

UNCLASSIFIED

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TO AID WORLDWIDE

UNCLAS STATE 205189

ADM AID
E.O. 12356: N/A

TAGS:

SUBJECT: CASH TRANSFERS AND INTEREST EARNINGS

1. THIS MESSAGE IS FOR MISSIONS AND OFFICES USING OR CONTEMPLATING USING CASH TRANSFERS. IT PROVIDES INTERIM GUIDANCE ON HOW TO TREAT INTEREST EARNINGS BY THE HOST COUNTRY AS A RESULT OF CASH TRANSFERS TO SPECIAL ACCOUNTS. IT ALSO APPLIES TO CASH GRANTS FOR NON-PROJECT SECTOR ASSISTANCE.
2. AS A RESULT OF A GAO REPORT ON THIS SUBJECT, USAID HAS AGREED THAT WE WILL MINIMIZE BORROWING COSTS TO THE U.S. TREASURY BY NO LONGER ALLOWING HOST COUNTRIES TO RETAIN INTEREST EARNED ON DEPOSITS OF PROGRAM ASSISTANCE CASH TRANSFERS AND SECTOR ASSISTANCE CASH TRANSFERS. ISRAEL AND POLAND ARE CONSIDERED SPECIAL CASES, IN THAT IT APPEARS THAT CONGRESS IS AWARE THAT THESE TWO COUNTRIES WOULD RETAIN INTEREST EARNINGS. THIS INTERIM GUIDANCE WILL NOT APPLY TO THOSE TWO PROGRAMS.
3. THIS IS INTERIM GUIDANCE WHICH WILL BE FOLLOWED BY FURTHER INSTRUCTIONS ON METHODS TO (A) AVOID THE ACCRUAL OF INTEREST ALTOGETHER (E.G., THROUGH DIRECT PAYMENT OF DEBT OR FOR CURRENT GOODS AND SERVICES) OR (B) ESTABLISH A MECHANISM FOR DIRECT REMITTANCE OF INTEREST EARNINGS TO THE TREASURY.

4. APPLICATION OF INTERIM GUIDANCE: THIS GUIDANCE IS EFFECTIVE IMMEDIATELY, AND APPLIES TO NEW CASH TRANSFERS AND ANY FUTURE OBLIGATION OF INCREMENTALLY FUNDED PRIOR AGREEMENTS. PENDING THE DEVELOPMENT OF PAYMENT OPTIONS AND ASSOCIATED LANGUAGE, ALL NEW PROGRAM AGREEMENTS OR INCREMENTAL FUNDING AMENDMENTS SHOULD CONTAIN THE FOLLOWING LANGUAGE:

QUOTE: THE (HOST COUNTRY) AGREES THAT ANY INTEREST EARNED ON FUNDS IN THE SPECIAL ACCOUNT SHALL BE RETURNED TO THE UNITED STATES. ALTERNATIVELY, THE PARTIES MAY AGREE ON A METHOD OF DIRECT DISBURSEMENT OF GRANT PROCEEDS BY THE UNITED STATES IN PAYMENT OF CERTAIN DEBT OR OTHER OBLIGATIONS OF THE (HOST COUNTRY). USAID WILL ISSUE A PROGRAM IMPLEMENTATION LETTER TO PROVIDE INSTRUCTIONS ON EFFECTING PAYMENT TO THE UNITED STATES OF ANY INTEREST EARNED OR ON THE ALTERNATIVE DIRECT DISBURSEMENT METHOD. END QUOTE.

5. ANY EXCEPTION TO THE USE OF ONE OF THESE TWO LOWER COST OPTIONS MUST BE BASED ON A COMPELLING FOREIGN POLICY JUSTIFICATION AND APPROVED BY THE COGNIZANT REGIONAL BUREAU, AA/PPC AND AA/M IN USAID WASHINGTON.

6. QUESTIONS ON THIS MESSAGE MAY BE ADDRESSED TO PPC/PC. CHRISTOPHER