



**Functional Series [600](#)
Budget & Finance**

INTERIM UPDATE 07-03

SUBJECT: General Policy Notice for Replacement Contracts

NEW MATERIAL: The purpose of this General Notice is to provide the general criteria under which a replacement contract may be applicable, and to remind operating units to consult with their Regional Legal Advisor (RLA) or USAID General Counsel (GC) before issuing replacement contracts.

EFFECTIVE DATE: 02/14/2007

This Notice is a duplicate of IU3_0705_022007_cd47.

POLICY

USAID/General Notice
M/CFO/FPS, and M/OAA
02/20/2007

Subject: General Policy Notice for Replacement Contracts

The purpose of this General Notice is to provide the general criteria under which a replacement contract may be applicable, and to remind operating units to consult with their Regional Legal Advisor (RLA) or USAID General Counsel (GC) before issuing replacement contracts.

In general, replacement contracts are used when a contract is terminated because of the contractors default. The RLA or GC will determine the funding options available, for the purpose of engaging another contractor to complete the contract. A replacement contract should be essentially a change in name only of the vender or supplier without modification to either the goods or services ordered, or the time limitation for deliverables.

Certain conditions must be met in order to use the original contract funds in a replacement contract. The conditions are:

(1) a bona fide need for the work, supplies, or services of the contract existed when the

original contract was awarded, and the bona fide need continues to exist up to the award of the replacement contract;

- (2) the replacement contract must be awarded on the same basis as the original contract; and
- (3) the replacement contract must be awarded within a reasonable time after the original contract is terminated. Depending on the circumstance, evidence that the agency entered the original contract in good faith may be required.

Operating Units must consult with their RLA or GC on a case-by-case basis before issuing a replacement contract. Upon proper determination by the RLA or GC, a replacement contract may be awarded without competitive bid.

Point of Contact: Any questions concerning this Notice may be directed to Robbin Burkhart, M/CFO/FPS, (202) 712-1928; or Ann Cataldo, M/OAA/P, (202) 712-4866.

Notice 0261

File Name	Notice Date	Effective Date	Editorial Revision Date	ADS CD No.	Remarks
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