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USAID Grant Agreement No.
278-007-00

GRANT AGREEMENT
BETWEEN
THE UNITED STATES OF AMERICA
AND
THE HASHEMITE KINGDOM OF JORDAN
FOR THE
EMERGENCY ASSISTANCE TO JORDAN
SPECIAL OBJECTIVE

Dated: MAY 13 2003

APPN :
BPC :
RCN :

FUNDS AVAILABLE FOR	
ADM. RES. <input type="checkbox"/>	OBLIGATION <input checked="" type="checkbox"/>
EM. RES. / EM. <input type="checkbox"/>	COMM. RES / COMM. <input type="checkbox"/>
ACTION TAKEN BY <i>ASZ</i> DATE <i>5/13/03</i>	
APPROPRIATION: <i>723/41037</i>	
BPC: <i>HES3-03-23278-RG13</i>	
RCN / ECN: <i>A030104</i>	

Certified conformed copy of
agreement signed on May 13, 2003

M. YASSIEN

Mohammed Yassien
Acting Director OPM

Grant Agreement

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SPECIAL OBJECTIVE GRANT AGREEMENT

DATED: 10/10/2003

BETWEEN

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

and

The Hashemite Kingdom of Jordan, acting through the Ministry of Planning ("Grantee").

WHEREAS, the Grantee and USAID ("Parties") wish to enter into an agreement to finance, with USAID obligated grant funding of \$700,000,000, a cash transfer to the Government of Jordan (GOJ) to fund expenditures by the GOJ to cover budgetary shortfalls that result from the war with Iraq.

NOW THEREFORE, the Parties hereby agree as follows:

Article 1: Purpose

The purpose of this Agreement is to set out the understandings of the Parties about defining and achieving the Special Objective.

Article 2: Special Objective

The Special Objective is to provide emergency assistance to Jordan for the GOJ to cover budgetary shortfalls that result from the war with Iraq. In order to achieve this Objective, the Parties agree that \$700,000,000 will be made available to the GOJ through deposit into a special account at the Federal Reserve Bank of New York to be opened by the GOJ for the sole purpose of maintaining this Special Objective-related assistance. Of this amount, \$500,000,000 will be immediately available for expenditures by the GOJ to cover budgetary shortfalls that result from the war with Iraq. The GOJ will expend the remaining \$200,000,000 balance only after mutual consent with the United States Government (USG) evidenced by the exchange of implementation letters. This consent will be based upon the receipt by USAID of documentation that demonstrates satisfaction of the following policy measures:

(a) The IMF Executive Board has approved completion of the Third Review under Jordan's IMF stand-by arrangement (or IMF management has indicated that

Jordan has met all conditions necessary for completion of the Third Review). All spending will be within the budget and U.S. assistance will thus enable Jordan to meet its commitments with the IMF on fiscal and budget outcomes.

(b) The GOJ has made initial increases in consumer prices of petroleum products sufficient to generate JD 50 million in additional budgetary resources on an annual basis.

(c) The GOJ has approved a strategic plan to eliminate all subsidies on petroleum products on a gradual basis over the next three years, so that revenues from petroleum product sales will cover costs, plus a reasonable tax rate. The GOJ will detail its cabinet-approved strategic plan in an implementation letter to the USG.

(d) In line with its IMF commitment, the GOJ has committed to increasing the proportion of revenue raised from the General Sales Tax (GST), preferably through limiting GST exemptions (above a certain level), and limiting the number of exempt bodies.

The items above may be changed, if, for example, after the IMF Executive Board has approved completion of the Second Review (or IMF management has indicated that Jordan has met all conditions necessary for completion of the Second Review) and for reasons external to GOJ policy control Jordan is facing significant financing shortfalls, by written agreement of the authorized representatives of the Parties named in Section 7.2 without formal amendment of this Agreement.

The GOJ will provide USAID with an informational report on the general categories and amounts of all budgetary shortfalls arising from the military conflict with Iraq by February 15, 2004.

Article 3: Contributions of the Parties

Section 3.1. USAID Contribution.

(a) **The Grant.** To help achieve the Special Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of this Agreement an amount not to exceed seven hundred million United States Dollars (\$700,000,000) (the "Grant").

(b) **Total Estimated USAID Contribution.** USAID's estimated contribution to achievement of the Special Objective is seven hundred million United States Dollars (\$700,000,000), which will be provided as outlined in Article 2. Any subsequent increments would be subject to the availability of funds to

USAID for this purpose, progress towards achieving the Special Objective or other foreign policy goal, and to the mutual agreement of the Parties at the time of each subsequent increment to proceed.

(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 Objective or Results or activities 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 review USAID's total estimated contribution below that set forth in 3.1(a), subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

Section 3.2. Grantee Contribution

No contribution is expected from the Grantee at the time of signing.

Article 4: Completion Date

(a) The Completion Date, which is December 31, 2005, 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 Special Objective will be completed.

(b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant as contemplated in this Agreement subsequent to the Completion Date.

Article 5: Conditions Precedent to Disbursement

Section 5.1. First Disbursement.

Prior to the disbursement of \$700,000,000 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 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 in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(c) Evidence that the Grantee has established a Separate Dollar Account at the Federal Reserve Bank of New York, into which the grant funds are to be deposited, together with the Grantee's statement that this bank account is established and will be maintained for the sole purposes of the Special Objective.

Section 5.2. Additional Disbursements.

Prior to any additional disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which additional disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, be deemed by USAID to be making satisfactory progress in achieving the Special Objective. No additional disbursements are currently being contemplated.

Section 5.3. Notification.

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

Section 5.4. Terminal Date for Conditions Precedent.

If all of the conditions specified in Section 5.1 have not been met within one hundred twenty (120) days from the date of this Agreement, or such later date as USAID may agree to in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee.

Article 6: Subcommitting, Subobligating and Disbursing Grant Funds

With respect to disbursements made under this Agreement, there are no subcommitment or subobligation actions permitted.

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

communication sent to USAID.

Section 7.2. Representatives.

(a) For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Planning and USAID will be represented by the individual holding or acting in the office of Mission Director for USAID/Jordan, each of whom, by written notice, may designate additional representatives.

(b) Amendments to Article 2 hereof may be made by the mutual agreement of the representative of USAID and the representative of the Grantee.

(c) The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

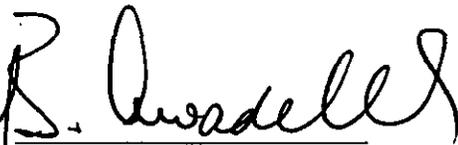
Section 7.3. Standard Provisions Annex.

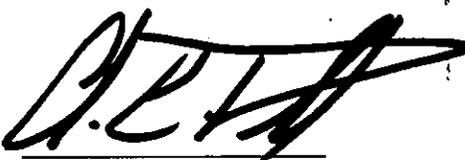
A "Standard Provisions Annex" (Annex 1) is attached to and forms part of this Agreement.

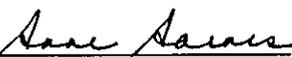
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative(s), have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

HASHEMITE KINGDOM OF JORDAN

UNITED STATES OF AMERICA

By: 
Bassem Awadallah
Title: Minister of Planning

By: 
Colin Powell
Title: U.S. Secretary of State

By: 
Anne Aarnes
Title: Director USAID/Jordan

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Standard Provisions
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Standard Provisions

Article A: Definitions and Implementation Letters.

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

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

Article B: General Covenants.

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

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

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

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

Section B.3. Utilization of Goods and Services.

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

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

Section B.4. Taxation. [See ADS 350.5.1c for appropriate use of this clause or alternative language.]

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

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

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

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

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

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

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

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

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

assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

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

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

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

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

(1) With USAID approval, the Grantee shall use its 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 section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) Subrecipient 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" subrecipients, as defined below that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" subrecipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as recipients of USAID cost reimbursable

contracts, grants or cooperative agreements and as sub-recipients under USAID Special 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 subrecipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the subrecipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered subrecipients 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 subrecipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether subrecipients' audits necessitate adjustment of its own records; and require each such subrecipient 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 Subrecipients. For "covered" subrecipients 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) Subrecipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all subagreements with non-U.S.

organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Subagreements 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. Subagreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

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

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

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

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

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

Article C: Procurement Provisions.

Section C.1. Source and Origin.

C.1. Source and Origin. [If the authorized Geographic Code for foreign exchange procurement is Code 000, insert the following paragraph (a):

(a) **Foreign Exchange Costs.** Disbursements for Foreign Exchange Costs will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in the United States (USAID Geographic Code 000), except as USAID may otherwise agree in writing.

[Alternatively, if the authorized Geographic Code for foreign exchange procurement is other than Code 000, insert the following paragraph (a):

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