

USAID Grant Agreement No. 442-DOAG-0301

DEVELOPMENT OBJECTIVE GRANT AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE KINGDOM OF CAMBODIA

FOR

AGRICULTURE AND ENVIRONMENT

Dated: March 30, 2016

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Development Objective Grant

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DEVELOPMENT OBJECTIVE GRANT AGREEMENT

Between

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

and

The Kingdom of Cambodia, acting through the Council for the Development of Cambodia (CDC) (hereinafter referred to as the “Grantee”)

Article 1: Purpose.

The purpose of this Development Objective Grant Agreement (“Agreement”) is to set out the understanding of the parties named above (the “Parties”) regarding the achievement of the jointly agreed-upon Development Objective described below.

Article 2: Development Objective and Programmatic Details.

Section 2.1. Development Objective. The Development Objective (“Objective”) of this Agreement is to strengthen resilient pathways out of poverty in Cambodia by focusing on improving agricultural development, strengthening natural resource management and protecting biodiversity. In order to achieve the Objective, the Parties agree to work together to achieve the results described in the Annexes 1 and 2, Amplified Descriptions, attached hereto.

Section 2.2. Programmatic Details. Annexes 1 and 2, Amplified Descriptions, attached hereto, amplifies the above Objective and results. Within the limits of the definition of the Objective in Section 2.1, Annexes 1 and 2 may be changed by written agreement of the authorized representatives of the Parties 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, hereby grants an amount to the Grantee under the terms of the Agreement not to exceed eleven million, three hundred ninety thousand, six hundred ninety one dollars (\$11,390,691) (the “Grant”).

(b) Total Estimated USAID Contribution. USAID’s total estimated contribution under this Agreement to achievement of the Objective will be forty-nine million, three hundred ninety thousand, six hundred ninety one dollars (\$49,390,691), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and may be provided by USAID upon written notice to the Grantee. The Parties agree that each such incremental contribution provided, if any, shall

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cumulatively increase the total amount of the Grant set forth in Section 3.1(a) and consequently may increase the Grantee's contribution, if any, under Section 3.2. The Grantee further agrees to acknowledge by written notice to USAID each such incremental contribution, if any.

(c) Excess Funds. 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 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 revise USAID's total estimated contribution set forth in 3.1(b).

Section 3.2. Grantee Contribution.

(a) The Grantee agrees to provide or cause to be provided all in-kind contributions, in addition to those provided by USAID identified in Annexes 1 and 2, required to complete, on or before the Completion Date, all activities necessary to achieve the results described in Annexes 1 and 2, Amplified Description, attached hereto.

(b) The Grantee's in-kind contribution to the shared objectives described in the Amplified Description will equal up to twenty-five percent of the total program costs used to support activities that substantially benefit the Grantee or entail direct and substantial involvement of the Royal Government of Cambodia in the administration, management, or control of the activities hereunder. The dollar equivalent amount of this contribution shall be U.S. three million, five hundred nine thousand, two hundred seventy nine dollars (\$3,509,279). This contribution amount shall be adjusted upon any increase in the amount of the Grant set forth in Section 3.1(a), and the precise amount of such adjustment shall be indicated in an Implementation Letter.

Article 4: Completion Date.

(a) The Completion Date, which is December 31, 2018, 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 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.

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Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement. Prior to 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) An opinion of counsel acceptable to USAID that (i) this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and (ii) constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms, and (iii) all internal actions and approvals necessary to give effect to this Agreement have been obtained by or on behalf of the Grantee; and
- (b) A signed statement in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, which designates by name and title of any additional representatives, each of whom may act pursuant to Section 7.2.

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 120 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: Visas, Permits, and Other Approvals or Authorizations.

The Grantee, in conjunction with the appropriate Royal Government of Cambodia ministries and offices and consistent with applicable laws and regulations of the Kingdom of Cambodia, hereby covenants and agrees to issue, renew and/or extend free of charge and in a timely manner all official permits, visas, and any other permissions for the Applicable Persons (as defined below) carrying out activities financed by USAID under this Agreement. For purposes of this provision, Applicable Persons is defined as employees and consultants of any contractors, grantees and other organizations carrying out activities financed by USAID under this agreement except citizens of the Kingdom of Cambodia. Any renewals or extensions of such documents that are required, or become required, in order for such employees, consultants and dependent family members to legally reside in Cambodia and undertake the activities contemplated by and financed under this Agreement shall also be issued free of charge.

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 and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID:

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Mail Address: U.S. Embassy, No. 1, Street 96, Phnom Penh

To the Grantee:

Mail Address: Palais du Gouvernement, Sisowath Quay, Wat
Phnom, Phnom Penh

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.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Council for the Development of Cambodia and USAID will be represented by the individual holding or acting in the Office of the USAID Mission Director. Each Party, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement. The names and titles of the additional representatives of the Grantee, with specimen signatures, may be provided pursuant to Section 5.1(b) to USAID, which may accept as duly authorized any instrument signed by such additional representatives (or any individuals subsequent holding or acting in the office of such representatives) in accordance with this Section 7.2, until receipt of written notice of revocation of their authority.

Section 7.3. Annexes. The following annexes are attached hereto and form an integral part of this Agreement:

Annex 1, Amplified Description for Agriculture

Annex 2, Amplified Description for Environment

Annex 3, Standard Provisions

Section 7.4. Language of Agreement. This Agreement is prepared in English.

IN WITNESS WHEREOF, the United States of America and the Kingdom of Cambodia, 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 first above written.

For the Royal Government of
Cambodia



KEAT CHHON
Deputy Prime Minister (Standing)
First Vice Chairman of the Council
for Development of Cambodia

For the Government of the
United States of America



REBECCA BLACK
Mission Director
USAID Cambodia

Witnessed on behalf of
the U.S. Government



WILLIAM A. HEIDT
U.S. Ambassador Extraordinary
and Plenipotentiary



DOAG Annex 1: Agriculture Amplified Description

I. Introduction

This annex describes the food security and agriculture activities to be undertaken and the results to be achieved with the funds obligated under this Development Objective Agreement (DOAG).

USAID/Cambodia developed a Country Development Cooperation Strategy 2014-2018¹, which aims to accelerate Cambodia's transformation to a democratic and prosperous country. USAID programs in "Resilient Pathways out of Poverty Strengthened" support the Royal Government of Cambodia (RGC) to reduce the numbers of people living in poverty, improve food diversity and production, and improve nutrition outcomes.

II. Background

The Cambodian economy is robust despite a challenging global economic environment, and the real GDP growth continues to be driven by strong and persistent growth in the agriculture sector along with resilient exports, recovering construction, and growing tourism sectors. Cambodian poverty fell sharply by 2011, and the economy expanded in large part due to sustained agricultural growth driven by increases in global rice prices. While economic growth has reduced the proportion of Cambodians living in poverty, the majority of households have only shifted out of poverty by \$0.30 a day, hovering just above the poverty line, over one third are still food deprived and more than 32 percent of children, from all income brackets, are stunted. Agricultural productivity growth in Cambodia is limited by the poor use of fertilizers, limited access to improved technologies and improved practices, insufficient irrigation systems, inadequate rural roads, limited access to credit, and limited use of research.

An estimated 80 percent of Cambodians live in rural areas; 70 percent rely on agriculture, fisheries, and forestry. Use of irrigation is limited as annual rains alone historically provided the moisture needed for more than 85 percent of all rice production. Shifts in rainfall and flooding patterns resulting from climate change, however, threaten traditional agricultural production practices and rural livelihoods. Recurrent droughts, floods, and increasingly unpredictable rainy seasons impact the timing of planting, germination, and harvesting of rice and other crops, and thus reduce agricultural yields and contribute to food insecurity and poverty. Agriculture, which is central to Cambodia's economic growth as well as food security, is particularly vulnerable to climate change.

A. Strategic Alignment with Government Strategies

The RGC is developing key vision and planning documents in its quest to achieve higher middle-income status by 2030. For instance, the Royal Government of Cambodia developed its 2014- 2018 National Strategic Development Plan (NSDP), which commits the government to ensure a better quality of life for its people, and in building a democratic, rule-based society, with equitable rights and opportunities for the population in economic, political, cultural, and other spheres. The Royal Government of Cambodia produced a Development Cooperation and Partnerships Strategy to support implementation of the 2014-

¹ [https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Cambodia%20Public%20Version%20\(approved\).pdf](https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Cambodia%20Public%20Version%20(approved).pdf)

2018 NSDP, with the objective of promoting development effectiveness in Cambodia through a wide range of partnerships.

Cambodia's Rectangular Strategy (Phase III) supports the promotion of the agriculture sector, private sector development and employment, and capacity development. The NSDP and the Agriculture Sector Development Program (ASDP) 2014-2018 aims to improve productivity, diversification, and commercialization of crops; promote livestock farming and aquaculture; and, reform land ownership policies. In addition, the National Strategy on Food Security and Nutrition (NSFSN) 2014-2018 aims to enhance the availability of and sustainable access to food at the household level. The Cambodia Climate Change Strategic Plan (CCCSP) 2014-2023 captures the main strategic objectives and directions for a climate-smart development of Cambodia to address a wide range of climate change issues linked to adaptation, Greenhouse gas (GHG) emission mitigation, and low-carbon development.

USAID's programs under this DOAG will, as best as possible, help to advance the goals identified under the RGCs national strategies.

B. Support of Technical Working Groups

In support of coordination with the RGC and other donors on food security and agricultural development issues, USAID actively participates in the following Technical Working Groups (TWGs):

- Social Protection, Food Security & Nutrition;
- Agriculture and Water; and
- Fisheries.

As appropriate and possible, USAID will participate in other TWGs that are relevant to achieving the goals under this DOAG. Examples include the private sector development and gender TWGs.

III. Funding

USAID investments of an estimated \$22,760,551 in new food security and agriculture funds are planned for the FY 2015-2017 timeframe to achieve this Development Objective. If additional funds become available, USAID Cambodia will consider expanding program activities if feasible. Currently funds under this Development Objective are earmarked and thereby can only be directed to food security and agriculture programs.

The RGC contribution reflects the Ministry of Agriculture, Fisheries and Forestry (MAFF) in-kind contributions to the shared objectives of the program. The contribution will equal up to twenty-five percent of the total program costs used to support activities that substantially benefit the Grantee or entail direct and substantial involvement of the Royal Government of Cambodia in the administration, management, or control of the activities hereunder. The dollar equivalent amount of this contribution shall be U.S. \$2,104,287 for FY 2015.

Changes may be made to the financial plan by representatives of the Parties without formal amendment of the Agreement, if such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

The financial plan for this program is set forth in the table below.

| Description | Year (FY 2015) | Year (FY 2016) | Year (FY 2017) | Total |
|-----------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Agriculture/food security | 6,312,861 | 7,440,000 | 7,440,000 | 21,192,861 |
| Sub-total: | 6,312,861 | 7,440,000 | 7,440,000 | 21,192,861 |
| Administration Cost: | 447,690 | 560,000 | 560,000 | 1,567,690 |
| Total Estimated USG Contribution | 6,760,551 | 8,000,000 | 8,000,000 | 22,760,551 |
| Total Estimated RGC Contribution | 2,104,287 | 2,480,000 | 2,480,000 | 7,064,287 |

IV. Results to be achieved

Programs supported by USAID under this DOAG help contribute to the Joint Monitoring Indicators (JMIs) and other government indicators identified by each of the TWGs in which USAID is an active member. The most relevant JMIs include:

- Enhanced agricultural productivity and diversification and improved water resource development and management (2014 – 2018 Joint Monitoring Indicator TWG-Agriculture and Water).
- Management, conservation, and development of sustainable fisheries resources to contribute to ensuring people’s food security and to socio-economic development in order to enhance people’s livelihoods and the nation’s prosperity (2014 – 2018 Joint Monitoring Indicator TWG-Fisheries).
- Food Security and Nutrition status and social protection system for the poor, food insecure and vulnerable people in Cambodia are improved through effective coordination and delivery system at national and sub-national level (2014-2018 Joint Monitoring Indicator TWG-Social Protection and Food Security and Nutrition).

Relevant *illustrative* indicators include:

- Prevalence of poverty reduced by 25%; and
- Prevalence of stunted children under five years of age reduced by 20%.

V. Activities

All activities will align with the technical areas detailed below:

A. Food Security and Agriculture

Feed the Future programming focuses on supporting key agricultural value chains, such as rice, fish, and horticulture. Project efforts will include a focus on enhancing productivity in key value chains; improving rural incomes; and, improving nutritional knowledge and practice. In close coordination with the RGC Ministries at the national, provincial, district, and commune levels, USAID will focus on: increasing access to high-quality agricultural inputs and credit; increasing and improving opportunities for value addition on various agricultural commodities; expanding and strengthening market linkages along

commercially viable agricultural value chains; improving water and sanitation; increasing the human and institutional capacity in the agriculture sector; and, delivering nutrition education. These activities will raise and diversify household incomes, and expand and diversify rural diets thereby reducing poverty, malnutrition and stunting rates.

Food security programming will use tested technologies to increase productivity with more efficient use of inputs including improved seeds, fertilizers, and drip irrigation systems. Better planting, growing, and harvesting techniques will also improve productivity.

USAID will work with private sector suppliers and market agents to strengthen these value chains, and identify systems that can become sustainable and scalable in the future. This component will focus on technical assistance that will help agribusinesses provide more affordable quality products and embedded services, including those associated with seeds, fertilizers, plant protection and animal health, improved farm management practices such as soil and water conservation and management that increases the efficiency of inputs (such as fertilizer). Financial strategies (e.g., loan guarantees, supplier credit, and forward contracting) and technologies that reduce risk will allow farmers, farmer organizations, and local agribusinesses to become more innovative, leading to increased production and reduced labor/input costs.

In order to increase the opportunities for poor rural households to generate needed cash income, USAID will include activities focused on expanding rural off-farm jobs and sales, strengthening post-harvest systems, improving market access, and making targeted investments in marketing infrastructure. Efforts will have a special focus on women, youth, and the landless poor.

Activities will focus on reducing crop spoilage and linking producers (farmers and fishermen) to existing processing industries through local public-private partnerships. USAID also may include improving post-harvest handling, establishing product standards and quality, and increasing government and private-sector capacity to adhere to international quality standards. Related activities will work with various stakeholders at different links in the value chain (producer groups, haulers, and millers' associations) to assist producer groups as well as processors and end-users involved in post-production, trade activities and forward contracting with farmers.

Profits from agricultural activities are generally low given poor transportation networks and limited infrastructure in rural areas to support market activities. While many roads have been significantly improved in recent years as a result of donor investments, remote rural roads are often in a state of disrepair and increase losses and costs. USAID might, for example, support small-scale transportation technology (e.g., small motorcycle-powered refrigeration transport -- "cooler *tuk tuks*"), food storage and processing facilities, alternative energy sources, and/or market infrastructure and emphasize partnerships between the local public and private-sector entities.

On nutrition, USAID brings a food-based, agricultural, environmental, and private-sector approach to targeted nutrition and hygiene messaging and education to change key dietary practices. With nutrition funding limited, agricultural education and messaging through food security activities must be used to increase awareness of food-based approaches to nutrition and foster improved dietary choices. USAID activities promoting diversified

agricultural production are being informed and guided by the need to improve household dietary diversity and dietary choices by farming households and others in their rural communities. Combining agricultural messaging for crop diversification and related farming practices with nutrition and dietary messaging that targets farm managers and decision-makers (often women) will help increase the effectiveness of such messaging.

In coordination with the public sector interventions being promoted under USAID/Cambodia's Health and Education activities, the USAID agriculture activities will expand the use of these goods and services through sustainable, private-sector service-provider approaches. In many areas of Cambodia, the water and sanitation sector provides an instructive example of this two-pronged approach. Assisting the private-sector to provide water services or cost-effective latrine sales is highly effective in providing sustainable and long-term solutions that significantly reduce disease-related malnutrition. Conversely, there are still areas of the country that will require a more public health-based approach to provision of water and sanitation services.

USAID in Cambodia, in conjunction with the U.S. Department of Agriculture, the U.S. Embassy, and key donors will continue to provide unified comments to the RGC on various draft laws and regulations related to the agriculture, animal health, environment, and food security sectors and urge the RGC to improve access to agricultural inputs. Feed the Future programming will continue support to activities that assist in key policy reforms needed to achieve its goals.

USAID will work closely with the headquarter office to leverage additional assistance in the area of research, innovation, and technology sharing through the Innovation Labs. This will be done through collaborations between RGC academic, government, and private entities and U.S. universities.

Agriculture activities to receive FY 2015 USAID funds under the Agreement include:

| <u>Activity Name</u> | <u>Description</u> | <u>Implementing Partner</u> |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <u><i>Integrated Nutrition, Hygiene and Sanitation Program (NOURISH) Estimated FY2015 funding \$2,000,000</i></u> | The Integrated Nutrition, Hygiene, and Sanitation program will address selected health, food security, and climate change priorities in Cambodia. The program aims to improve the nutritional status of mothers and children under 23 months of age by improving Cambodians' diets and increasing their access to clean water and sanitation facilities. The program will fund a conditional cash transfer and voucher program that encourages the use of water purifying and sanitation products. With Climate Change Adaptation funds, the program will build community level resilience to safe water and sanitation practices. The program will introduce community-based nutrition counseling through behavior-change communication | Save the Children |

| | | |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| | activities and partner with the private sector to market latrines and water-treatment filters and commodities. | |
| <u>Horticulture Value-Chain Program</u> <u>Estimated FY2015 funding \$2,282,861</u> | This program that will build upon Cambodia's increased agriculture productivity over the last decade by establishing the necessary conditions for increased market participation and linkages, by: improving the governance and enabling environment to facilitate private sector agriculture investments; improving capacities for market participation, particularly by strengthening producer associations; and expanding market linkages in selected horticulture and rice value chains. | To be determined (TBD) |
| <u>Rice Field Fisheries Enhancement II (RFFE)</u> <u>Estimated FY2015 funding \$1,200,000</u> | The new Rice Field Fisheries Enhancement II Program will significantly expand its outreach and mandate in developing and supporting sustainable management practices for freshwater fisheries. Research-based best practices will be used on a large scale to increase biodiversity and enhance the productivity of Cambodia's freshwater fisheries. Activities include enhancement of CFRs and surrounding rice fields and channels through physical upgrading of the resource and additional structures to increase productivity and maintain conservation, CFR productivity and Catch & Consumption Monitoring to fully understand the benefits of the interventions, training and awareness-raising workshops, and communication material development The program will develop sustainable management practices for freshwater fisheries. Research-based best practices including enhancement of community fishing areas and physical upgrading will be used on a large scale to increase biodiversity and enhance the productivity of Cambodia's freshwater fisheries. | WorldFish |
| <u>Sustainable Intensification Innovation Lab - Center of Excellence for Agriculture Research</u> | In partnership with the Royal University of Agriculture, the Sustainable Intensification Lab will establish a Center of Excellence to increase the research and institutional capacity of the Royal | Kansas State University/Royal University of Agriculture |

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| <p><i>and Capacity Building Estimated FY 2016 funding \$500,000</i></p> | <p>University of Agriculture. The project will provide opportunities to obtain their doctorate degrees, research collaboration between U.S. universities, develop and improve curricula, and increase collaboration and coordination between the existing Innovation Labs and other USAID programming. Other activities under this program include establishing field demonstration sites to promote research and vocational training in the field.</p> | |
| <p><i>Impact Evaluation and Capacity Building Program Estimated FY2015 funding \$200,000</i></p> | <p>The new Impact Evaluation and Capacity Building Program will implement an impact evaluation of food security programming as well as train local professionals to conduct impact evaluations and field based research. The objective of this program is expected to be similar to the current program, which aims to ensure FTF-funded activities are on track to meet high-level indicator targets. The implementer is expected to establish partnerships with key local research and policy institutions to execute these activities and build the local capacity for conducting evidence-based evaluations.</p> | TBD |
| <p><i>Capacity Building of Cambodia's Local Organizations Program Estimated FY2015 funding \$130,000</i></p> | <p>The Capacity Building of Cambodia's Local Organizations program will directly support local Cambodian organizations. The program will support the development of new partnerships with local organizations and strengthen the skills of existing partners across all technical sectors. The program will help local organizations improve their financial management and human resource systems, develop strategic and operational plans, and strengthen their monitoring and evaluation systems. This program will also support USAID in implementing risk-mitigation procedures through pre-award assessments of potential local organizations and financial reviews of current partners.</p> | IESC |

B. Additional Support

This Amplified Description may be changed upon written consent between Ministry of Agricultural, Fishers and Forestry (MAFF) and USAID to, among other things, add

additional activities without formal amendment of this Agreement, provided that such changes are within the limits of the definition of the Objective in Section 2.1.

VI. Program management

All activities will be designed in coordination with the relevant RGC counterparts and with appropriate consultations with stakeholders. Program design will include a provision for a management structure, chaired by MAFF or co-chaired by MAFF and USAID that will, inter alia, endorse an annual work plan and budget and monitoring of the program activities.

VI. Roles and Responsibilities of the Parties

A. Ministry of Agriculture, Fisheries and Forestry

MAFF will serve as the RGC lead partner for USAID in the implementation of activities, including, but not limited to the inter-ministerial and inter-departmental coordination, provision of competent technical staff and provision of workplace for the staff. Consistent with the laws of the Kingdom of Cambodia and the policies and procedures of the Royal Government of Cambodia, MAFF will:

1. Facilitate the official approval at all levels necessary within the RGC for implementing program activities.
2. Facilitate the necessary documentation, if required, for USAID implementing partners to carry out the work described herein.
3. Coordinate communications with the appropriate RGC authorities that the activities of USAID implementing organizations should receive support to carry out the work described herein.
4. Oversee program activities and participate in the site visits from time to time.
5. Participate in the monitoring and evaluation of the projects.
6. Facilitate the official permits, visas, and any other permissions described in Article 6 of the Agreement.
7. Facilitate the exemptions described in Section B.4 of Annex 3.
8. Undertake other activities as required by the program.

B. USAID

In achieving results of this Agreement, USAID will:

1. Provide, through USAID implementing organizations, appropriate technical assistance to implement the program.
2. Contribute towards the achievement of the RGC strategies.
3. Share consolidated reports on program activities to the MAFF as appropriate and that other relevant documents and information produced by the program be provided to the MAFF on a timely basis.
4. Consult with the MAFF and other relevant RGC entities at regular, mutually agreed upon intervals, or at the request of the RGC, on progress towards the achievement of the: a) program's objective; b) performance of obligations under this Agreement; and c) performance of USAID implementing organizations, and other matters related to this Agreement.

5. Participate and contribute to the food security and agriculture related TWGs and their sub-TWGs and all other TWGs as appropriate.

VII. Monitoring and Evaluation

Routine monitoring will focus largely at the implementing mechanism level and track required indicators. USAID's implementing partners will use their own monitoring and evaluation systems to regularly collect data against these indicators. Given that there are multiple implementing mechanisms under this Agreement, USAID will ensure that all are working to achieve the complementary objectives and contribute to both technical areas and the RGC's Joint Monitoring Indicators. Indicators, baselines and targets should, as far as possible, be drawn directly from RGC's own results frameworks and policy objectives.

VIII. 1994 Framework Bilateral

All assistance provided under this Agreement by USAID and its implementing organizations shall be entitled to all diplomatic, tax and other privileges and benefits set forth in the Economic, Technical and Related Assistance Agreement between the Government of the Kingdom of Cambodia and the Government of the United States of America dated October 25, 1994.

DOAG Annex 2: Environment Amplified Description

I. Introduction

This annex describes the environment activities to be undertaken and the results to be achieved with the funds obligated under this Development Objective Agreement (DOAG).

USAID/Cambodia developed a Country Development Cooperation Strategy 2014-2018¹, which aims to accelerate Cambodia's transformation to a democratic and prosperous country. USAID programs in "Resilient Pathways out of Poverty Strengthened" support the Royal Government of Cambodia (RGC) to reduce the numbers of people living in poverty, reduce deforestation and help Cambodia maintain its Greenhouse Gas Inventory.

II. Background

Cambodia's rich biodiversity results from having some of Southeast Asia's largest tracts of forest and the largest inland body of water in the region, namely the Tonle Sap River and Lake. Some of the largest areas of tropical forests in Cambodia include the Prey Lang forest, the Central Cardamoms forest, and the Eastern Plains forests in Mondulhiri province. These forests contain biologically unique landscapes, are areas of significant cultural heritage, provide critical water control for agriculture land and fisheries, moderate the impact of droughts and floods, and are home to some of the poorest Cambodian households. The Mekong and Tonle Sap river system is the second most biodiverse inland water system in the world, second only to the Amazon. The key ecological services provided by forest watersheds such as water production, carbon sequestration, and fertile soil are still undervalued. In Cambodia, increased pressure on forest and river resources continue to threaten endangered species, including elephants, clouded leopards, banteng wild cattle, and Asiatic black bears. Rapid human expansion into biologically sensitive areas is putting pressure on the remaining natural habitats supporting these and other rare species that are of local, national, and international importance. In addition, Cambodia faces some of the highest rates of deforestation in the world from land-use change and illegal logging. Cambodia's forests and watersheds are critical to Cambodia's national development, to sustainable economic growth, and to protecting its rich biodiversity.

A. Strategic Alignment with Government Strategies

The RGC is developing key vision and planning documents in its quest to achieve higher middle-income status by 2030. For instance, the Royal Government of Cambodia developed its 2014- 2018 National Strategic Development Plan (NSDP), which commits the government to ensure a better quality of life for its people, and in building a democratic, rule-based society, with equitable rights and opportunities for the population in economic, political, cultural, and other spheres. The Royal Government of Cambodia produced a Development Cooperation and Partnerships Strategy to support implementation of the 2014-2018 NSDP, with the objective of promoting development effectiveness in Cambodia through a wide range of partnerships.

The Cambodia Climate Change Strategic Plan (CCCSP) 2014-2023 captures the main strategic objectives and directions for a climate-smart development of Cambodia to address

¹ [https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Cambodia%20Public%20Version%20\(approved\).pdf](https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Cambodia%20Public%20Version%20(approved).pdf)

a wide range of climate change issues linked to adaptation, Greenhouse gas (GHG) emission mitigation, and low-carbon development.

USAID’s programs under this DOAG will, as best as possible, help to advance the goals identified under the RGCs national strategies.

B. Support of Technical Working Groups

In support of coordination with the RGC and other donors on environment issues, USAID actively participates in the following Technical Working Groups (TWGs):

- Forestry Reform.

As appropriate and possible, USAID will participate in other TWGs that are relevant to achieving the goals under this DOAG. Examples include the private sector development and gender TWGs.

III. Funding

USAID investments of an estimated \$26,630,140 in new environment funds are planned for the FY 2015-2017 timeframe to achieve this Development Objective. If additional funds become available, USAID Cambodia will consider expanding program activities if feasible. Currently funds under this Development Objective are earmarked and thereby can only be directed to environment programs.

The RGC contribution reflects the Ministry of Environment’s in-kind contributions to the shared objectives of the program. The contribution will equal up to twenty-five percent of the total program costs used to support activities that substantially benefit the Grantee or entail direct and substantial involvement of the Royal Government of Cambodia in the administration, management, or control of the activities hereunder. The dollar equivalent amount of this contribution shall be U.S. \$1,404,992 for FY 2015.

Changes may be made to the financial plan by representatives of the Parties without formal amendment of the Agreement, if such changes do not cause USAID’s contribution to exceed the amount specified in Section 3.1 of the Agreement.

The financial plan for this program is set forth in the table below.

| Description | Year (FY 2015) | Year (FY 2016) | Year (FY 2017) | Total |
|-----------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Environment | 4,214,977 | 10,230,000 | 10,230,000 | 24,674,977 |
| Sub-total: | 4,214,977 | 10,230,000 | 10,230,000 | 24,674,977 |
| Administration Cost: | 415,163 | 770,000 | 770,000 | 1,955,163 |
| Total Estimated USG Contribution | 4,630,140 | 11,000,000 | 11,000,000 | 26,630,140 |
| Total Estimated RGC Contribution | 1,404,992 | 3,410,000 | 3,410,000 | 8,224,992 |

IV. Results to be achieved

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Programs supported by USAID under this DOAG help contribute to the Joint Monitoring Indicators (JMIs) and other government indicators identified by each of the TWGs in which USAID is an active member. The most relevant JMIs include:

- Sustainable forest management and conservation contributed to poverty alleviation and macroeconomic growth (2014 – 2018 Joint Monitoring Indicator TWG-Forestry).

Relevant *illustrative* indicators under include:

- 2.2 million hectares of biological significance and/or natural resources under improved natural resources management as a result of USG assistance; and
- 15 million metric tons of greenhouse gas emissions reduced, sequestered, and/or avoided.

V. **Activities**

All activities will align with the technical areas detailed below:

A. **Environment**

Forest conservation is critical to maintaining the forest watersheds upon which lowland agriculture depends. Thus, conserving existing forest resources is not at odds with improving existing agricultural lands and production, but is an essential part of it.

Improved forest conservation and governance will help mitigate climate change and encourage low greenhouse gas emission development. USAID supports the Enhancing Capacity for Low Emission Development Strategy (EC-LEDS) program by enhancing the capacity of the government and forest managers to manage forests sustainably; facilitating constructive dialogue among the government, civil society, the private sector, and communities; and, increasing opportunities for gaining equitable economic benefits from the sustainable management of forests. In addition, USAID will support the Royal Government of Cambodia to conduct its first National Greenhouse Gas Inventory and already supported the first National Census of Agriculture, both of which are expected to foster the government's ability to continue these key data collection systems. All EC-LEDS activities will be coordinated with the appropriate RGC institutions and will continue to build upon Cambodia's Climate Change Strategic Plan, the National Green Growth Road Map, the National Green Growth Strategy, the National Protected Area Strategic Management Plan (2016-2030), National Environment Strategy and Action Plan (2016-2023), National Biodiversity Strategy and Action Plan, Community Protected Area Strategic Plan (2016-2030), and the Environmental Code.

With GCC and Biodiversity resources, USAID is supporting one of the leading sub-national demonstration sites for Reduced Emissions from Deforestation and Forest Degradation (REDD+) activities in Monduliri province. While the sale of carbon credits may not happen in the immediate future, the Mission is working on a wide range of other activities that will increase economic benefits for Cambodians as an alternative to unsustainable land-use changes or illegal logging. USAID will continue developing non-timber forest product value chains, eco-tourism, piloting a community-based timber production forest, and using science-based studies to show the value of forests as they contribute to the Cambodian economy.

USAID's interventions will strengthen Cambodia's capacity to conduct carbon accounting, support carbon finance mechanisms, identify and take advantage of opportunities for revenue generation from carbon sequestration, and avoid emissions from deforestation. USAID's programs will strengthen the country's links to the global climate change scientific community. USAID will work closely with environment programs promoting climate mitigation and adaptation that are managed by USAID's Regional Development Mission to Asia (RDMA) in Bangkok and with the U.S. interagency.

USAID will continue to support studies on forests, non-timber forest products, watersheds, fish stocks, and other wildlife. Global Climate Change programming will also use state-of-the-art technology to analyze and monitor forest cover.

For all results, there will be an emphasis on ensuring the role of women as government and forest managers, their voice in government and civil society, and their ability to access opportunities as beneficiaries of "green growth" economic models.

Global Climate Change activities will also work across the agriculture and environment sectors to achieve results that foster adaptation to climate change on farms, within fisheries, and forest watersheds. For example, activities will need to consider potential impacts of heat and drought stress, seasonal flooding and tidal cycles on crop production as well as fish stocks, and techniques and policies related to these.

USAID will share information available to the public and the RGC in order to encourage evidence-based decision-making and constructive dialogue that will foster actions by all stakeholders to conserve biodiversity. In addition, USAID will continue to strengthen the ability of relevant ministries to improve the management of protected areas and combat threats to biodiversity. Cambodian laws, policies, and strategies that provide for the sustainable management of forests already exist and USAID programs are in line with these efforts.

USAID will continue to coordinate and leverage RDMA resources and other regional platforms in fostering greater conservation and management of Cambodia's natural resources.

Environment activities to receive FY 2015 USAID funds under the Agreement include:

| <u>Activity Name</u> | <u>Description</u> | <u>Implementing Partner</u> |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <i>Prey Lang and Cardamoms Landscapes Program Estimated FY2015 funding \$1,584,977</i> | This Landscapes program will build on previous experiences and work from other USAID and donor investments. This program will focus on improving the overall management of the Prey Lang and Cardamoms landscapes. Activities will target the sub-national level but will also include strategic investments at the national level with various ministries and institutions. This comprehensive program will focus on biodiversity conservation, strengthening the governance and policies | To be determined (TBD) |

| | | |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| | related to the two landscapes, and increase sustainable economic growth within each landscape as well as into the extended landscape area toward the lake. | |
| <u><i>The Eastern Plains Conservation Program Estimated FY2015 funding \$1,000,000</i></u> | Programs in the Eastern Plains Landscape will continue to build on U.S. investments and lessons learned from previous activities. Activities will focus on the improved management of the Eastern Plains with a range of appropriate activities taking place at the sub-national level along with strategic investments at the national level with various ministries and institutions. The focus will continue on biodiversity conservation, strengthening the governance and policies related to the Eastern Plains, and increase sustainable economic growth at the sub-national level. The economic benefits of protecting the Eastern Plains will be raised to a national level. | TBD |
| <u><i>Environment Code Program Estimated FY2015 funding \$1,500,000</i></u> | USAID/Cambodia anticipates co-funding the UN Development Programme's new initiative to develop Cambodia's environmental code. The program also aims to strengthen policy coordination and the institutional framework for sustainable natural resource and ecosystem management. Activities will build the resilience of poor rural households and indigenous peoples whose well-being and livelihoods are vulnerable to the degradation of critical ecosystems, loss of biodiversity, and the consequences of climate change. The program will leverage respective policy and institutional development work with a focus on climate change adaptation in agriculture and rural livelihoods and climate change policies, along with the ongoing Ministry of Environment modernization effort. | UNDP |
| <u><i>Capacity Building of Cambodia's Local Organizations Program Estimated FY2015 funding \$130,000</i></u> | The Capacity Building of Cambodia's Local Organizations program will directly support local Cambodian organizations. The program will support the development of new partnerships with local organizations and strengthen the skills of | IESC |



| | | |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>existing partners across all technical sectors. The program will help local organizations improve their financial management and human resource systems, develop strategic and operational plans, and strengthen their monitoring and evaluation systems. This program will also support USAID in implementing risk-mitigation procedures through pre-award assessments of potential local organizations and financial reviews of current partners.</p> | |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

B. Additional Support

This Amplified Description may be changed upon written consent between Ministry of Environment (MOE) and USAID to, among other things, add additional activities without formal amendment of this Agreement, provided that such changes are within the limits of the definition of the Objective in Section 2.1.

VI. Program management

All activities will be designed in coordination with the relevant RGC counterparts and with appropriate consultations with stakeholders. Program design will include a provision for a management structure, chaired by MOE or co-chaired by MOE and USAID that will, inter alia, endorse an annual work plan and budget and monitoring of the program activities.

VI. Roles and Responsibilities of the Parties

A. Ministry of Environment

MOE serves as the RGC lead partner for USAID in the implementation of activities, including, but not limited to the inter-ministerial and inter-departmental coordination, provision of competent technical staff and provision of workplace for the staff. Consistent with the Laws of the Kingdom of Cambodia and the policies and procedures of the Royal Government of Cambodia, MOE will:

1. Facilitate the official approval at all levels necessary within the RGC for implementing program activities.
2. Facilitate the necessary documentation, if required, for USAID implementing partners to carry out the work described herein.
3. Coordinate communications with the appropriate RGC authorities that the activities of USAID implementing organizations should receive support to carry out the work described herein.
4. Oversee program activities and participate in the site visits from time to time.
5. Participate in the monitoring and evaluation of the projects.
6. Facilitate the official permits, visas, and any other permissions described in Article 6 of the Agreement.
7. Facilitate the exemptions described in Section B.4 of Annex 3.

8. Undertake other activities as required by the program.

B. USAID

In achieving results of this Agreement, USAID will:

1. Provide, through USAID implementing organizations, appropriate technical assistance to implement the program.
2. Contribute towards the achievement of the RGC strategies.
3. Share consolidated reports on program activities to the MOE as appropriate and that other relevant documents and information produced by the program be provided to the MOE on a timely basis.
4. Consult with the MOE and other relevant RGC entities at regular, mutually agreed upon intervals, or at the request of the RGC, on progress towards the achievement of the: a) program's objective; b) performance of obligations under this Agreement; and c) performance of USAID implementing organizations, and other matters related to this Agreement.
5. Participate and contribute to the environment related TWGs and their sub-TWGs and all other TWGs as appropriate.

VII. Monitoring and Evaluation

Routine monitoring will focus largely at the implementing mechanism level and track required indicators. USAID's implementing partners will use their own monitoring and evaluation systems to regularly collect data against these indicators. Given that there are multiple implementing mechanisms under this Agreement, USAID will ensure that all are working to achieve the complementary objectives and contribute to both technical areas and the RGC's Joint Monitoring Indicators. Indicators, baselines and targets should, as far as possible, be drawn directly from RGC's own results frameworks and policy objectives.

VIII. 1994 Framework Bilateral

All assistance provided under this Agreement by USAID and its implementing organizations shall be entitled to all diplomatic, tax and other privileges and benefits set forth in the Economic, Technical and Related Assistance Agreement between the Government of the Kingdom of Cambodia and the Government of the United States of America dated October 25, 1994.

Annex 3
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 Development 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 and the activities required to be undertaken directly (or caused to be undertaken) by the Grantee, or cause the Agreement and such activities 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. 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.



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:

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.

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.

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

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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 Board (a subsidiary of the International Financial Reporting Standards Foundation) 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. For the avoidance of doubt, this Section B.5(b) applies solely to Grant funds expended directly by the Grantee.

(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 subsection (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, must ensure that "covered" sub-recipients, as defined below, are audited, and submit to USAID, no later than the end of the Grantee's year under audit, 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 in connection with a direct contract or agreement entered into directly with the Grantee pursuant to the activities contemplated by this Agreement.

(1) A “covered” sub-recipient is one who expends \$300,000 or more in its fiscal year in “USAID awards” (i.e., as contractors or sub-recipients under USAID-financed development objective agreements 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 Grantee 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, allowable, allocable and reasonable 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

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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 Parties confirm:

(a) that the facts and circumstances of which it has informed the other Party, or caused the other Party to be informed, in the course of concluding the Agreement, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under the Agreement; and

(b) that it will inform the other Party in a 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 the Agreement.

Section B.7. Other Payments. The Parties affirm that no payments have been or will be received by any official of the Parties 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 Nationality.

(a) All goods financed under the Agreement shall have their source, and the suppliers of all goods and services financed under the Agreement shall have their nationality, in countries included in Geographic Code 937, 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 Code 935. Also see Section C.6 on use of U.S. flag vessels.

(2) Any motor vehicles financed under the Agreement will be of United States manufacture, except as USAID may otherwise agree in writing.

(b) The nationality 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,

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

Section C.6. Transportation and Insurance. In addition to the requirements in Section C.1 (a), costs of ocean or air transportation, including insurance and related delivery services, may not be financed under the Grant without prior USAID approval and will be incurred and obtained in accordance with USAID policies and procedures.

Section C.7. Reserved.

Section C.8. Reserved.

Section C.9. Procurement and Disbursement of Funds. The Grantee agrees that with respect to implementation of activities set forth in Annex 1, funds under the Grant may be contracted or otherwise committed and disbursed directly by USAID to third parties in accordance with USAID's normal regulations and procedures, unless otherwise agreed to by USAID in writing. USAID undertakes to provide periodic reports to the Grantee as to the status of USAID direct contracts and grants to third parties made with funds under the Grant no more frequently than quarterly or as the Parties may otherwise agree in writing.

Article D: Disbursements.

Section D.1. Other Forms of Disbursement. Disbursements that may be made directly by USAID to the Grantee under this Agreement will be made through such means as the Parties may agree to in writing.

Section D.2. Rate of Exchange. If funds provided under the Agreement are introduced into the Partner Country by USAID or any public or private agency for purposes of carrying out 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.

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**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, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable 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 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

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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 subtracted from 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. Non-waiver 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. Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used to provide a financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States.

Section F.2. Abortion and Involuntary Sterilization Restrictions.

(a) Funds made available under this Agreement must not be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any individual to practice sterilization.

(b) No funds made available under this Agreement will be used to finance, support, or be attributed to the following activities: (i) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (ii) special fees or incentives to any person to coerce or motivate them to have abortions; (iii) payments to persons to perform abortions or to solicit persons to undergo abortions; (iv) information, education, training, or communication programs that seek to

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promote abortion as a method of family planning; and (v) lobbying for or against abortion. The term “motivate”, as it relates to family planning assistance, must not be construed to prohibit the provision, consistent with local law, of information or counseling about all pregnancy options.

(c) No funds made available under this Agreement will be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a means of family planning. Epidemiologic or descriptive research to assess the incidence, extent or consequences of abortions is not precluded.

(d) This provision must be included in all sub-agreements, including contracts and sub-awards, issued under this Agreement.

(e) USAID may issue implementation letters that more fully describe the requirements of this section.

Section F.3. Workers’ Rights. Except as specifically set forth in the Grant or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that contributes to the violation of internationally recognized workers’ rights in the Partner country.

Section F.4. Terrorist Financing. Consistent with numerous United Nations Security Council resolutions, both USAID and the Partner are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of USAID to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the Partner agrees to use reasonable efforts to ensure that none of the USAID funds provided under this Agreement are used to provide support to individuals or entities associated with terrorism. USAID may issue Implementation Letters that more fully describe the requirements of this section.

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