

**DEVELOPMENT ASSISTANCE GRANT AGREEMENT NO. 504-008  
FOR THE MILLENNIUM CHALLENGE ACCOUNT  
THRESHOLD PROGRAM  
FOR GUYANA**

**DEVELOPMENT ASSISTANCE GRANT AGREEMENT**

**BETWEEN**

**THE GOVERNMENT OF**

**THE UNITED STATES OF AMERICA**

**AND**

**THE GOVERNMENT OF GUYANA**

**FOR**

**IMPROVING FISCAL MANAGEMENT IN GUYANA**

**DATE: AUGUST 23, 2007**

**MILLENNIUM CHALLENGE ACCOUNT THRESHOLD  
PROGRAM  
DEVELOPMENT ASSISTANCE GRANT AGREEMENT  
504-008**

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**Millennium Challenge Account Threshold Program**

**DEVELOPMENT ASSISTANCE GRANT AGREEMENT NO. 504-008**

**between**

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

**and**

**The Government of Guyana (sometimes hereinafter referred to as the "Grantee")**

**Article 1: Purpose**

The purpose of this Development Assistance Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") concerning the assistance described below.

**Article 2: Objective and Results**

Section 2.1. Objective. The objective of this Agreement is to improve Guyana's fiscal management and business investment climate (the "Objective").

This Section 2.1 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives, as defined in Section 7.4.

Section 2.2. Results. In order to achieve the Objective, the Parties agree to work together to achieve the following results, each of which constitutes a "Component" of the Program as defined and described in Annex 1, Amplified Program Description (each a "Result" and collectively, the "Results"):

- (a) Increased revenue generation;
- (b) Strengthened expenditure planning and controls;
- (c) Strengthened fiduciary oversight; and
- (d) Reduced cost and days to start a business.

This Section 2.2 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives, as defined in Section 7.4.

Section 2.3. Annex 1, Amplified Program Description. Annex 1, attached hereto, forms part of this Agreement and amplifies the above Objective and the Results to be achieved. Within the limits of the above definition of the Objective in Section 2.1, Annex 1 may be changed by written agreement of the Authorized Representatives of the Parties through Implementation Letters without formal amendment of this Agreement.

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

#### Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, and Section 616 of the Millennium Challenge Act of 2003, hereby grants to the Grantee an amount not to exceed Six Million Seven Hundred Eleven Thousand United States (U.S.) Dollars (US\$6,711,000) (the "Grant").

(b) 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).

#### Section 3.2. The Grantee Contribution.

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

(b) Grantee support will include, but will not be limited to, all organizational costs associated with achieving the Results. The Grantee's contribution will not be less than the equivalent of Three Million Six Hundred Eighty Thousand Four Hundred U.S. Dollars (US\$3,680,400). The Grantee contribution will be in-kind, budgetary, and other resources for the major Government of Guyana agencies involved, as well as funding for the construction of a warehouse facility for the Customs Department of the Guyana Revenue Authority, aimed at reducing tax evasion and strengthening customs control. The Grantee will report at least annually in a format to be agreed upon with USAID on its contributions.

### **Article 4: Completion Date**

(a) The Completion Date, which is February 23, 2010, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

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

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

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

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

(a) A legal opinion acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement signed by the Authorized Representative of the Grantee specified in Section 7.4, of the name and title of each person who will act as a representative of the Grantee under Section 7.4, together with a specimen signature of each person specified in such statement; and of any additional representatives, together with a specimen signature of each person specified in such statement.

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

Section 5.3. Terminal Dates for Conditions Precedent. The terminal date for meeting the conditions specified in Section 5.1 is 30 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: Covenants**

Section 6.1. Adequate Support for the Objective. The Grantee will continue to provide adequate support and pursue policies and practices for achieving the “Objectives and Results” of the Program.

Section 6.2. Salaries of Government Officials. Unless USAID agrees otherwise in writing, no individual whose salary is paid from the Grant will, at the same time, draw a salary or receive other government employee benefits from the Government of Guyana. This prohibition does not apply to government benefits that are not based on employment or other benefits to which the employee is entitled due to past government service (e.g., retirement benefits).

Section 6.3. Other Support. The Grantee will hire the needed additional staff, provide office space, and take all necessary actions for the successful implementation of all activities under the Agreement.

## **Article 7: Miscellaneous**

Section 7.1. Financial Disbursement. The activities funded under this Agreement will be undertaken in conformity with United States Government rules, regulations, policies and procedures, and USAID will disburse all funds under this Agreement to Implementing Partners (as defined in Annex 1) consistent with such rules, regulations, policies and procedures.

Section 7.2. Procurement Procedures Unless the Parties agree otherwise in writing, USAID will use USAID procedures to commit and sub-obligate all Grant funds.

Section 7.3. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or fax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

Mail Address: Mission Director  
United States Agency for International Development  
(USAID/Guyana)  
Embassy of the United States of America  
100 Young & Duke Streets  
Georgetown  
Guyana

To the Grantee:  
Mail Address: Minister of Finance  
Ministry of Finance  
Main & Urquhart Streets  
Kingston  
Georgetown  
Guyana

Other addresses may be substituted for the above upon the giving of notice.

Section 7.4. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Minister, Ministry of Finance, and USAID will be represented by the individual holding or acting in the Office of the Mission Director, USAID/Guyana. Each of the Authorized Representatives, by written notice, may designate additional representatives for all purposes other than signing formal amendments to this Agreement or exercising the power under Section 2.2 or 2.3 to modify Annex 1. 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 7.5. Implementation Plans. For each component of the Program, the Parties will develop and approve an implementation plan that includes a statement of the goals of the component, as well as the activities to achieve the goals, and the relevant timeline and cost information.

Section 7.6. Quarterly Progress Reviews. The Authorized Representatives of USAID and the Government of Guyana as specified in Section 7.4 or their designees will meet at least quarterly to ensure that the Program is being implemented as agreed upon and that the Results will be achieved.

Section 7.7. Evaluations. Program activities and their impact may, if necessary and reasonable, be evaluated before the Completion Date. If so, the Parties will jointly agree on the appropriate scope, mechanism and timetable for the evaluation.

Section 7.8. Standard Provisions Annex. A Standard Provisions Annex (Annex 2) is attached to and forms part of this Agreement.

Section 7.9. Amendments. Unless otherwise specified herein, the Parties may amend this Agreement only by a formal written amendment signed by the Authorized Representatives.

IN WITNESS WHEREOF, the Government of the United States of America and the Government of Guyana, 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 written below.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF GUYANA

/ s /

/ s /

.....  
Name: Fenton B. Sands  
Title: Mission Director,  
U.S. Agency for International Development

.....  
Name: Ashni Singh  
Title: Honorable Minister of Finance,  
Republic of Guyana

Date: 8/23/07

Date: 23 AUGUST 2007

WITNESSED BY:

/ s /

/ s /

.....  
Name: Rodney Bent  
Title: Deputy Chief Executive Officer,  
Millennium Challenge Corporation

.....  
Name: His Excellency Bharrat Jagdeo  
Title: President,  
Republic of Guyana

Date:

Date:

## **AMPLIFIED PROGRAM DESCRIPTION – ANNEX 1**

### **I. Introduction**

This Annex describes the activities to be undertaken and the Objective and Results to be achieved with the funds provided under this Agreement. Nothing in this Annex shall be construed as amending any of the definitions or terms of the Agreement.

### **II. Background**

Guyana's economic development has been hampered since independence in 1966 by political instability, statist economic policies and natural disasters. After a brief recovery in the 1990s, Guyana again finds itself in dire fiscal straits.

The Millennium Challenge Corporation (MCC) selected Guyana as eligible to receive MCC Threshold Program assistance in November 2004. In March 2007, the Government of Guyana submitted a proposal for such assistance. In June 2007, MCC approved assistance for a Threshold program for Guyana as described in this Agreement (the "Program").

The Objective and Results to be achieved under the Program, and the activities that will be implemented to achieve them are elaborated below.

### **III. Objective**

The Objective of the Program is to improve Guyana's fiscal management and business investment climate. The Program will support several public sector policy reforms and capacity-building activities that the Government of Guyana deems critical to sustaining good fiscal policy. It is expected that strengthening the Government of Guyana's fiscal management will help Guyana improve its performance on the MCC *Fiscal Policy* indicator, which is an important indicator for a country seeking eligibility for MCC Compact assistance. In addition, Guyana's performance on the MCC *Days to Start a Business* and *Cost of Starting a Business* indicators will be addressed.

### **IV. Program Components, Results, Goals and Proposed Activities**

The Program's main components for achieving the Objective are expected to lead to the following results: (a) increased revenue generation; (b) strengthened expenditure planning and controls; (c) improved fiduciary oversight by parliament; and (d) reduced costs and days to start a business.

## **Component 1: Achieving Result (a) - Increased Revenue Generation**

### **A. Strengthen Tax Administration**

The introduction of the VAT in Guyana was designed to improve administrative efficiency and broaden the tax base. The VAT, which took effect on January 1, 2007, replaced multiple excise taxes (such as the consumption tax, travel voucher tax, and hotel accommodation tax), while excises on alcohol and tobacco products, motor vehicles and petroleum remained in effect. Adoption of the VAT and excises are expected to broaden the tax base to include more participants and capture tax revenue from the informal sector. The VAT, the rollout of which is also being funded by the Inter-American Development Bank (IDB), is expected to provide more than 45 percent of government tax revenue in 2007.

#### **Goal:**

Complement assistance provided by the Inter-American Development bank towards the strengthening of the Guyana Revenue Authority ("GRA"), in order to ensure the effective implementation and sustainability of the VAT reforms.

#### **Proposed Activities:**

- Implement a taxpayer assistance program to reduce the cost of compliance with VAT while educating taxpayers on compliance with other taxes;
- Develop improved filing, payments and audit procedures at the Guyana Revenue Authority.

### **B. VAT Implementation.**

The introduction of the VAT represents a major change in the Guyana tax system. VAT implementation in the short to medium-term involves the integration of VAT into the Government of Guyana's revenue collection framework, completion of the ongoing automation and review of procedures to improve customs administration, initiation of a presumptive tax scheme for small entities and individuals and reorganization of GRA headquarters and tax offices along functional lines to accommodate these changes.

**Goal:** Ensure that VAT revenue collections meet targeted levels by undertaking public education on the VAT and providing continuous technical training for existing and new GRA staff in critical activities in the early implementation phase. The Threshold Program will finance an initial cadre of experts to work alongside GRA staff to effectively implement new and expanded systems in 2007.

#### **Proposed Activities:**

- Provide training and technical assistance to the GRA;
- Educate public on VAT implementation.

### C. Create Tax Policy and Forecasting Analysis Capability.

Tax analysis and forecasting of revenues are of critical importance to ensuring the stability and sustainability of fiscal policies. The establishment of a macroeconomic tax model will enable the Government of Guyana to determine when to adjust parallel corporate and individual tax systems as VAT implementation proceeds, as well as to engage in broader macroeconomic planning.

Goal: Develop tax analytical capabilities within the Ministry of Finance and the GRA to forecast tax revenues, evaluate the economic, structural, and revenue implications of alternate tax policies, undertake tax expenditure analysis, and incorporate policy scenario analysis into macroeconomic modeling and forecasting.

#### Proposed Activities:

- Create an economic policy analysis unit in the Ministry of Finance;
- Create a tax analysis unit in the Guyana Revenue Authority;
- Develop and implement staff training programs, including training on computer applications, economics short courses, and in-country tax revenue analysis and forecasting.

### D. Reduce Tax Evasion and Strengthen Customs.

Tax evasion, from smuggling and under-declaration of imports, is a serious and growing problem. The customs unit of the GRA estimates that about \$10 million (1.3 percent of gross domestic product) is lost annually due to the smuggling of fuel, motor vehicles, liquor, and cigarettes. The Customs Department does not have the necessary resources to train and equip its staff to adequately control the entry of goods into Guyana. The Program will provide resources to assist the Customs Department to address this serious problem of smuggling and undervaluation of imports.

Goal: Reduce smuggling and tax evasion, while increasing tax revenues, by providing training, technical assistance and equipment to the Customs Department to improve policing of Guyana's ports and rivers as well as reduce losses from false value declarations.

#### Proposed Activities:

- Provide training in intelligence gathering, equipment use and maintenance, and risk assessment and risk profiling to the enforcement unit of the Customs Department;
- Provide hardware to develop an electronic linkage between the customs department and the licensing bureau to identify vehicle smuggling.

### E. Create an Intelligence Unit in GRA

Reducing tax evasion is primarily a matter of having an effective audit and collection unit. However, in addition to civil enforcement of tax laws, criminal sanctions must exist and be applied to ensure full compliance. The criminal aspect of tax evasion requires that the GRA have an effective investigation and intelligence unit. At present, the intelligence and investigative capacity of the GRA is limited. There are only 12 fraud cases under investigation with an additional 26 submitted for prosecution.

Goal: Create an effective investigation and intelligence unit in GRA to address the criminal aspects of tax evasion. Because criminal tax evasion is often linked to other criminal endeavors such as narcotics trafficking and money laundering, this unit must also cooperate with other government agencies such as the Ministry of Home Affairs and the customs and antinarcotics unit.

#### Proposed Activities:

- Design a strategy and operational plan for an investigation and intelligence unit;
- Establish an investigation and intelligence unit for the GRA;
- Design and implement a training plan for staff;
- Upgrade computer facilities to enhance the GRA's capacity for intelligence, risk analysis, and risk profiling work.

### Component 2: Achieving Result(b) -- Strengthened Expenditure Planning and Controls

Improved expenditure planning and management provides an important tool for addressing elements of Guyana's deficit in the next few years. Significant progress has been made in the system of expenditure planning and management. In particular, an integrated, computer-based public financial management system (IFMAS), has been successfully launched. The government continues to implement procurement reforms with support from the World Bank in order to improve efficiency and transparency in the use of public resources. However, challenges remain to make the procurement system open and competitive.

Goal: Address weaknesses in expenditure planning and procurement by supporting the development of a macroeconomic model for the Guyanese economy to frame sectoral planning. This activity will be complemented by actions to make the procurement process more open and competitive through the implementation of remaining activities identified in the World Bank's Country Procurement and Assessment Report.

#### Proposed Activities:

- Build a macroeconomic model suitable for framing expenditure policy and planning by providing technical assistance to the Project Cycle Department of the State Planning Secretariat and the Office of the Budget in the Ministry of Finance.

- Improve the responsiveness of bids and an understanding of the evaluation process to increase transparency and procurement efficiency by establishing three modular self-instruction centers, preparing a two-year training program for procurement professionals and designing technical specifications for an information technology system to provide to the public information on procurement law and regulations, results of public biddings, and future bid opportunities.

### **Component 3: Achieving Result (c) -- Strengthened Fiduciary Oversight**

#### **A. Improve Fiduciary Oversight and Capacity of Parliament and its Committees**

A Fiduciary Oversight Study commissioned by the Government of Guyana in 2005 identified considerable gaps and weaknesses in Guyana's fiduciary oversight and accountability systems compared to similar countries and international best practices, and identified opportunities within the National Assembly for their improvement. The Parliamentary Sectoral Committee on Economic Services ("ESC") and the Public Accounts Committee ("PAC") are the two principal committees responsible for public fiduciary oversight. The ESC and the PAC are unable to effectively carry out their public oversight mandate due to weak human resource capacity within the committees secretariat that services all parliamentary committees, absence of protocols, and manuals to guide the work of the fiduciary oversight committees and lack of mechanisms and institutions to provide public feedback to committees and relevance of their work. The Program assistance will complement interventions from the IDB and World Bank in this area.

Goal: Empower and create capacity within the ESC and PAC.

#### **Proposed Activities:**

- Develop protocols, operational manuals and procedures for the functioning of the PAC and ESC.
- Promote parliament/public dialogue of public sector accountability by strengthening the consultative media within the National Assembly, PAC and ESC and the general public.
- Conduct workshops/seminars and polls to generate feedback between fiduciary oversight committees and the general public.

#### **B. Create Capacity within the Committees' secretariat to undertake analysis and research in support of Parliamentary committees including fiduciary oversight committees.**

The Committees' secretariat provides administrative, technical and clerical support for the efficient functioning of the National Assembly and its committees, for the caucus of the political parties represented in the National Assembly and for individual members of parliament in carrying out their official parliamentary related business. Parliamentary committees are presently ill-served as a result of the lack of adequate technical staff to

undertake analysis and research, an inadequate library, and a nonfunctioning Hansard Department that delays transcripts of parliamentary debates by more than three months.

Goals:

- Improve the ability of the Committees' secretariat to provide research and analysis to the various committees of parliament, including the PAC and ESC.
- Modernize and upgrade the National Assembly's library facilities.
- Reestablish the Hansard Production Unit to provide the parliament and the public with timely information on the discussions and debates in parliament.

Proposed Activities:

- Complete needs assessment of the Committees' secretariat and the Hansard Production Unit.
- Train staff for the Committees' secretariat, library, and Hansard Production Unit.
- Procure computer hardware/software and other materials and supplies for the Committees' secretariat, library and Hansard Production Unit.
- Establish a library committee and rules.
- Upgrade the library's book collection.

**Component 4: Achieving Result (d) -- Reduced Cost and Days to Start a Business**

The lack of information and dissemination mechanisms required to set up businesses, as well as the duplicative, time-sensitive procedures are major constraints for both local and foreign investors to begin business operations in Guyana. In 2006, the International Finance Corporation reported that it requires 46 days to register a business in Guyana, creating opportunities for corruption and burdening private sector development. Reliance on manual procedures at the deeds registry has imposed significant delays on the time and, consequently, cost of registering businesses.

Goal:

- Develop a more business friendly system at GO-Invest, which assists entrepreneurs to establish businesses by facilitating necessary paperwork, permits and licenses, and the deeds registry, which records business property registration, to simplify business establishment procedures and attract investors.

Proposed Activities:

- Establish a computerized linkup of the business records database of GRA and the deeds registry to modernize business registration and allow for the speeding up of processing times.
- Expand the investment facilitation office at GO-Invest and train staff to function as registration agents on behalf of new businesses.

## **V. Highlights of Expected Results of the Program**

- Achieve a VAT compliance ratio (actual receipts / potential receipts) of 82 percent.
- Reduce days for customs clearance by 50 percent.
- Decrease average number of days to register a business from 46 to 30.

## **VI. Roles and Responsibilities**

The Government of Guyana and the United States Government will collaborate to implement the Program. The Program will be implemented by the entities directly involved in the achievement of the various reforms.

A. The Government of Guyana. The Government of Guyana has designated the Ministry of Finance as the coordinator of the MCA Threshold Program's management team. Representatives of each implementing department and agency will compose the management team. In connection with the implementation of the activities under this Agreement, the Government of Guyana shall use its best efforts to ensure that the Results and Objective are achieved, as contemplated in this Agreement. To support the Program, the Government of Guyana will:

- Establish an MCA Program Coordinating Unit that will be responsible for monitoring and reporting on Program performance and achievement of the Results.
- Coordinate with USAID to establish a Steering Committee which will have representation from the Ministry of Finance, GRA, Parliament Office and leading civil society organizations, and will provide overall policy guidance and direction to the Program.
- Work with USAID to recruit staff to assist in monitoring the implementation of the Program.

B. USAID. USAID will be the lead U.S. government agency overseeing implementation of the Program. It will be assisted by other U.S. agencies as required. USAID will work closely with the Government of Guyana to help it to successfully implement the Program and achieve the Results and the Objective contemplated by this Agreement. USAID will enter into one or more agreements with one or more third-party implementing partners (each an "Implementing Partner") to implement the Program. Such agreements may include but not be limited to grants, cooperative agreements, contracts and interagency agreements. The Implementing Partners may be from Guyana, the United States, or a third country, and may also be private-sector, governmental, international public, or nongovernmental organizations or persons. In consultation with the Government of Guyana and MCC, USAID will develop the procurement specifications and terms of reference and select Implementing Partners. USAID will ensure that all procurement and grant awards made are in accordance with USAID regulations and policies. For the purposes of this Agreement, "Implementing Partner" shall include any legal entity (whether or not a resident of Guyana) that has legal responsibility for implementing the Program in whole or in part on the basis of a written

agreement with USAID. USAID, in consultation with the Government of Guyana, will monitor performance under such agreements and will oversee the performance of the Implementing Partners and progress toward achievement of the Results.

C. Implementing Partners. USAID will select the Implementing Partners, in consultation with the Government of Guyana, and will ensure that the Implementing Partners carry out the implementation of the Program in conformance with this Agreement and report directly to USAID and indirectly to the Government of Guyana-USAID Management Team. Each agreement between USAID and an Implementing Partner will be consistent with this Agreement and will include a monitoring and evaluation plan with indicators, targets and outputs. The Ministry of Finance will implement the Program in close coordination with civil society, in particular the private sector. The Private Sector Commission, composed of prominent and respected businesses, has been intimately involved in VAT implementation and is expected to be involved in overseeing the implementation of the Program.

USAID/Guyana will continue to coordinate donor efforts.

D. Millennium Challenge Corporation. MCC has charged USAID with responsibility for administering and overseeing the implementation of this Agreement under principles of country ownership, accountability and emphasis on results. MCC is not a party to this Agreement.

## **VII. Monitoring and Evaluation**

Program monitoring and evaluation will be based on quantitative as well as qualitative factors and will be carried out by the Government of Guyana, the Implementing Partners and USAID, as agreed. A Performance Management Plan will be completed within six months of the signing of this Agreement.

### VIII. Financial Plan

The financial plan for the Program is set forth below. Changes may be made to the financial plan in writing by the Authorized Representatives without formal amendment to the Agreement, if such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

#### Financial Plan (US\$)

Result/ Component	Contributions		
	USAID	Grantee	Total
Increased Revenue Generation	\$3,426,000	\$2,831,500	\$6,257,500
Strengthened Expenditure Planning and Controls	\$1,350,000	\$200,000	\$1,550,000
Strengthened Fiduciary Oversight	\$985,000	\$562,500	\$1,547,500
Reduced Cost and Days to Start a Business	\$950,000	\$86,400	\$1,036,400
	\$6,711,000	\$3,680,400	\$10,391,400

## STANDARD PROVISIONS -- ANNEX 2

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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 Development Assistance Grant Agreement, including Annex 1 thereto, to which this Annex is attached and of which this Annex forms a part. Capitalized terms used and not otherwise defined 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 furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

### Article B: General Covenants.

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

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

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

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

Section B.3. Utilization of Goods and Services.

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

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

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

#### Section B.4. Taxation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Other Covered Sub-recipients. For "covered" sub-recipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID

will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

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

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

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

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

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

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

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

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

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed,

identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

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

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

(2) The country of the Grantee is an eligible source for marine insurance.

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

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

(d) 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 to USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

#### Section C.6. Shipping/Transportation

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

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

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

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

#### Section C.7. Insurance.

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

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

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

Article D. Disbursements.

Section D.1. Disbursements. No disbursements to the Grantee are contemplated under this Agreement. Should disbursements to the Grantee be required, disbursements will be made through such means as the Parties agree to in writing or as set forth in Annex 1.

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

Article E. Termination; Remedies

Section E.1. Suspension and Termination

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

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

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

## Section E.2. Refunds.

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

(b) If the failure of the 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 therefor.

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

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

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

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

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

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

Section F.3. Prohibition on Assistance to Drug Traffickers. 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 Code of Federal Regulations (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 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.