

2. If end-user:
What is the end-use?
Manufacturing _____ Converting _____ Use in other products (buildings) _____

3. If retailer or wholesaler: To whom is product resold?
Consumers _____ Retailers _____ Manufacturers _____ Other end-users _____

4. To what extent have CIP commodities permitted (a) maintenance or (b) an
increase in the firm's total sales or production?
Minimal _____% Somewhat _____% Average _____% Above average (over) _____%

Note whether this is (a) maintenance _____ or (b) increase _____

5. To what extent have CIP imports permitted (a) maintenance or (b) an
increase in employment?
Not at all _____ Reduced _____% Small increase _____% Large increase _____%

Note whether this is (a) maintenance _____ or (b) increase _____

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6. Why has firm continued (if it has) to use CIP imports? (Rank 1,2,3, etc.)
Quality of U.S. goods ___ Spare parts availability ___ Quality of local
representative ___ Speed of delivery ___ Availability of dollars at
favorable exchange rates ___ No other source of goods ___
7. Have imports under CIP substituted for imports from other countries?
Yes ___ No ___. If yes, which countries? _____
8. Have imports under CIP substituted for domestically produced commodities?
Yes ___ No ___. If yes, which ones? _____ Dollar value of
substitution US\$ _____
9. Has firm experienced difficulties with local banks in borrowing money?
Yes ___ No ___. If yes, what kind of difficulty? Interest rates too
high ___ Term too short ___ Firm's creditworthiness questioned ___ Bank
not interested ___
10. What special complaints does firm have about the CIP process?
- A. With Local Government? Yes ___ No ___. If yes, then:
Too much paper work _____
Too much official intervening _____
Policy unclear or changes rapidly _____
Favoritism ___ (public sector vs. private ___)
(large firms vs. small ___)
- B. With USAID? Yes ___ No ___. If yes, then:
Too much paper work _____
Rules unclear _____
Slow deliveries _____
Prices too high _____
Time for inspection too short _____
Delays between steps too long _____
50/50 shipping too expensive _____
Not enough contact with USAID officials _____
Not enough published information about program _____
- C. With U.S. suppliers? Yes ___ No ___. If yes, then:
Goods too expensive _____
Quality not good _____
Quality inconsistent _____
Spares not available _____
Spares too expensive _____
Performance guarantees not effective _____
Number of local representatives _____
Local representatives not helpful _____

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D. With banks? Yes ___ No ___. If yes, then:
 Too slow in processing documents ___
 Too stringent in applying rules ___
 Give lower priority to CIP transactions ___
 Show favoritism between customers ___

11. How would firm improve CIP process? (Freewheeling answers at this stage in view of specific complaints above.)
12. Can firm give examples of how its use of CIP-imported commodities contribute to economic or social development of country or region? (Case history approach.)
13. What are firm's views on impact of CIP on private sector?
 Little impact ___
 Great impact ___
 Explain. _____
14. In public sector?
 Little impact ___
 Great impact ___
 Explain. _____

2. CIP EVALUATION FOR BANKS

(Note: Actual questionnaire should leave ample space in which to record answers.)

NAME OF BANK: _____ PERSON(S) INTERVIEWED: _____

LOCATION: _____

TITLE: _____

1. How long has bank participated in CIP transactions? ___ years
 Is bank in private ___ or public ___ sector?
2. What percentage of its import transactions are CIP financed? ___%
3. To what extent has handling CIP transactions affected bank income? No effect ___ Somewhat ___ Great deal ___
4. Does bank in any way make a distinction between its CIP customers and those using regular import channels? Yes ___ No ___. If yes, how?
 Terms ___ Rates of interest ___ Restricts availabilities of foreign exchange ___ Other (Explain.) _____

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5. What are current terms charged by bank for local currency loans used to buy dollars for CIP imports?
Years ____ Interest rate ____ Down payment ____ Distinction between private and public sector firms? Yes ____ No ____ If yes, explain.
6. What are terms charged by bank for non-CIP local currency loans used to purchase foreign exchange?
Year ____ Interest rates ____ Down payment ____
7. What is percentage of defaults by CIP borrowers? ____
By non-CIP borrowers for foreign exchange? ____
8. Does bank have a sufficient number of contacts with USAID officials?
Yes ____ No ____ If no, how frequent should they be? ____
9. What are bank's chief complaints about the effects of CIP transactions on its operations? (Give examples.)
Too costly for time involved ____ Too much interference from USAID ____
Too much government red tape ____ Rules change too often ____ Problems with U.S. banks ____
10. How does bank view impact of CIP on private sector? On public sector? Explain.
11. Does bank have opinion on effect of CIP on any specific sectors of economy? (Building, manufacturing, agricultural, mining, industry, etc.)

3. CIP-LIKE ACTIVITY EVALUATION FOR INTERVIEWING ULTIMATE BENEFICIARIES OF AGRICULTURAL SECTOR PROGRAM

(Note: Actual questionnaire should leave ample space in which to record answers.)

PERSON(S) INTERVIEWED: _____ TITLE: _____

LOCATION: _____ TYPE(S) OF CROP: _____

1. What was crop production per acre before using USAID-imported fertilizer?
_____ tons (or bushels)
2. How much fertilizer did you use per acre before USAID fertilizer became available?
_____ bags
_____ tons
How much did it cost? ____ per bag ____ per ton

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3. How much did you sell your crop for during the last year before using USAID fertilizer?
_____ per bushel
4. How much fertilizer do you use now per acre? _____
Is it the same kind you used before (if you know)? Yes ___ No ___
5. What is your crop production per acre now? _____ tons (or bushels)
6. How much do you sell your crop for now? _____ per bushel
7. In your opinion, has the use of fertilizer supplied through USAID improved your crop? _____
Improved your yield _____
Increased your income _____
Increased your profit _____
8. Will you be able to afford to continue using fertilizer at the present prices? _____ At higher prices? _____
9. Do you keep records of fertilizer use? Yes _____ No _____ Crop production and income? Yes _____ No _____

(Note: Interviewer may want to examine such records to amplify and verify answers to above questions).
10. General comments.

4. CIP-LIKE ACTIVITY EVALUATION FOR INTERVIEWING
IMPORTER OF FERTILIZER FINANCED BY USAID PROGRAM

(Note: Actual questionnaire should leave ample space in which to record answers).

NAME OF FIRM: _____ PERSONS(S) INTERVIEWED: _____

LOCATION: _____

_____ TITLE: _____

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1. How many years in fertilizer importing business? ____ Did you go into business solely as a result of this program? ____
 2. What was annual volume of business prior to USAID program? ____
 3. Who were customers? (In terms of location, and whether individual farmers or members of cooperatives.) _____

 4. How much USAID-financed fertilizer have you imported in the past 2 years?
____ bags
____ tons
 5. Has this replaced any fertilizers you imported through other channels?
Yes ____ No ____
If yes, to what extent? _____
 6. What was the price for which you sold fertilizer per bag from:
Non-U.S. sources ____
U.S. sources ____
 7. What effect has the USAID import program had on your operations?
Expanded ____ %
Stayed same ____

On income?
Increased ____ %
No effect ____

On number of employees?
Increased ____ %
No effect ____
 8. What complaints do you have concerning this program?
Too much red tape ____
Too many forms ____
Too much government interference ____
Too much USAID interference ____
 9. How would you change the USAID program? _____
 10. Do you plan to expand your business as a result of this program?
Yes ____
No ____
 11. Can you relate any success stories among your customers using the new fertilizer? (Case histories.)
-

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APPENDIX 9B

SUGGESTED OUTLINE FOR A CIP EVALUATION REPORT

Introduction

Executive Summary

1. Background of the Program
 - 1.1 Political
 - 1.2 Economic
 - 1.3 Original Objectives
 - 1.4 Implied and Additional Agency for International Development (A.I.D.) Requirements
 2. Policy Dialogue With Host Government
 3. Relationship Between CIP and the Economy
 4. Economic Effects of the Program (including consideration of the logical framework where appropriate)
 - 4.1 Deciding on Three Methodological Questions
 - a. Fungibility
 - b. Additionality
 - c. Causality
 - 4.2 Institutional Aspects of Policy Reform
 - a. Judging the Effect of Conditionality on Policy Reform
 - b. Evaluating the Extent of Program Completion Through Use of Performance Disbursement Benchmarks
 - c. Effects of Policy Reforms on Markets and Institutions (with emphasis on the private sector)
 - 4.3 Economic Impact of the CIP Resource Transfer
 - a. The Resource Transfer and Capital Absorption
 - b. Economic Impact of Local Currency Accounts
 - c. Relating Policy Changes to the National Economy and Major Subsectors
 - d. Program Impact on Employment and Equity
-

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5. Development Impact

- 5.1 Measured by Specified Objectives (including performance disbursement benchmarks)
- 5.2 Unintended or Unforeseeable Effects
- 5.3 Complementarity With USAID Goals
- 5.4 Equity Considerations and Institutional Development

6. Management of the Program

- 6.1 Efficiency of Commodity Distribution
- 6.2 Arrival Accounting and ADP Systems
- 6.3 End-Use Audits
- 6.4 Relations Within USAID Mission
- 6.5 Relations With Host Government Officials
- 6.6 Size and Composition of Staff

7. Recommendations and Lessons Learned

Appendixes

- A. Description of Methodology
 - B. Statistical Analysis
 - C. Tables
 - D. Persons Interviewed
 - E. Reference Material
-

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APPENDIX 9C

SUGGESTED OUTLINE FOR SCOPE OF WORK
FOR A CIP EVALUATION

I. BACKGROUND MATERIAL

A. Political

1. Political situation in the country
2. Relations between the United States and the country

B. Economic

1. Current economic situation in the country
2. Special economic problems
3. History and background of CIP
 - a. Original rationale for CIP
 - b. Stated purposes of CIP
 - c. Purposes added or evolved (unstated)
4. Current CIP
 - a. Size, composition, and principal commodities
 - b. Special conditions
 - c. Local currency special account
 - d. Attitude of host country toward CIP
 - e. Host country policies affecting CIP foreign exchange and imports

C. Management

1. Mission organization
 2. CIP office organization (names, positions)
 3. Host country government
 - a. Principal ministry dealing with CIP
 - b. Role and function of national bank
 - c. Role and function of planning, finance, or other relevant ministries
 4. U.S. Embassy organization
-

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II. PURPOSES OF THIS EVALUATION

A. Political Impact

1. Effect of program on U.S. bilateral relations
2. Alternative resource-flow arrangements

B. Economic Impact (including consideration of the logical framework of the program, and performance disbursement benchmarks)

- 4.1 Macroeconomic
- 4.2 Selected Sectors and Market Linkages
- 4.3 Institutional and Market Development and the Private Sector
- 4.4 Balance of Payments
- 4.5 Local Currency Funds
- 4.6 Efficiency, Employment and Equity
- 4.7 Effect of Program on IMF or World Bank Targets or Negotiations

C. Developmental Impact

1. Whether developmental objectives stated in CIP agreements have been met, and analysis of unintended impacts
2. Analysis of complementarity of program with USAID's project goals; with World Bank and UNDP programs
3. Whether lessons may be learned from selected case histories
4. Effectiveness of local currency special account projects
5. Analysis of any significant social impact resulting from CIP
6. Equity considerations and institutional development

D. Management Assessment

1. Whether size and composition of staff is appropriate to task
 2. Whether level of CIP imports has been steady and appropriate to country's needs
-

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3. Analysis of the ADP system's contribution to the efficiency of the program
4. Whether end-use audits are performed systematically and results applied
5. Relationship of CIP staff to technical divisions; to controller's office
6. Assessment of management of local currency special account

E. Evaluation Methodology

Report on lessons to be learned from this evaluation that may be applied to subsequent CIP evaluations

III. SIZE AND COMPOSITION OF TEAM

A. Expertise Required

1. Economic (industrial, developmental, general)
2. Managerial
3. Generalist
4. Short-term experts (ADP, logistics)

B. Source

1. Contract or consultant
2. Direct hire
3. Country economist or logistician
4. Bureau of the Census, on detail

C. Mission Support Staff

1. U.S. direct hire or Foreign Service national
2. Tasks
 - a. Interview scheduling
 - b. Data collection
 - c. Liaison with Mission staff, embassy, U.S. Information Agency

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IV. LOGISTICS AND SUPPORT

A. Time for Task

1. In Washington for briefings and travel preparation
2. In the field
 - a. Draft submitted to Mission before team departure
 - b. Final report after receiving Mission comments
3. Deadline for submission of final report

B. Mission Support (yes or no)

1. Office space
2. Secretarial and word processing time
3. Transportation to and from interviews
4. Access time to Mission ADP or arrival accounting system

V. DATA COLLECTION

A. In Washington

1. A.I.D. responsibility
 - a. A.I.D.-generated material
 - Evaluation reports
 - Country Development Strategy Statements
 - Congressional presentations
 - CIP agreements and annexes
 - SER/OP printouts for country CIP; copies of Regulation One
 - b. Non-A.I.D. material
 - World Bank reports on host country
 - IMF reports
 - c. Interviews and briefings
 - Country desk officers, both A.I.D. and State Department
 - Program economist within A.I.D. bureau
 - SER/OP desk officer
 - Bureau for Program and Policy Coordination evaluation staff

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2. Team responsibility
 - a. statistics from country embassy in Washington
 - b. U.S. Department of Commerce for export statistics to country

B. In-Country (ahead of team's arrival)

1. Mission responsibility
 - a. CIP statistics; arrival accounting reports; national bank statistics on GNP, GDP, trade, foreign exchange flows, balance of payments
 - b. Mission manual orders on Mission organization, CIP office, local currency special account, special orders affecting CIP
 - c. End-use audit reports on CIP transactions
 - d. Lists of suggested interviews
 - Official, USAID and embassy
 - Country government and parastatal firms and organizations
 - Representative private sector firms by size, variety of commodities, sector, and length in program
2. Team Responsibility
 - a. Develop questionnaires
 - b. Conduct interviews (using short-term assistance as required)
 - c. Develop format for recording interview results

VI. SUBSTANTIVE TASKS (in order of priority, after decisions have been made on methodology)

A. Impact of CIP on Host Country in terms of Stated Program as Evidenced in PAAD, CIP Agreement, Congressional Presentations, and CDSSs. (The following are assumed for purposes of the outline:)

1. Relationship between CIP and the economy.
2. Indicators of impact on selected sectors (name three most important sectors)
 - a. Replacement of domestically produced goods by CIP imports
 - b. Comparative advantage in sector enjoyed by country (little or no advantage, results desultory; serious lack of advantage may mean misallocation of resources)

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- c. Output and effect on prices
- d. Increase in employment
- e. Changes in investment in sector
- f. Linkages to other sectors
- g. Effect on consumers

- 3. Indicators of impact on balance of payments
 - a. Relationship of current account deficit to amount disbursed under the program
 - b. Percentage by which deficit has been affected over length of program
 - c. Impact, if any, of slow-downs in disbursements
 - d. Ability of banking system to obtain foreign loans and at lower interest rates
 - e. Extent improvements have affected government's ability to meet IMF requirements
 - f. Restrictions on use of foreign exchange compared with first years of program
- 4. Indicators of political impact (with instructions on whether to make this a restricted annex)
 - a. Status of bilateral relations
 - b. Views expressed by host country officials
 - c. Editorials in press
 - d. Embassy attitude toward visibility of program
 - e. Embassy views on position of host government on matters of U.S. national concern
 - f. Extent to which CIP is brought up in political dialogue
 - g. Requests for alternate resource transfer arrangements such as cash transfer
- 5. Indicators of impact on policy dialogue
 - a. Extent to which specific conditions made part of policy dialogue have been met as evidenced by government decrees, rules, laws, and policy announcements
 - b. Opinions of Mission and embassy personnel on efficacy of policy dialogue and its impact, if any, on CIP

B. Impact on Unstated or Unintended Areas of Host Country's Economy or Society

- 1. Indicators for determining the ratio of relative importance (time it would have taken the economy to save enough to have imported the same quantity of goods supplied through CIP)
 - a. Counterpart funds deposited over a given time period
 - b. Business and corporate savings plus personal savings
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2. Indicators for determining the allocation of foreign exchange by sector in comparison to priority needs of economy
 - a. Foreign exchange allocations by sector for period before and after CIP commenced
 - b. Growth figures for sectors during same periods
 - c. Description of factors entering into foreign exchange allocation process for private and public sectors, particularly for CIP imports

3. Indicators of impact on development
 - a. Degree of compatibility between CIP and USAID project goals
 - Measured by USAID inputs into sectors as compared with CIP imports for those sectors
 - Measured by level of sophistication, complexity, and costs of CIP imports
 - b. Case histories for selected development sectors illustrating development effects of specific CIP commodities
 - c. Comparison of CIP imports by sector with imports under similar World Bank or other bilateral programs
 - d. Allocation of CIP imports in terms of recipient country's current development plan sector goals¹

4. Indicators of the impact of local currency special account on development projects
 - a. Improvement in progress of projects resulting from input of special account funds
 - b. Extent to which special account funds replaced host government contributions or USAID dollar-purchased local funding

5. Indicators of the impact of local currency special account requirements on CIP importers and banks
 - a. Interest rates and loan terms to importers borrowing local currency to pay for foreign exchange for CIP imports in comparison with rates and terms for non-CIP transactions
 - b. Number of defaults by CIP and non-CIP borrowers
 - c. Distribution of foreign exchange between public and private sector importers or among private importers by government, by banks, and among banks by government

¹If achievement of specific goals for the development or improvement of a given sector is part of the CIP's stated objectives, then an analysis would be made of that particular sector to determine whether the goals have been met, using as indicators growth and other indicia set out in the CIP agreement.

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6. Indicators of the impact of local currency special account deposits on inflation
 - a. Comparative cost of living indices and other similar figures
 - b. Expressed views of host government officials on use or freezing of special account funds
 7. Indicators of impact on development of private sector and small businesses
 - a. Number of licenses issued for new businesses
 - b. Number of loans to new businesses
 - c. Loans made by development banks to small businesses
 8. Institutional impact
 9. Impact on equity
- C. Assessment of Efficiency and Management of CIP
1. Indicators for assessing efficiency
 - a. Average annual disbursement rates and import levels since opening of CIP
 - b. Opinions of participants concerning efficiency of system
 - c. Percentage, by U.S. dollar volume and number, of end-use audits of CIP transactions; quality of such audits
 - d. Percentage of unfavorable audits receiving follow-up action by USAID
 2. Indicators for assessing management
 - a. Regularly scheduled meetings
 - Between USAID CIP staff and host country officials
 - Between CIP staff and importers
 - Among representatives of all participants, banks, importers, CIP staff, and government
 - b. Views of Mission staff on interaction between CIP staff and technical divisions; and program office
 - c. Mission guidelines for integrating CIP with USAID program or project goals
 - d. Number of CIP transactions converted to projects or project-like activities and placed on USAID project review schedule
 - e. Mission guidelines for monitoring and accounting for special account deposits and disbursements
 - f. Extent to which Mission monitors and evaluates projects receiving special account funds
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- g. Management and use of arrival accounting system, including current status, degree of access, and capabilities
 - h. Size and makeup of CIP staff, taking into consideration size and complexity of program, number of individual transactions, whether mixed or solely private or public sector
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APPENDIX 9D

SUGGESTED OUTLINE FOR SCOPE OF WORK
FOR A CIP-LIKE ACTIVITY EVALUATION¹

I. BACKGROUND MATERIAL

A. Political

1. Political atmosphere in Pakistan
2. Relations between the United States and Pakistan

B. Economic

1. General economic situation in Pakistan
2. Economic conditions affecting energy sector
3. USAID program and major goals
4. Policy context of ECE program
 - a. Pakistan's Sixth 5-Year Plan
 - b. Balance of payments problems
 - c. Private sector participation in energy sector
 - d. Energy pricing policies
 - e. Policy dialogue
 - Balance of payments in general
 - Energy pricing
 - Private sector role in energy
 - Banking, credit to private sector, loan terms for private investors

C. Current Status of ECE Program

1. History of program implementation, with status of obligations, expenditures, and volume of imports

¹This suggested outline is based on the proposed Pakistan Energy Commodities and Equipment (ECE) Program (#391-0486) and is specific to the Pakistan program. There are many different kinds of CIP-like activities. The evaluation of such activities must be tailored to the circumstances of individual countries and programs.

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2. Description of special problems revealed by audits or reports
3. Attitude of Government of Pakistan officials toward ECE
4. GOP policies or actions that affected ECE negatively or positively

D. Management Facts

1. USAID/Pakistan table of organization
2. Backstop office organization, including names and positions
3. Embassy/Islamabad organization
4. GOP ministries dealing with ECE program
 - a. Principal technical ministry
 - b. Other ministries, including Finance, Supply, and Planning

II. PURPOSES OF THIS EVALUATION

A. Economic Impact

1. On GOP balance of payments position
2. On private sector participation in the energy sector
3. On energy pricing policies
4. On GOP's progress toward economic liberation
5. On the role of the private sector in resource mobilization and productivity investment
6. On achievement of energy policy objectives of the GOP Sixth 5-year Plan
7. Any unintended or unforeseen effects

B. Effect on Policy Dialogue

1. On announced objectives of the USAID-GOP policy dialogue, particularly deregulation and private sector expansion
-

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2. On development of consumer and producer energy pricing
3. On reinforcing the policy activities of other USAID energy programs and World Bank efforts in tariffs and pricing
4. Whether the original terms and conditions of the ECE program proved to be realistic in light of subsequent events

C. Developmental Impact

1. On helping GOP attainment of an average annual energy growth rate of 9.6 percent (said to be necessary to support a 6.4 percent annual growth rate in GDP)
2. On achievement of the energy sector goals of the GOP 5-Year Plan
3. On assisting the GOP to meet its energy conservation goals

D. Management Assessment

1. Whether the level of imports under the ECE was timely and appropriate to the objectives
2. Whether the size and composition of the staff managing the program were appropriate to the task
3. Whether the GOP management staff was adequate to its responsibilities
4. Effectiveness of the interaction among the USAID, GOP, and multilateral participants

E. Evaluation Methodology

Whether the methodology used in this evaluation may be replicated in other similar evaluations and what lessons may be learned and passed on to other evaluators

III. PROCEDURAL MATTERS

A. Size and Composition of Evaluation Team

1. Expertise required
 - a. Public utility (energy) economist with rate experience
 - b. Development specialist
 - c. Generalist with commodity experience
-

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2. Source
 - a. Contract or direct hire
 - b. Mixed
 - c. Pakistani national
 - d. Bureau of the Census person on detail (for methodology)
3. Mission support staff
 - a. U.S. direct hire (American or Pakistani)
 - b. Tasks
 - Interview scheduling
 - Data collection
 - Liaison with USAID, U.S. Embassy, and GOP

B. Logistics and Support

1. Time period
 - a. In Washington, for briefings and travel preparation
 - b. In field
 - Draft submitted to USAID before departure
 - Final report prepared after receiving USAID comments
 - c. Deadline for final report
2. USAID Support (yes or no)
 - a. Office space
 - b. Secretarial and word processing
 - c. Transportation to and from interviews
 - d. Access time to USAID ADP or arrival accounting system

IV. DATA COLLECTION

A. In Washington

1. A.I.D.-generated material
 - a. Other evaluation reports
 - b. Pakistan CDSS and ABS
 - c. Asia Bureau Congressional Presentation
 - d. ECE PAAD and final agreement plus amendments
 - e. Audit reports on ECE
 2. Non-A.I.D. Material
 - a. World Bank reports on Pakistan and copies of loan documents to Pakistan in energy sector
 - b. IMF reports and agreements with GOP
 - c. GOP 5-Year Plan
-

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3. Interviews and briefings
 - a. Pakistan desk officers in A.I.D. and State
 - b. Asia Bureau economists and project officers
 - c. Bureau for Science and Technology for energy office staff
 - d. PPC evaluation staff
 - e. World Bank and IMF officials knowledgeable about the energy sector in Pakistan

B. In Pakistan

1. USAID responsibility

- a. Program documents, program statistics, arrival accounting reports, and statistics on energy sector
- b. National bank statistics on GDP; balance of payments; foreign exchange flows; oil imports; gas, oil, and coal production figures
- c. USAID Mission manual orders on organization, with names and positions of key officials
- d. Local audit reports or end-use audits
- e. Lists of suggested persons for interviews
 - USAID Mission and embassy officials
 - GOP officials in Ministries of Finance, Planning, Energy; National Bank, etc.
 - Representatives of private and public sector organizations in the energy sector
 - Representatives of energy consumer groups

2. Team responsibility

- a. Developing questionnaires
- b. Conducting interviews (using short-term assistance, as necessary)
- c. Collecting additional data, as necessary
- d. Developing format for recording results of interviews

V. SUBSTANTIVE TASKS

A. Analysis of Economic Effects of ECE Program in Light of the Stated Objectives and Conditions in the PAAD and Program Documentation

1. Indicators of impact on balance of payments
 - a. Relationship of current account deficit to amount disbursed under ECE
 - b. Percentage by which deficit has been affected over length of program
-

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- c. Impact, if any, of slow-downs in disbursements
- d. Ability of banking system to obtain foreign loans and at lower interest rates, taking into consideration exogenous factors
- e. Extent improvements have affected GOP's ability to meet IMF requirements under any standby arrangements

- 2. Indicators of impact on energy sector
 - a. Replacement of domestically produced goods by program imports
 - b. Movement of public funds from industrial projects and fertilizer subsidies to energy infrastructure
 - c. Deviation of GDP growth rates from 6.4% over life of program
 - d. Energy prices before and after institution of ECE program
 - e. Private sector investment in energy sector before and after ECE
 - f. Consistency of local energy prices with international energy prices for oil, gas, electricity, and coal sectors
 - g. Progress on the long-range marginal costs (LRMC) study carried out by the World Bank with USAID's direct support
 - h. Interaction of other USAID energy projects and programs with ECE

B. Analysis of the Effect of the ECE Program on Policy Dialogue, Particularly as it Relates to the Energy Sector, Using the Following Indicators

- 1. Policy changes in the energy sector reflected in GOP laws, decrees, regulations, and policy issuances
- 2. Private sector expansion in the energy sectors directly affected by the ECE program
- 3. Progress in the liberalization of the economy as evidenced by the lifting of controls
- 4. Increased self-sufficiency in energy production in Pakistan over the life of the ECE program
- 5. Kinds and efficacy of electricity conservation measures instituted by GOP

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C. Analysis of the Effect of the ECE Program on Economic Development² in Pakistan, Using the Following Indicators

1. Annual GOP growth rate compared with 6.4% target
2. Shift of GOP priorities from industrial projects and fertilizer subsidies to rural development and social sectors
3. Increases in gas, coal, and electric consumption by various sectors of the economy, particularly the poorest elements, over the life of the ECE program
4. Reductions in oil imports and increases in domestic gas and oil production over the life of the ECE program
5. Case histories illustrating direct impact of improved energy policies on rural and poor urban consumers, particularly pricing changes
6. Increases in private sector share of investment in energy sector, accompanied by case histories illustrating development of new firms or growth of existing firms

D. Assessment of ECE Program Efficiency, Using the Following Indicators

1. Timing of disbursements compared with stated objectives of assisting GOP balance of payments position
2. Arrival of commodities in terms of users' readiness and ability to install and utilize equipment and major shipments of commodities
3. In connection with above, number of negative end-use audits performed by USAID and percentage which received follow-up action
4. Installation of machinery and equipment on dates originally established in PERT charts, if used

²The proposed program documents do not indicate that a local currency special account will be established for the US\$20 million grant portion of the project. If it were to be established, see the suggested outline for evaluating that account under the CIP outline (Appendix 9C).

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E. Assess ECE Program Management, Using the Following Indicators

1. Percentage, by US dollar volume and number, of end-use audits of ECE transactions; quality of such audits
 2. Organization charts of ECE management staff, if a separate group, or the backstop office in USAID, reflecting allocation of responsibilities for discrete portions of project
 3. Charts showing GOP organization for managing its implementation responsibilities
 4. Interaction and cooperation between USAID and GOP officials responsible for implementing ECE
 5. Number and adequacy of USAID staff assigned to ECE
 6. Management and use of arrival accounting system dedicated to ECE imports, including sharing with GOP
 7. Extent to which senior USAID management follows progress of ECE and acts to ensure resolution of implementation bottlenecks
-

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APPENDIX 9E

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APPENDIX 9F

GLOSSARY OF ABBREVIATIONS

CIF	-Cost, insurance, and freight
CIP	-Commodity Import Program
FOB	-Free on board
FR	-Financing Requests
GAO	-Government Accounting Office
GDP	-Gross domestic product
GNP	-Gross national product
IBRD	-International Bank for Reconstruction and Development (World Bank)
IFB	-Invitation for Bids
IMF	-International Monetary Fund
L/C	-Letter of Credit
L/Com	-Letter of Commitment
PAR	-Performance Audit Report
PCR	-Project Completion Report
PPC/CDIE	-A.I.D. Bureau for Program and Policy Coordination, Center for Development Information and Evaluation
SAL	-Structural Adjustment Loan

ABBREVIATIONS USED IN THE CIP PROCESS

APPRCUR	-Approval of Procurement. Contained in the eligibility list of commodities.
BIDOPEN	-Bid Opening. Opening and evaluation of bids.
BNKL/COM	-Bank Letter of Commitment. Letter from A.I.D. to bank guaranteeing funds for procurement.

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- CPI -Commodity Procurement Instruction. Lists commodities eligible for financing; included in initial Implementation Letters.
- DELIVERY -Delivery. Date commodity is received by importer.
- DIRL/COM -Direct Letter of Commitment. Letter from A.I.D. to supplier guaranteeing funds for procurement.
- ELIGDATE -Eligibility Date. Date after which funds may be disbursed if conditions precedent are met.
- FR -Financing Request. Document requesting authorization to initiate detailed financing arrangements for procurement of commodities.
- GRNTAGMT -Grant Agreement. Document signed by both government's outlining conditions and terms of the grant.
- IFB -Invitation for Bids. Formal procurement request for commodities in the public sector.
- IMPLETTR -Implementation Letter. Formal communication from A.I.D. to recipient government with instructions, guidance, and procurement procedures.
- L/CREDIT -Letter of Credit. Letter from bank to supplier authorizing funds for procurement.
- NEEDIDEN -Need Identification. Identifies needs of importing entities for specific commodities.
- NOOBJLTR -No Objection Letter. A.I.D. approves importer's choice of supplier.
- OFFLOAD -Offload. Commodity taken off vessel.
- PAAD -Program Assistance Approval Document. Form describing and justifying proposed CIP level and content; instrument by which the A.I.D. Administrator approves a nonproject assistance activity and authorizes obligation of funds for implementation.
- RELDATE -Release Date. Date commodity is released from customs.
- SEL&AWRD -Selection and Award. Selection of supplier and awarding of contract.
- SHIPDATE -Shipping Date. Date commodities are shipped from the United States
- VESSARRV -Vessel Arrival. Date vessel arrives at port of destination.
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X**

INDEX TO THIS HANDBOOK

This index was derived from the Master Index to the A.I.D. Handbook series issued under TM HI:3. This Index, an updated version to the one issued in August 1986, includes changes and updates to this Handbook that have occurred to date.

The underlying approach to the Master Index was that of unity, with the series of thirty three handbooks considered as a single entity whose topics may appear in one, or more than one, of the component volumes. Synonyms, near synonyms, and other ambiguities are avoided and the topical entry words and phrases have meaning for users who may not be intimately acquainted with the content of specific Handbooks.

Each entry in the Master Index that includes a reference to this Handbook is reproduced here in its entirety, thus providing both a guide to this Handbook and useful references to other Handbooks.

The formats for locating citations are intended to match their appearance on the Handbook pages. Beyond the standardized Handbook number with its following colon, the citations used in the index reflect the different formats used in the individual Handbooks themselves.

UNDERSTANDING THE CITATIONS

The standard codes and messages that appear throughout the index, and their exceptions, are defined in this section. It is recommended that all users read this section before using either the master index or individual handbook index(es).

LOCATION CITATIONS

The location citations are grouped in the following patterns:

Handbook number, colon, Chapter number, Paragraph letter, and further breakdown where needed.

The abbreviations such as App. for Appendix; Att. for Attachment; and Sup. for Supplement are also included in the citations wherever necessary.

An example of the format used is as follows:

A.I.D. Financed Export Opportunities 1B:23A2a(3); 15:10C1a(1)

where the term "A.I.D. Financed Export Opportunities" is located in Handbook No.1B, Chapter 23, Section A2a(3); and Handbook 15, Chapter 10, Section C1a(1).

SPECIAL CASES

Although the majority of the location citations follow the pattern described previously, there are these exceptions:

- o In some of the Handbooks, a majority of the text is reprinted from the Foreign Affairs Manual (FAM). All FAM citations are marked by a '#' sign before the section number.
- o A major portion of Handbook 14 is composed of the Federal Acquisition Regulation (FAR). All citations to this publication are listed as 14:FAR(section number).
- o Three Handbook supplements that are basically separate volumes are cited as, 1B: (Procurement Policy), 3A: and 3B: (Project Managers Guidebook).
- o In Handbooks which contain both Parts as well as Chapters, the Roman numeral Part number is separated from the Arabic Chapter number by a dash (-). For example: 21:I-2A8, a citation to Chapter 2 of Part I of Handbook 21.

CROSS REFERENCES

These references provide direction for selection of index terms:

A 'see' reference points from an unused term to the one that is used.

'x' is the reverse of see (do not bother to look) and provides a guide to terms that are not used in the index.

'see also' points to terms that are closely related.

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