

**Functional Series 300 – Acquisition and Assistance
ADS 311 – Local Procurement**

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ADS Chapter 311 – Local Procurement

311.1 OVERVIEW

This chapter explains when procurement from the host country is authorized and what rules apply when you purchase from [host country](#) sources.

311.2 PRIMARY RESPONSIBILITIES

Missions are responsible for determining how to ensure that the Agency does not finance identifiable customs duties.

Assistant Administrators are responsible for approving waivers of these policies and procedures, except that under 311.3.2 waiver authority may also be delegated to the field missions. (See [311.3.2](#))

311.3 POLICY AND PROCEDURES

311.3.1 What Is Local Procurement?

[Local procurement](#) is the purchasing of goods or services from vendors in the country where the USAID activity is taking place. This includes countries where USAID is funding an activity even if no USAID employees are working in that country. Under regional activities, if the countries included in the activity are not already included in the authorized source code, procurement from any of the countries in that region is considered local procurement.

311.3.2 When Can You Use USAID Program Funds For Local Procurement?

You may use USAID funding for local procurement under the following circumstances, even if the host country is not specifically an authorized source:

- a. When the goods and services are purchased in accordance with the requirements established for the Development Fund for Africa. (See **Mandatory Reference, [Memorandum to Africa Field Posts on Special Procurement Policy Rules Governing the Development Fund for Africa dated Feb. 1, 1993](#)**)
- b. When commodities of U.S. origin, which are otherwise eligible for financing, are available locally and the value of the transaction is estimated not to exceed the local currency equivalent of \$100,000 (exclusive of transportation costs).

- c. When commodities of Geographic Code 935 origin are available locally and the value of the transaction does not exceed \$5,000. (**See Geographic Code 935**)
- d. For professional services estimated not to exceed the local currency equivalent of \$250,000 per contract from firms doing business in the host country.
- e. For construction services, including construction materials required under the contract, estimated not to exceed the local currency equivalent of \$5,000,000 per contract from firms doing business in the host country.
- f. Under a fixed-priced construction contract of any value, the prime contractor may procure locally produced goods and services under subcontracts.
- g. When commodities and services are only available locally:
 - (1) Utilities, including fuel for heating and cooking, waste disposal, and trash collection;
 - (2) Communications -- telephone, telex, facsimile, postal and courier services;
 - (3) Rental costs for housing and office space;
 - (4) Petroleum, oils, and lubricants for operating vehicles and equipment;
 - (5) Newspapers, periodicals, and books published in the host country; or
 - (6) Other commodities and services (and related expenses) that, by their nature or as a practical matter, can only be acquired, performed, or incurred in the host country, e.g., vehicle maintenance, hotel accommodations, etc.
- h. A source/origin or nationality is required in any other circumstance. (**See Mandatory Reference, 22 CFR Part 228, Subpart F**)

311.3.3 When Can You Limit Competition to Local Firms?

As the purchaser, you may decide to limit eligibility to local firms (i.e., firms doing business in the host country) in any situation when local procurement is authorized under 311.3.2, except paragraph h.

This does not exempt you from competition and publicizing requirements, except for procurements by host country entities as stated in 311.3.5 paragraph b. As a practical matter, U.S. national entities will also be eligible when procurements must be publicized in the U.S.

If you receive offers that would be eligible under the authorized source code, but do not qualify as local procurement, it is appropriate to consider them in accordance with the terms and conditions of the solicitation.

311.3.4 Procurement Requirements Under Direct Contracts and Assistance

Procurements of commodities and services within the host country that are undertaken directly by USAID or its contractors must be in accordance with the requirements of the Federal Acquisition Regulation/USAID Acquisition Regulation (FAR/AIDAR). Grants and cooperative agreements are subject to the procurement standards in those agreements. **(See Mandatory References [FAR](#) and [AIDAR](#))**

311.3.5 Procurement Requirements Under Host Country Contracts

a. When host country agencies or their contractors procure commodities and services within the host country, they must follow the competitive principles set forth in 305.5.2 and approval requirements in 305.5.1 of ADS 305. In those cases where a host country procurement of local goods or services is estimated to exceed \$250,000 or the equivalent in local currency, the policy in 301.5.3 on assessing and certifying the contracting agency's capability to undertake the procurement is applicable. Assistant Administrators with program responsibility may waive these requirements, and this authority may be redelegated. **(See [ADS 301.5.3](#), [ADS 305.5.1](#), and [305.5.2](#))**

b. When solicitations are made solely within the host country, the following requirements apply: approval of contracting steps in section E305.5.1a, eligibility of commodities in section E312.5.1, and the applicable mandatory contract clauses in section E305.5.7. **(See [E305.5.1a](#), [E305.5.7](#), and [312.5.1](#))**

311.3.6 Price Requirement

The buyer must pay no more than the lowest available price, including transportation. This requirement is satisfied if the buyer has followed sound procurement practice and accepts the most advantageous offer, with price and other pertinent factors considered. You may use some form of cost or price analysis to establish reasonableness of price when competitive offers are not available. Strategic Objective Team Leaders or

their delegates may waive the requirement that the buyer pay no more than the lowest available price.

311.3.7 Customs Duties

To the extent practicable, USAID does not finance customs duties associated with the local procurement of imported items. Missions must determine the means used to assure that, to the extent practicable, USAID does not finance identifiable customs duties, either by avoiding payment entirely, or by being reimbursed for the amount attributable to customs duties.

Because non-governmental organizations that receive USAID assistance often do not have tax exempt status, USAID does finance customs duties that they are required to pay.

311.4 MANDATORY REFERENCES

311.4.1 External Mandatory References

- a. [Federal Acquisition Regulation \(FAR\)](#)
- b. [Section 604\(a\) of the Foreign Assistance Act of 1961, as amended \(FAA\)](#)
- c. [Section 496\(n\)\(4\) of the FAA](#)

311.4.2 Internal Mandatory References

- a. [ADS 301, Responsibility for Procurement](#)
- b. [ADS 305, Host Country Contracts](#)
- c. [ADS 310, Source, Origin and Nationality](#)
- d. [ADS 312, Eligibility of Commodities](#)
- e. [22 CFR 228, Rules on Source, Origin and Nationality for Commodities and Services Financed by USAID](#)
- f. [Geographic Code 935](#)
- g. [Memorandum to Africa Field Posts on Special Procurement Policy Rules Governing the Development Fund for Africa dated Feb. 1, 1993](#)
- h. [USAID Acquisition Regulation \(AIDAR\)](#)

311.5 ADDITIONAL HELP

Country Contracting (Formerly Handbook 11):

[Chapter 1 Procurement of Professional and Technical Services](#),

[Chapter 2 Procurement of Construction Services](#), and

[Chapter 3 Procurement of Equipment and Materials](#)

311.6 DEFINITIONS (See [ADS Glossary](#))

host country

The country in which the employing USAID mission is located and the country for whose benefit a USAID program is being implemented. (Chapters 301, 305, 311, 322, and 495)

Local Procurement

The use of appropriated funds to finance the procurement of goods or services from businesses, dealers, or producers in the host country, with payment normally being made in the currency of the host country.
(Chapter 311)

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