

USAID Agreement No. 391-010

PROGRAM ASSISTANCE AGREEMENT

BETWEEN THE

UNITED STATES OF AMERICA

AND THE

GOVERNMENT OF PAKISTAN

FOR THE

**FEDERALLY ADMINISTERED TRIBAL AREAS
DEVELOPMENT PROGRAM**

Islamic Republic of Pakistan
City of Islamabad
Embassy of the
United States of America } **69:**

I, Vice Consul of the United States of America at Islamabad, Pakistan duly commissioned and qualified, do hereby certify that the foregoing is a true and faithful copy of the original, the same having been carefully examined by me and compared with the said original and found to agree therewith word for word and figure for figure.

IN WITNESS WHEREOF I have here unto set my hand and affixed the seal of the Embassy of the United States of America at Islamabad, Pakistan, this 01 day of October 2007

[Signature]
VICE CONSUL OF THE UNITED STATES OF AMERICA

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SEPTEMBER 29, 2007
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Fiscal Data:

ODN: 391-SOAG-0010-00

PA: A08	PE: A036	Amount: \$12,000,000.00	Fund: ES-SUP 07/08
PA: A10	PE: A044	Amount: \$ 1,000,000.00	Fund: ES-SUP 07/08
	PE: A045	Amount: \$ 3,000,000.00	Fund: ES-SUP 07/08
PA: A11	PE: A047	Amount: \$ 1,000,000.00	Fund: ES-SUP 07/08
	PE: A051	Amount: \$ 1,000,000.00	Fund: ES-SUP 07/08
	PE: A052	Amount: \$ 5,000,000.00	Fund: ES-SUP 07/08
	PE: A054	Amount: \$ 1,000,000.00	Fund: ES-SUP 07/08
PA: A12	PE: A055	Amount: \$10,000,000.00	Fund: ES-SUP 07/08
PA: A17	PE: A069	Amount: \$ 1,000,000.00	Fund: ES-SUP 07/08
	PE: A071	Amount: \$10,000,000.00	Fund: ES-SUP 07/08
PA: A18	PE: A074	Amount: \$ 6,000,000.00	Fund: ES-SUP 07/08
PA: A19	PE: A076	Amount: \$ 2,000,000.00	Fund: ES-SUP 07/08
	PE: A077	Amount: \$ 3,000,000.00	Fund: ES-SUP 07/08
	PE: A078	Amount: \$17,000,000.00	Fund: ES-SUP 07/08
	TOTAL	Amount: \$73,000,000.00	

FUNDS AVAILABLE
OFM / Accounting Section
Amount: \$73,000,000.00
Rm 29 SEP 2007
< > Context Clearance only
Posted By: *[Signature]* On: 09/29
Cleared By: *[Signature]* On: 09/29
MAGS/PWX TRNJYP. CO/CT

**Program Assistance Agreement
Table of Contents**

Article 1: Purpose.

Article 2: Functional Objectives, Program Areas and Program Elements.

Section 2.1. Functional Objectives, Program Areas.

Section 2.2. Program Elements.

Section 2.3. Annex 1, Amplified Description.

Article 3: Contributions of the Parties.

Section 3.1. USAID Contribution.

Section 3.2. Grantee Contribution.

Article 4: Completion Date.

Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement.

Section 5.2. Notification.

Section 5.3. Terminal Dates for Conditions Precedent.

Article 6: Special Covenants.

Section 6.1. Official Permits, Visas, Exemptions and Permissions.

Section 6.2. Awards to Third Parties.

Article 7: Miscellaneous.

Section 7.1. Communications.

Section 7.2. Representatives.

Section 7.3. Standard Provisions Annex.

Section 7.4. Other Agreements.

Annex 1 Amplified Description

Annex 2 Standard Provisions

PROGRAM ASSISTANCE AGREEMENT
for the
FEDERALLY ADMINISTERED TRIBAL AREAS
DEVELOPMENT PROGRAM

Dated: September 28, 2007 ^{VA} 30 hour

Between

The Government of Pakistan, acting through the Economic Affairs Division of the Ministry of Economic Affairs and Statistics (hereinafter referred to as the "Grantee") and The United States of America, acting through the United States Agency for International Development ("USAID");

ARTICLE 1: PURPOSE

The purpose of this Program Assistance Agreement (the "Agreement") is to set out the understanding of the parties named above (the "Parties") in connection with the Objectives described below.

ARTICLE 2: FUNCTIONAL OBJECTIVES, PROGRAM AREAS AND PROGRAM ELEMENTS

Section 2.1. Functional Objectives, Program Areas. In order to further the stated objectives of Poverty Alleviation and socio economic development reflected in MTFD, PRSPs and vision 2030 by the Government of Pakistan and in order to further the foreign assistance objectives of Governing Justly and Democratically, Investing in People, and Economic Growth (the "Functional Objectives") articulated by the Government of the United States of America under the Strategic Framework for United States Foreign Assistance, the Parties hereto agree to work together by focusing on development activities in the Federally Administered Tribal Areas ("FATA") in the areas of: Good Governance, Civil Society, Health, Education, Infrastructure, Agriculture, and Private Sector Competitiveness (collectively, the "Program Areas," and, together with the Functional Objectives, the "Objectives").

Section 2.2. Program Elements. In order to achieve the Objectives, the Parties agree to work together to achieve development improvements in the FATA in the following: Local Government and Decentralization, Civic Participation, Media Freedom and Freedom of Information, HIV/AIDS, Other Public Health Threats Maternal and Child Health, Water Supply and Sanitation, Basic Education, Modern Energy Services, Transport Services, Agricultural Sector Productivity, Business Enabling Environment, Private Sector Productivity, and Workforce Development. Within the limits of the definition of the Functional Objectives stated in Section 2.1, this Section 2.2 may be modified through written agreement of the authorized representatives of the Parties without formal amendment of this Agreement and such modification shall deemed to be an annex to this agreement.

Section 2.3. Annex 1, Amplified Description. Annex 1, amplifies the above Objectives and describes the Program Elements, Program Sub-Elements and Indicators that will be used to measure progress and achievement in each of the Program Areas. Within the limits of the

definition of the Functional Objectives set forth in Section 2.1, Annex 1 may be amended by written agreement between the authorized representatives of the Parties without formal amendment of this Agreement and such amendment shall be deemed to be an annex of the agreement.

ARTICLE 3: CONTRIBUTIONS OF THE PARTIES

Section 3.1. USAID Contribution.

(a) The Grant: To help achieve the Objectives set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement an amount not to exceed seventy-three million United States ("U.S.") Dollars (\$73,000,000) (the "Grant").

(b) Total Estimated USAID Contribution: USAID's total estimated contribution to achievement of the Objectives for five years will amount to approximately U.S. \$511,000,000, which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and may be provided by USAID upon written notice to the grantee. The Parties agree that each such incremental contribution provided, if any, shall cumulatively increase the total amount of the Grant set forth in Section 3.1 and consequently may increase the Grantee's contribution under Section 3.2. The Grantee further agrees to acknowledge by written notice to USAID each such incremental contribution, if any. The United States Government intends to contribute a total amount of \$750,000,000 over five years in FATA.

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

Section 3.2. Grantee Contribution.

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

(b) The Grantee's contribution, based on USAID's contribution in Section 3.1(a), will not be less than the equivalent of one-quarter of the portion of the Grant that is used to support activities that directly benefit the Grantee or directly and substantially involve the Government of Pakistan in the administration, management or control of assistance, provided that such amount may be reduced with the written consent of USAID. The Grantee's contribution may include either cash or in-kind contributions or both. The dollar equivalent amount of the Grantee's contribution shall be set forth in an Implementation Letter and shall be subsequently included in the Financial Plan included in Annex 1 of this Agreement. The amount of the Grantee's contribution shall be adjusted upon any increase in the amount of the Grant set forth in Section 3.1(a), in accordance with the formula described in the first sentence of this paragraph, and the precise amount of such adjustment shall be indicated in an Implementation Letter. The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and in-kind contributions.

ARTICLE 4: COMPLETION DATE

Section 4.1. The Completion Date, which is September 30, 2012, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objectives will be completed.

Section 4.2. Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

Section 4.3. Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

ARTICLE 5: CONDITIONS PRECEDENT TO DISBURSEMENT

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

(a) An opinion of counsel acceptable to USAID that (i) this Agreement has been duly authorized and ratified by, and executed on behalf of the Grantee, (ii) this Agreement constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms, and (iii) all internal actions and approvals necessary to give effect to this Agreement have been obtained by or on behalf of the Grantee; and

(b) A signed statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, which designates by name and title any additional representatives each of whom may act pursuant to Section 7.2.

Section 5.2. Notification. USAID will promptly notify the Grantee when USAID has determined that the conditions precedent have been met.

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

ARTICLE 6: SPECIAL COVENANTS

Section 6.1. Official Permits, Visas, Exemptions and Permissions. The Grantee, in conjunction with the appropriate Government of Pakistan ministries and offices, hereby covenants and agrees to issue, renew and/or extend free of charge and in a timely manner all official permits, visas, exemptions and any other permissions (including all approvals as may be

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required from time to time to ensure full access to information, project sites and relevant offices) for the Applicable Persons (as defined below) carrying out activities financed by USAID under this Agreement (collectively, the "Required Documents"). For purposes of this provision, Applicable Persons is defined as: (1) employees and consultants of any contractors, grantees and other organizations carrying out activities financed by USAID under this Agreement and (b) members of such employees' and consultants' households. Any renewals or extensions of such Required Documents that are required, or become required, in order for such employees, consultants and dependent family members to legally reside in Pakistan and undertake the activities contemplated by and financed under this Agreement shall also be issued free of charge.

Section 6.2. Awards to Third Parties. USAID will award such contracts, grants, cooperative agreements, and other implementing instruments to third parties, whether public or private, as USAID deems appropriate to achieve the Objectives of this Agreement. Such awards will be made in accordance with USAID's policies and procedures, using Grant funds, without further documentation between USAID and the Grantee.

ARTICLE 7: MISCELLANEOUS

Section 7.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax, cable or electronic mail ("e-mail"), and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail address:

American Embassy

Diplomatic Enclave

Ramna 5, Islamabad

Telefax: 051-287-0310

E-mail: infopakistan@usaid.gov

To the Grantee:

Mail address:

Government of Pakistan

Economic Affairs Division

Islamabad

Telefax: 051-921-9445 or 051-920-4086

E-mail: secretary@ead.gov.pk

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 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 Secretary of the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, and USAID will be represented by the individual holding or acting in the office of Director of the USAID Mission to Pakistan, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement. The names and titles of the additional representatives of the Grantee will be provided pursuant to Section 5.1(b) to USAID, which may accept as duly authorized any instrument signed by such additional representatives (or any individuals subsequent holding or acting in the office of such representatives) in accordance with this Section 7.2, until receipt of written notice of revocation of their authority.

Section 7.3. Standard Provisions Annex. A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

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Section 7.4. Other Agreements. Nothing in this Agreement shall be construed as derogating from any rights, privileges and immunities accorded to USAID, USAID's implementing partners (including contractors and grantees), and/or their respective employees and consultants pursuant to any other agreement between the Government of Pakistan and the United States of America.

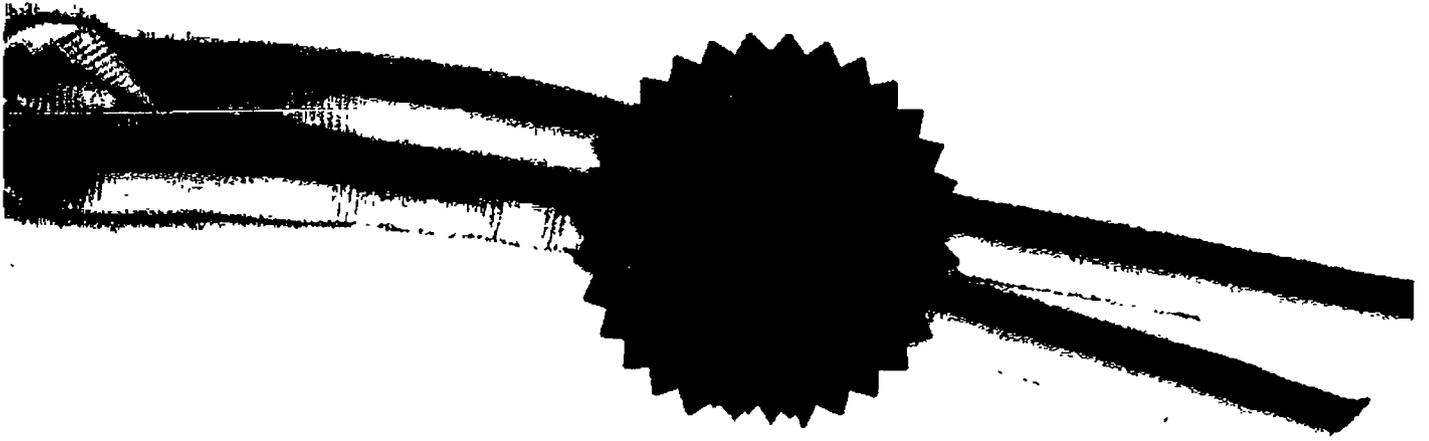
IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

ISLAMIC REPUBLIC OF PAKISTAN

By: *Anne Aarnes*
Name: Anne Aarnes
Title: Director, USAID Mission to Pakistan

By: *M. Akram Malik*
Name: M. Akram Malik
Title: Secretary, Economic Affairs Division



Annex 1

Amplified Description

I. Introduction.

This annex describes the activities to be undertaken and the progress and achievements to be made with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. Background.

Development Assistance for inclusive social and economic development in Pakistan's remote Federally Administered Tribal Areas (FATA) bordering Afghanistan is critical to meeting the objectives of the United States Government (USG) and the Government of Pakistan (GOP) for the Global War on Terror. As such, the Government of Pakistan has announced the intention to accelerate the pace of socio economic development in FATA. The GOP has accordingly planned the \$2 billion FATA Sustainable Development Plan (FSDP) for donor assistance. The objective is to include the area under the GOP's mainstream administrative, governance, and judicial control and to ensure that basic human services and infrastructure are at par with the rest of Pakistan. New institutions, strategies and approaches are being considered to move forward with this initiative. Additional funding investments on the part of the GOP are also planned.

In addition to contributing to the success of the USAID's FATA Development Program (FDP) also complements the strategic objectives of the USAID/Pakistan Mission in the areas of education, democracy and governance, economic growth, and health: increased knowledge, training, and infrastructure to improve the quality of education for females and males; more participatory, representative, and accountable democracy; increased economic opportunities; and improved health in vulnerable populations.

In implementing the FDP, it should be understood that its timeframe and ultimate success is contingent upon a myriad of complex factors in each FATA Agency. The challenges posed by these factors are not insurmountable, but success will require a flexible and innovative approach in each of the FATA Agencies.

III. Funding.

Financial Plan. The financial plan for the Program is set forth in the table below. Changes may be made to the financial plan by representatives of the Parties without formal amendment to the Agreement, if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

(\$ in Thousands)	
AGREEMENT TOTAL	73,000
Local Government and Decentralization	12,000
Civic Participation	1,000
Media Freedom and Freedom of Information	3,000
HIV/AIDS	1,000
Other Public Health Threats	1,000
Maternal and Child Health	5,000
Water Supply and Sanitation	1,000
Basic Education	10,000
Modern Energy Services	1,000
Transport Services	10,000
Agricultural Sector Productivity	6,000
Business Enabling Environment	2,000
Private Sector Productivity	3,000
Workforce Development	17,000

- * Note: This Agreement is for U.S. \$73,000,000, but USAID funding in FATA also includes:
- U.S. \$15,000,000 for USAID's Office of Transition Initiatives (OTI), which will be obligating funds under the "Governing Justly & Democratically" and "Economic Growth" objectives through separate instruments as further discussed in Section VI.2.c.
 - U.S. \$16,000,000 is attributed to existing USAID assistance programs under current Strategic Objective Grant Agreements (SOAGs) that have been signed with the GOP under "Governing Justly & Democratically", "Investing in People", and "Economic Growth" objectives.
 - USAID foreign assistance in the FATA will total approximately U.S. \$104,000,000 during the first year of the U.S. President's five-year commitment to the FATA.
 - In addition to this Agreement, other U.S. Government agencies will provide approximately U.S. \$41,000,000 in FATA foreign assistance in this first year of funding.
 - Total U.S. Government funding in FATA will be approximately \$145,000,000 in this initial year.

IV. Program Elements.

1. Local Government and Decentralization
2. Civic Participation
3. Media Freedom and Freedom of Information
4. HIV/AIDS

5. Other Public Health Threats
6. Maternal and Child Health
7. Water Supply and Sanitation
8. Basic Education
9. Modern Energy Services
10. Transport Services
11. Agricultural Sector Productivity
12. Business Enabling Environment
13. Private Sector Productivity
14. Workforce Development

V. Activities/Activity Selection and Illustrative Indicators.

A. Improve Economic and Social Conditions in FATA Communities

USAID support of Pakistani objectives will focus on employment generation and skills development, basic education, primary healthcare, infrastructure, agriculture, livestock and rural development, and media and public outreach. A key programmatic area of U.S. assistance in the short term will be the establishment of employment generation programs that will provide thousands of unskilled laborers in FATA with opportunities to build their communities while gaining market-applicable skills. The FDP supports grassroots development providing infrastructure and delivery of essential services, and improving employment opportunities, particularly for young people.

Skills development will involve a combination of vocational training, on-the-job training, and informal skills development. Both the GOP and local NGOs have developed improved programs for teaching construction skills in the earthquake regions. The same methodology can be explored in cooperation with the FDA, keeping in view the conservative setup of the area, with a view towards accelerating skills development. Depending on the circumstances, these programs could also provide life skills in health, civic education, literacy and business management. The FDP will support the development of vocational training institutes for both men and women.

Micro-enterprise development through micro credits and micro-grants and larger community loans will be used to promote entrepreneurship, employment and economic growth. Providing micro-grants in the form of toolkits, seeds, and livestock for people participating in employment programs can help foster community support and participation in the initiatives.

Public outreach programs involving radio and other media will be critical in providing information to remote villages. Such programs can provide information about various topics, such as agriculture, livestock, health and education, as well as important public information. Outreach programs are a cross-cutting method of addressing the needs of multiple communities and will benefit a large number of people.

Initially, The program will support traditional sources of power in FATA, centered on the Political Agents and maliks in order to quickly rehabilitate rural infrastructure and improve life in villages and communities. The FDP will also work to establish more collaborative approaches to community development over time.

Illustrative indicators of progress are as follows:

- Number of people gaining employment or more remunerative employment as a result of participation in USG-funded workforce development programs;
- Number of businesses receiving USG assistance to improve management practices;
- Number of rural households benefiting from USG interventions;
- Kilometers of transportation infrastructure constructed or repaired through USG assistance;
- Annual percentage increase in school enrollment in target schools in target districts; and
- Percent of deliveries assisted by skilled health personnel.

B. Improved Governance for Social Service delivery for socio-economic development in FATA

A major goal of the development strategy in FATA will be enhancing the Government's capacity to deliver essential services in FATA, including water and sanitation, healthcare, education, and road repair. In the short term, the GOP will need to find ways to provide for citizens' tangible needs while building the capacity of public, private sector and community groups to contribute to FATA development. The FDP supports the following approach to achieving this objective:

Build Long-Term Capacity: Capacity development is the foundational activity on which initiatives in FATA should be built. As such, the capacity building effort will address the following key areas:

i. Improving core operational functions: The FDP will focus on developing core operational functions among implementing organizations. These core functions include: strategy development, policy formulation, procurement, financial management, and monitoring and evaluation. Strengthening core functions will improve the capacity of public sector organizations to improve service delivery over time.

ii. Improving access to technology and best practices: The FDP supports the access to appropriate technologies and international best practices that assist Pakistani organizations to deliver better services. An illustrative example includes assistance in providing access to programs in public outreach, skills development, literacy, community mobilization, and the social sectors.

iii. Improving media outreach: The FDP will support GOP efforts to improve media outreach in FATA. This will include assistance in the development of a media strategy, capacity building, and assistance in developing specific products and programs for media and community outreach.

iv. Improving coordination between government institutions: Unity of effort will need to be established between all implementing organizations, including Political Agents, provincial and Agency government organizations and security forces. The FDA will support joint planning implementation and monitoring between civil and military organizations in order to more effectively address the security and developmental needs of GOP objectives.

v. Promoting other development institutions: In addition to government, both the indigenous NGO community and local private sector can play an important role in promoting development in FATA. Assistance will be provided to NGOs to improve capacity. The USAID program will work very closely with Civil Secretariat FATA and FDA to include the private sector and civil society organizations in service delivery.

Illustrative indicators of progress are as follows:

- Number of sub-national government entities receiving USG assistance to improve their performance;
- Number of local mechanisms supported with USG assistance for citizens to engage their sub-national government; and
- Number of civil society organizations receiving USG assisted training.

C. Support Permanent, Sustainable Change

The aim of the Program is to develop local institutions, governance structures, and economic models – that FATA inhabitants can use to sustain economic growth, social service improvements and political stability. Supporting community-level economic and social development is critical to drawing FATA into the mainstream. It will be essential to link medium-term community development efforts with longer-term sustainable development, so the FDP supports broad-based development in FATA. Key areas that will be addressed are as follows:

1. *Improving Local Governance:* Over time, more effective local governance structures need to be introduced as the GOP proceeds with FATA development. Activities will be undertaken that support community initiatives and link these to local government, which is currently represented by the Political Agent. These activities will lay the groundwork for the development of local governance institutions within FATA. The FDA will promote “single purpose” community groups, such as those organized around school administration, water use, or communal land use.

2. *Delivering Essential Services* Capacity building of local and national institutions needs to continue to be strengthened, with increased focus on service delivery (health, education clean drinking water etc.) and the development of institutional cultures that reduce patronage, minimize corruption and maximize results.

3. *Establishing Market-Led Growth:* While GOP investments in infrastructure will continue, the enabling environment for private sector investment in FATA needs to be created, including the establishment of an appropriate legal and regulatory environment for commercial law and taxation. Reconstruction Opportunity Zones (ROZs) in FATA constitute an important mechanism for sustainable development, and the FDP supports assistance for ROZs once enabling legislation is passed by the U.S. Congress. Small, medium, and micro-enterprises will be promoted. Subsistence agriculture is important and improving its productivity could have a significant impact on incomes. As FATA is a natural resource-based economy, laws and policies to ensure the sustainability of vital forest, water and mineral resources need to be promulgated and enforced.

Illustrative indicators of progress are as follows:

- Total value of exports in targeted sectors in which firms are receiving direct USG assistance;
- Citizen satisfaction with health and education in focus districts;
- Percent change in growth of agriculture value added; and
- Number of new members in private business associations as a result of USG assistance.

VI. Roles and Responsibilities of the Parties.

The involvement of the GOP and other donors are mentioned in Section V, and the following planning and implementation mechanisms will also be utilized:

1. *Agency Strategic Plans (ASP)/Monitoring and Evaluation:* FATA Secretariat in collaboration with USAID and other donors will develop joint Strategic Plans for each of the seven FATA Agencies, as well as for the Frontier Regions if applicable. The FATA Sustainable Development Plan would be the foundation document for each ASP, which will, in effect, make the FSDP operational for each Agency. Each ASP will include multi-year objectives to be achieved, prioritize villages and geographic locations, identify programs to be funded and implementing agencies, and stipulate funds control and monitoring responsibilities. The ASPs will include the objectives, results and indicators for which progress would be expected. The strategic framework would need to evolve explicit and detailed language on monitoring indicators, output targets, and a review framework. Each ASP will be developed with appropriate input from Agency-level officials, including Political Agents, tribal, religious and community leaders. To the extent possible, implementing partners will also be involved in the strategy development. Annual work plans will be developed as part of each ASP. FATA Secretariat will hold six month reviews to determine progress on annual work plans.

2. *Direct USAID Project Interventions:* Further expanding opportunities within USAID's existing portfolio into FATA will permit a quick response to essential needs and will support the GOP's overall aim to bring FATA Development at par with rest of the country. Ongoing USAID activities in health, education, HIV/AIDS, water and sanitation, and economic growth that are national in scope will be expanded and amended as appropriate through the modification of existing contracts, cooperative agreements, and/or grants with additional resources.

a. USAID will fund a stand-alone capacity building project for a range of Pakistani institutions engaged in FATA. The capacity building program will support the activities described in the FDP including the following: (1) ASP development and monitoring; (2) support for inter-agency and inter-sector cooperation; (3) improving core operational functions of FATA organizations; (4) community development support; and (5) support for NGOs. Beneficiary institutions would include the Government of the NWFP, Agency officials, FATA Development Authority, FATA Secretariat and local NGO's. The intent is to work directly with these organizations to strengthen their management and implementation capacity, giving them the tools needed to achieve objectives over time.

b. USAID intends to fund new activities to support service delivery activities, including livelihoods and adult literacy. Livelihoods will include supporting income generation programs in agriculture, livestock production, and micro-enterprise, and improving productive infrastructure. These activities will be linked to support in developing value chains to commercialize and sustain initial economic development assistance. USAID will utilize appropriate obligating instruments to undertake these additional activities, including competitive procurement.

c. USAID's Office of Transition Initiatives (OTI) is also expected to be an important implementing partner, especially during the first two to three years of implementation. OTI is expected to support programs in community development, employment generation, and development communications. In addition to USAID's U.S. \$73,000,000 grant, OTI will be implementing U.S. \$15,000,000 in USAID funds, which will not be obligated under this Agreement, but through other mechanisms.

3. *Non-Project Assistance:* Non-project assistance is scheduled to be implemented through the Construction Unit of the FATA Secretariat for the construction and rehabilitation of roads. The U.S. Embassy's Narcotics Affairs Section will provide capacity building assistance to the Construction Unit and USAID will provide \$10 million to the Unit for the construction and rehabilitation of roads and bridges. The Secretariat will use GOP contracting rules and regulations, and payment will be through fixed price direct reimbursement, with payment based on performance benchmarks. The program will be monitored through the following channels: first, a local engineering firm will monitor progress and certify performance. Then, USAID engineering staff will review certification for approval of the next tranche of funds. Finally, the Auditor General of Pakistan will perform financial audits for the funds provided to the FATA Secretariat and USAID's Inspector General will perform performance audits.

VII. Monitoring and Evaluation.

Monitoring and evaluating activities to ensure that strategic and operational objectives are being met will be an important part of the program. Baseline data will be collected on important social and economic indicators in program areas and change measured over time. Similarly, baseline data on community perceptions of government, media, and improvement in quality of life will also be measured and change measured over time. Monitoring and evaluation will be done jointly by the GOP and USAID, with the objective of giving the FATA Agencies increasing responsibility for this element as their capacity is built over time.

In addition to the Agency Strategic Plans mentioned in Section VI, USAID will conduct regular monitoring and evaluation of the FDP throughout the life of the program. The Mission plans to prepare a Results Framework and Performance Management Plan for the FDP, as well as subsequently identified indicators for the Fiscal Year 2008 Operation Plan.

Annex 2

Standard Provisions

Table of Contents

Article A: Definitions and Implementation Letters.

Section A.1. Definitions.

Section A.2. Implementation Letters.

Article B: General Covenants.

Section B.1. Consultation.

Section B.2. Execution of Agreement.

Section B.3. Utilization of Goods and Services.

Section B.4. Taxation.

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

Section B.6. Completeness of Information.

Section B.7. Other Payments.

Section B.8. Information and Marking.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

Section C.2. Eligibility Date.

Section C.3. Plans, Specifications and Contracts.

Section C.4. Reasonable Price.

Section C.5. Notification to Potential Suppliers.

Section C.6. Transportation.

Section C.7. Insurance.

Section C.8. U.S. Government-Owned Excess Property.

Article D: Disbursements.

Section D.1. Means of Disbursement.

Section D.2. Rate of Exchange.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination

Section E.2. Refunds.

Section E.3. Non-waiver of Remedies.

Section E.4. Assignment.

Article F: Miscellaneous

Section F.1. Investment Promotion.

Section F.2. Voluntary Family Planning.

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

Section F.4. Workers' Rights.

Section F.5 Terrorist Financing.

Section F.6 Prohibition on Funding Foreign Government Delegations to International Conferences.

STANDARD PROVISIONS – ANNEX 2

Article A: Definitions and Implementation Letters.

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

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

Article B: General Covenants.

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

Section B.2. Execution of Agreement. The Grantee will:

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

Section B.3. Utilization of Goods and Services.

Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objectives of the Agreement or as USAID may direct in Implementation Letters.

Section B.4. Taxation.

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

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

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

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members. Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

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

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

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

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

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

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

(b) **Grantee Agreement Books and Records.** The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred directly by the Grantee under the Agreement, the receipt and use of goods and services acquired by the Grantee under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Grantee, the basis of award of contracts and orders made directly by the Grantee, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings. For the avoidance of doubt, this Section B.5(b) applies solely to Grant funds expended directly by the Grantee.

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

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

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

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

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

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

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

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

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

(f) **Other Covered Sub-recipients.** For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements

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

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

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

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

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

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

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

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

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

Article C: Procurement Provisions.

Section C.1. Source and Origin.

(a) Except as noted herein, or in a sub-agreement issued by USAID, Grant funds will be used to finance the cost of goods and services having their source and origin, and with respect to suppliers of goods and services, their nationality, in the United States. Exceptions to this requirement include local procurement transactions in accordance with USAID policy or procurements made after obtaining source, origin, and nationality waivers from USAID in writing.

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

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

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

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

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

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

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

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

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

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

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

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

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

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Agreement,

the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

Section C.6. Transportation.

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

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

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

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the Grantee may be financed as a foreign exchange cost under this Agreement provided

(1) such insurance is placed at the most advantageous competitive rate;

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

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

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

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such

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

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

Article D: Disbursements.

Section D.1. Means of Disbursement. In accordance with Section 6.2 of the Agreement, USAID will award contracts, grants, cooperative agreements, and other implementing instruments to third parties, using Grant funds, without further documentation between USAID and the Grantee. Disbursements may also be made through such means as the Parties may agree to in writing.

Section D.2. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the country of the Grantee to any person for any purpose.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

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

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended

or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

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

Section E.2. Refunds.

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

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

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

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

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

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

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

Article F: Miscellaneous.

Section F.1. Investment Promotion.

- (a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in a foreign country.
- (b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.
- (c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.

Section F.2. Voluntary Family Planning.

- (a) The Parties agree that all USAID funds provided under this Agreement shall be used in accordance with applicable United States policy and statutory requirements relating to voluntary family planning projects, and that none of the USAID funds provided under this Agreement, or goods or services financed by such funds, may be used for:
 - (1) the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions;
 - (2) the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations; or
 - (3) any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a method family planning.
- (b) The requirements of this Section will be more fully described in an Implementation Letter to be issued by USAID.

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

- (a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.
- (b) USAID reserves the right to terminate assistance to, or take or take other appropriate measures with respect to, any participant approved by USAID who is found

to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(c) For any loan over \$1000 made under this Agreement, the Grantee shall insert a clause in the loan agreement stating that the loan is subject to immediate cancellation, acceleration, recall or refund by the Grantee if the borrower or a key individual of a borrower is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(d) Upon notice by USAID of a determination under paragraph (c) of this Section and at USAID's option, the Grantee agrees to immediately cancel, accelerate or recall the loan, including refund in full of the outstanding balance. USAID reserves the right to have the loan refund returned to USAID.

(e) The Grantee agrees not to disburse, or sign documents committing the Grantee to disburse, funds to a sub-recipient designated by USAID ("Designated Sub-recipient") until advised by USAID that: (1) any United States Government review of the Designated Sub-recipient and its key individuals has been completed; (2) any related certifications have been obtained; and (3) the assistance to the Designated Sub-recipient has been approved.

(f) The Grantee shall insert the following clause, or its substance, in its agreement with any Designated Sub-recipient: "The Grantee reserves the right to terminate this Agreement or take other appropriate measures if the [Sub-recipient] or a key individual of the [Sub-recipient] is found to have been convicted of a narcotic offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140."

Section F.4. Workers' Rights.

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

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

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

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

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