

# Guide to USAID Procurement



Photo: USAID



Photo: Thomas White



Photo: Peter Bo Larsen



**USAID**  
FROM THE AMERICAN PEOPLE



**DCA**  
actalliance

**DanChurchAid**

Procurement and Logistics Unit

Noerregade 15

1165 Copenhagen

Denmark

Tel.: +45 3318 7717

Email: [procurement@dca.dk](mailto:procurement@dca.dk)

[www.danchurchaid.org](http://www.danchurchaid.org)

**Copyrights © DanChurchAid 2016**

*This Guide to USAID Procurement (all rights reserved) can be used freely by DCA implementing partners, but may also be available for other organisations that may find it useful. The Guide is copyrighted, but may be reproduced by any method for educational and procurement implementation purposes, but not for resale. Formal permission is required for all such use and a fee may be payable. For copying in other circumstances or for reuse in other publications, or for translation or adaption, prior permission shall be obtained from the copyright owner. A fee may be payable.*

**Credits**

The USAID logo is from [www.usaid.gov](http://www.usaid.gov).

Guide to USAID Procurement

1 December 2016

## Table of Contents

<b>1</b>	<b>INTRODUCTION.....</b>	<b>3</b>
1.1	Applicability.....	3
1.2	How to use this guide .....	3
1.3	Working with USAID.....	4
1.4	Rules and Regulations.....	7
<b>2</b>	<b>USAID PROCUREMENT CHECKLIST .....</b>	<b>8</b>
2.1	Is the DCA Procurement Manual being followed?.....	8
2.2	Is the planned purchase eligible? .....	9
2.2.1	Are the commodities and services eligible?.....	10
2.2.2	Is the item checked against the USAID Commodity Eligibility Listing (CEL) .....	10
2.2.3	Are the commodities and services restricted? .....	11
2.2.4	Do the source and nationality regulations apply to this purchase? .....	13
2.2.5	Will the purchase comply with the authorized geographic code?.....	14
2.2.6	Is the supplier eligible? .....	17
2.2.7	Will the purchase comply with the ocean transportation regulations? .....	17
2.2.8	Will the purchase comply with the Fly America Act restrictions?.....	18
2.3	Is prior approval required and available? .....	19
2.4	Is it necessary to get a waiver?.....	21
2.5	Can the purchase be financed using cost share or program income? .....	23
2.6	Is it more economical and practical to lease or purchase?.....	24
2.7	Is it practical to invite US Small Businesses? .....	24
2.8	Is the planned purchase a construction? .....	25
2.9	Is the purchase documented and ready for audit? .....	25
<b>3</b>	<b>ABBREVIATIONS .....</b>	<b>27</b>
<b>4</b>	<b>GLOSSARY .....</b>	<b>28</b>
<b>5</b>	<b>LIST OF RESOURCES .....</b>	<b>32</b>
<b>6</b>	<b>ANNEXES.....</b>	<b>35</b>
	Annex US1 – USAID Rules and Regulations Matrix .....	35
	Annex US2 – USAID Procurement Checklist .....	36
	Annex US3 – Leasing vs. Purchase.....	37

# 1 INTRODUCTION

This Guide is a resource to assist the planning and implementation of USAID funded projects in DCA. The purpose is to provide information on USAID language and technical terminology, give an orientation in procurement from a USAID Rules and Regulations perspective, and share knowledge on how USAID rules impact project procurement.

USAID Rules and Regulations is a collection of provisions, regulations, principles, administrative requirements, directives and listings. This Guide will point the reader's attention to the documents relevant to procurement. At its best, this Guide is an explanatory tool to navigate and understand what is required from a Procurement Officer when planning, implementing and closing procurement in a USAID funded project. This Guide does not stand instead of the USAID Rules and Regulations but will help the user address the relevant topics in a DCA context. Should discrepancies occur, the USAID Rules and Regulations as presented by USAID overrules everything and anything presented in this guide.

The application of this Guide ensures the efficient use of resources, effective management, and continued eligibility for USAID funding, while increasing our ability to deliver service to beneficiaries.

## 1.1 APPLICABILITY

This 1<sup>st</sup> edition of the Guide to USAID procurement is based on USAID requirements to Non-US Nongovernmental Organisations of April 2016. USAID has specific requirements to procurement activities, which are covered by this Guide. The Guide is thus an addendum to the DCA Procurement Manual and the two documents in concert are applicable to the implementation of USAID funded operations under Grants and Cooperative Agreements, and can be freely used by DCA implementing partners.

As part of USAID's Implementation and the Procurement Reform (IPR) the Standard Provision for Non-US Nongovernmental Organisations were substantially revised in February 2012. Additional partial revisions took place in June and December 2012, August 2013, December 2014, July 2015 and April 2016. As indicated, updates are frequent, and while we do wish to update this Guide according to the latest information, users are encouraged to check if updates are available in the Acquisition & Assistance Policy Directives (AAPDs) or directly in the relevant provisions.

The Guide does not discuss Property Management<sup>1</sup> and the disposition of equipment or supplies, as this is a responsibility of DCA Finance staff.

### Resources

Standard Provisions for Non-US Nongovernmental Organisations – Mandatory Reference for ADS 303 (June 2016): <https://www.usaid.gov/ads/policy/300/303mab>

The DCA Procurement Manual (password required):

<https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual>

Acquisition & Assistance Policy Directives (AAPDs) and Contract Information Bulletins (CIBs):

<https://www.usaid.gov/work-usaid/aapds-cibs>

## 1.2 HOW TO USE THIS GUIDE

As mentioned above, this Guide is an addendum to the DCA Procurement Manual. It is important to understand that all procurement planning, implementation and finalization will take its point of departure from the DCA Procurement Manual. USAID has a range of additional requirements to consider, especially for the planning and implementation phase. These additions are presented in this Guide.

<sup>1</sup> Property Management is discussed in chapter M7 *Title to and use of Property* in Standard Provisions for Non-US Nongovernmental Organisations <https://www.usaid.gov/ads/policy/300/303mab>

The Guide is organized with an introductory section followed by a checklist in the form of questions and explanatory information. Each of the questions will have a description of what it entails, what to be aware of and sometimes the section includes an example to illustrate what actions are needed. The description is as generic as possible allowing for fewer updates of this Guide.

Each checklist question is concluded with a list of resources containing the actual USAID Rules and Regulation which the question derives from or relates to. Using these links will ensure that the user continues to base the procurement work on the latest available information. The structure might in some instances mean that it is necessary to read the listed resources and thus more than the text included under each question. The Guide ends with an abbreviation and glossary list, a complete list of resources and finally a few annexes.

Application of the checklist ensures that relevant USAID requirements have been addressed.

### 1.3 WORKING WITH USAID

USAID funding framework operates with two instruments; Assistance and Acquisition. DCA and partners receive financial support under the Assistance instrument, and the awards are called either Grants or Cooperative Agreements. A popular description of the difference between the two instruments is that Assistance awards could be called “DCA’s Program” and awards under Acquisition could be called “USAID’s program”. Assistance is defined as *“Financial support to accomplish a public purpose, including Grants, Cooperative Agreements and other agreements in the form of money, or property in lieu of money, by the Federal Government to an eligible recipient”*<sup>2</sup>. As outlined in the below table, the goal, benefit, relationship, mechanism, documents and guidelines differ between the two instruments.

USAID Funding Framework		
	ASSISTANCE AWARD	ACQUISITION AWARD
<b>Goal:</b>	Assist, stimulate, support a program	Buy, acquire, purchase specific deliverables
<b>Benefit:</b>	Carried down to the project beneficiaries	Government
<b>Relationship:</b>	Transfer of funds to support recipient	Exchange of funds for contractor goods / services
<b>Funding Mechanism:</b>	Grant, Cooperative Agreement, Leader with Associate Award (LWA)	Cost Plus Fixed Fee (CPFF) Contract, Cost Reimbursement plus Fixed Fee, Level of Effort (CPFF LOE) Contract, Indefinite Quantity Contract (IQC), Purchase Order
<b>Bidding document:</b>	Request for Application	Request for Proposal
<b>Guidelines:</b>	Standard Provisions for Non-US Nongovernmental Organisations	Federal Acquisition Regulations (FAR)

Awards under Assistance and Acquisitions are guided by different guidelines, please refer to the above table. Most USAID assistance is given with a Cooperative Agreement; however Grants do exist.

#### Substantial involvement

The difference between a Grant and a Cooperative Agreement is the concept of Substantial involvement. It refers to how much USAID is involved in the implementation of the agreement and please note that the involvement is negotiable. USAID substantial involvement in awards is limited to Cooperative Agreements. USAID cannot be

<sup>2</sup> From USAID Glossary. Link at the end of the section

substantially involved in Grants, and with the exception of the four elements of Substantial involvement, Grants and Cooperative Agreements are the same. The four elements of USAID substantial involvement are:

- a) Approval of recipient's implementation plans,
- b) Approval of recipient's specified key personnel,
- c) Agency and recipient collaboration and
- d) Agency authority to immediately halt a construction activity

### **Request for Application**

A Grant or Cooperation Agreement is the result of a Request for Application (RFA) and should not be confused with the Request for Proposal, which leads to a Contract under Acquisition. The RFA can be posted and signed by either office level and is often posted by Washington. The posting office is also the signatory. The RFA is posted throughout the year and contains the applicable provisions. It is important that procurement staff review and understand the implications of the provisions included in the RFA for the purpose of identifying any potential challenges before the bidding process moves ahead.

### **Cooperative Agreement and Grants**

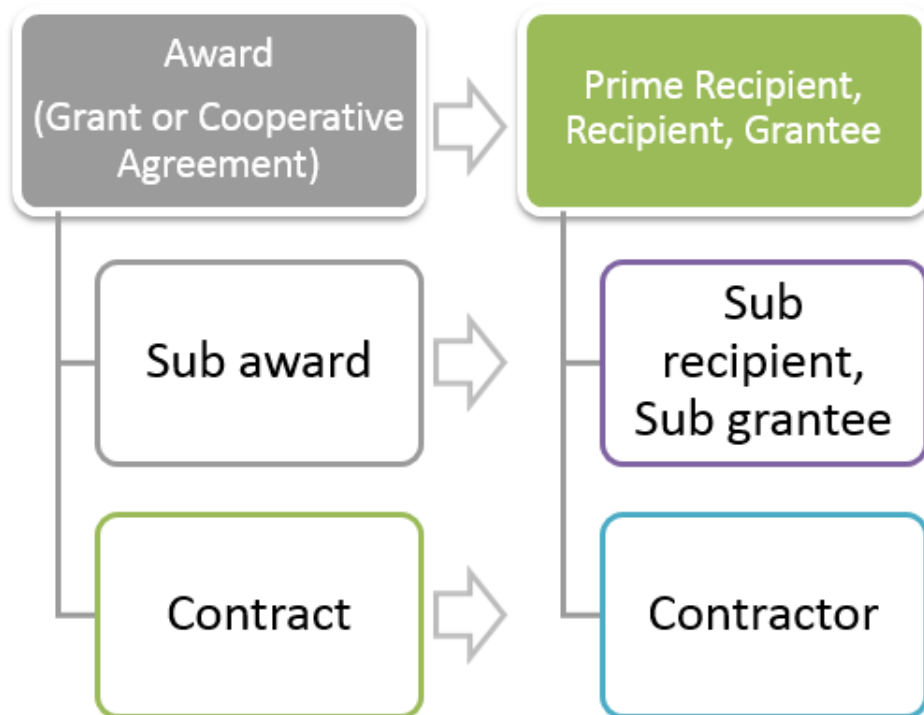
As mentioned above, DCA and partners receive either a Grant or a Cooperative Agreement. USAID rarely gives Grants; however, OFDA, the Office of US Foreign Disaster Assistance, gives a few. OFDA is a part of USAID and please note that OFDA operates by contractual provisions additional to the Standard Provisions under a Cooperative Agreement. The applicable provisions are evident from the RFA.

When the RFA turns into a Grant or Cooperative Agreement the best practice is to review the content to ensure that the guidelines included are relevant to the agreement and pertain to Non-US NGOs and not US NGO rules, of which the latter is less flexible. Elements to review are; that the reporting frequency included is quarterly and not monthly, that the list of "As Applicable" regulations are indeed applicable to the agreement, etc. Also, it is important to negotiate the Substantial involvement that USAID can incorporate into the agreement and reduce it to a relevant minimum. Once signed, it is the experience that USAID considers the agreement a legally binding document to be implemented in its entirety. This cements the importance of quality assurance and negotiations before signature.

### **Terminology and Relationship**

An NGO under assistance is called a prime recipient, recipient or grantee. This guide uses "recipient" or "NGO" to describe DCA. A sub recipient is a DCA implementing partner and the award from DCA to the Sub recipient is called a sub award. Finally the Sub recipient or partner can give a contract to a contractor, which is the supplier, service or works provider in the project. A sub recipient cannot be given a Grant. The figure below illustrates the relationship.

All relations and communications are between the Recipient and USAID and there is no relationship between USAID and the Sub recipient. This means that if any prior approval or waivers from USAID are required, DCA manages the communication on behalf of partners. USAID's requirements to DCA's work with implementing partners are outlined in Required as Applicable Standard Provision, RAA7 on sub awards.



Under Grant and Cooperation Agreement the NGO sends on their agreement requirement to the Sub recipient. Consequently, unless the Sub recipient is a US based NGO, DCA is required to carry down the same provisions to the Sub recipient as DCA has. We do this in the agreement between DCA and the partner, called a Cooperation Agreement and should not to be confused with the Cooperation Agreement existing between USAID and DCA. Should a US NGO be a sub recipient of DCA the US NGO guidelines apply to the Sub recipient. Consequently, it is the type of organisation (US or non-US) that determines the applicable guidelines. Hence, there could be a situation where DCA would have to manage two sets of guidelines and have two difference audits, etc. For an easy overview of guidelines, please refer to Annex 1 - USAID Rules and Regulations Matrix.

As known from working with other donors, DCA is responsible for the work implemented through DCA partners. Therefore, it is important to monitor and verify implementing partners' ability to comply with the regulations, hereunder the procurement regulations.

USAID operates on three levels with regional and field offices reporting to the headquarters in Washington. The USAID Field Mission is organized with an Acquisition and Assistance Office, where the USAID Contract and Agreement Officer (AO) handles Grants or Cooperative Agreements. The AO is responsible for negotiating and executing Grants, Cooperative Agreements and contracts. DCA, on behalf of its partner, has the contact to the AO. Cultivating a good relationship with the AO is a team effort and the Program, Finance and Procurement Officer work hand in hand to accomplish a successful implementation. The AO is the authority in agreements and has the final say.

When making contact with USAID missions it is important to be as helpful as possible. Confusion can be avoided by making reference to the relevant Cooperation Agreement number in all correspondence.

#### Resources

Section 3.11 Substantial Involvement in ADS chapter 303 Grants and Cooperative Agreements to non-Governmental Organisations (June 2016): <https://www.usaid.gov/sites/default/files/documents/1868/303.pdf>  
 Glossary of ADS Terms (May 2014): <https://www.usaid.gov/who-we-are/agency-policy/glossary-ads-terms>  
 Annex US1 – USAID Rules and Regulations Matrix below



RAA7 Sub awards (December 2014) and M5 Procurement Policies (June 2012) in Standard Provision for non-US Organisations: <https://www.usaid.gov/sites/default/files/documents/1868/303mab.pdf>

## 1.4 RULES AND REGULATIONS

As outlined above, it is valuable to understand the funding framework and know the instrument and implications. In general knowledge of USAID guidelines and their application is central to working with USAID, as lack thereof can have a substantial impact on the implementation and result in disallowance of cost.

The rules and regulations applicable to Non-US organisations are both overlapping and different from the rules and regulations applicable to US organisations. For an easy overview of guidelines, please refer to Annex 1 - USAID Rules and Regulations Matrix. The collection of provisions, regulations, principles, administrative requirements, directives and listings are numerous and as a non-US organisation it is key to know what is applicable and what is not. This guide will make reference to rules and regulations pertaining to Non-US organisations. When perusing the internet or talking to USAID missions etc., we might encounter rules and regulations we have not heard of before. They might even appear in our award. As a point of departure it is always relevant to establish if the rules and regulations in question are applicable to DCA as a non-US organisation.

As an example, the cost and price analysis requirement for procurement transactions above USD 150,000 applicable to US organisations through 2 CFR 200 is not applicable to non-US organisations, as it is not included in M5 Procurement in the Mandatory Standard Provisions for Non-US Nongovernmental Organisations. Only subpart E of 2 CFR 200 – Cost principles is applicable to non-US organisations.

Another example is the procurement standards outlined in 2 CFR 200.317-236. These are applicable to US organisations only. DCA may use its own procurement procedures in the DCA Procurement Manual according to M5 Procurement in the Mandatory Standard Provision for Non-US Nongovernmental Organisations.

The substance of 2 CFR 200 is meant to cover all awards and should DCA encounter a situation where a DCA organisational guideline does not exist, it is possible to adopt the guidelines applicable to US organisations. An example is the use of electronic records, which is included in 2 CFR 200 but not carried over to Non-US organisations.

### Resources

M5 Procurement Policies (June 2012) in Standard Provisions for non-US Organisations:

<https://www.usaid.gov/sites/default/files/documents/1868/303mab.pdf>

2 CFR 200 - Cost Principles. Only Subpart E is applicable to Non-US organisations: <http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1.5&rqn=div6>



## 2 USAID PROCUREMENT CHECKLIST

When planning and implementing a USAID project consider all relevant aspects of undertaking procurement with USAID funds. Before submitting the proposal to USAID, apply this checklist to allow for an eligible, effective and efficient project implementation. The below checklist is in addition to the requirements of the DCA Procurement Manual and please consult the DCA procurement manual for the steps involved in planning, implementing and finalizing procurement in a project. The checklist topics are discussed above and below to provide as much information and clarity as possible.

### Checklist for USAID requirements in procurement:

Sec.	Task	Yes	No
1.3	Is the Request for Application / Cooperative Agreement reviewed and qualified?		
2.1	Is the DCA Procurement Manual being followed?		
2.2	Is the planned purchase eligible?		
2.2.1	Are the commodities and services eligible?		
2.2.2	Is the item checked against the USAID Commodity Eligibility Listing (CEL)?		
2.2.3	Are the commodities and services Restricted?		
2.2.4	Do the source and nationality regulations apply to this purchase?		
2.2.5	Will the purchase comply with the authorized geographic code?		
2.2.6	Is the supplier eligible?		
2.2.7	Will the purchase comply with the ocean transportation regulations?		
2.2.8	Will the purchase comply with the Fly America Act?		
2.3	Is prior approval required and available?		
2.4	It is necessary to get a waiver?		
2.5	Can the purchase be financed using cost share or program income?		
2.6	Is it more economical and practical to lease instead of purchase?		
2.7	Is it practical to invite US Small Businesses?		
2.8	Is the planned purchase a construction?		
2.9	Is the purchase documented and ready for audit?		

### 2.1 IS THE DCA PROCUREMENT MANUAL BEING FOLLOWED?

USAID allows the Recipient of a USAID award to use its own procurement policies and procedures for the procurement of commodities and services necessary for the award, provided they conform to a range of requirements. The DCA Procurement Manual is compliant with the USAID requirements. It is mandatory to apply the DCA Procurement Manual in full including the procurement templates. The DCA Procurement Manual and the

Standard Provisions for Non-US Nongovernmental Organisations are applicable to all purchases in a USAID project, irrespective of value.

Consequently, this means that the DCA Procurement Manual is the starting point for all procurement planning and implementation and shall be the first document consulted. The USAID requirements included in the checklist above, and discussed in the following sections, are additional to DCA's procurement policies.

It is essential that the procurement principles and anti-corruption policy as laid down in the DCA Procurement Manual are applied to the entire procurement process. This is to avoid conflicts of interest, including bias and unfair competitive advantage. As an example, the Recipient, an employee, officer or agent of the Recipient or any member of an employee's immediate family must not receive a contract, or have a financial or other interest in the individual or company selected for a contract. Also, a contractor that develops or drafts specifications, terms of references, invitations for bids, and/or requests for proposals must be excluded from competing for contracts.

The Recipient must enforce the principle of equal opportunity to ensure that no potential contractor has unequal access to information that may provide that contractor an unfair competitive advantage. For instance, a potential contractor who has received procurement sensitive information, such as other suppliers' prices that are not available to all competitors, must be excluded from the competition.

When an exception to the DCA Procurement Manual is required, the derogation guidelines in the DCA Procurement Manual apply. When an exception to the USAID requirements is necessary, the USAID waiver guidelines are applicable.

#### **Resources**

M5 Procurement Policies (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations:

<https://www.usaid.gov/ads/policy/300/303mab>

The DCA Procurement Manual (password required):

<https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual>

## **2.2 IS THE PLANNED PURCHASE ELIGIBLE?**

Not all items can be freely purchased with USAID funds and this section serves to establish if any of the needed project inputs or suppliers are prohibited (ineligible) or if a written approval or waiver is required. The latter could be because the items are restricted or necessary to source from a non-authorized geographic code. This section is not applicable to commodities or services that are provided with private funds as part of a Cost Sharing requirement, or with Program Income generated under an award. Such commodities or services can be purchased freely.

Guidance on the eligibility of specific commodities and services may be obtained from the Agreements Officer (AO) in the relevant USAID Mission. Before contacting the AO please refer to the rest of this section.

If USAID determines that DCA, the Recipient, or DCA implementing partner, the Sub recipient, have procured any commodities or services under this award contrary to the requirements, and has received payment for the same, USAID may require reimbursement for the entire amount of the purchase.

#### **Resources**

M6 USAID Eligibility Rules for Procurement of commodities and services (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

ADS Chapter 312 Eligibility of Commodities (November 2015):

<https://www.usaid.gov/sites/default/files/documents/1876/312.pdf>

RAA14 For Cost share (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations

Mandatory Reference for ADS 303: <https://www.usaid.gov/ads/policy/300/303mab>

RAA15 Program Income (December 2014) in Standard Provisions for Non-US Nongovernmental Organisations

– Mandatory Reference for ADS 303: <https://www.usaid.gov/ads/policy/300/303mab>

### 2.2.1 Are the commodities and services eligible?

The Recipient, must not under any circumstances, procure any of the below (prohibited) ineligible commodities and services under a USAID award. In the planning phase it is important to check all procurement against this list:

- Military equipment
- Surveillance equipment
- Commodities and services for support of police or other law enforcement activities
- Abortion equipment and services
- Luxury goods and gambling equipment, or
- Weather modification equipment

For military equipment, there are no exceptions.

As a starting point, all types of surveillance equipment are ineligible for USAID financing. This includes microphones, transmitters, listening devices and recording devices of micro-miniature design, and components for the same. In instances, where these devices do not have a surveillance use in USAID programs, USAID may determine them eligible. Consequently, if surveillance equipment is necessary for the Sub recipient's security such as CCTV, please discuss the requirement with the AO.

If there is doubt about any of the contents of the list, it is possible to consult the AO. However, before doing so, please consult the resource listed below and the Procurement and Logistics unit in DCA headquarters.

#### Resource

Section 3.4 in ADS Chapter 312 Eligibility of Commodities (November 2015):

<https://www.usaid.gov/sites/default/files/documents/1876/312.pdf>

### 2.2.2 Is the item checked against the USAID Commodity Eligibility Listing (CEL)

The USAID Commodity Eligibility Listing (CEL) is USAID's position on the eligibility or ineligibility of commodities for USAID financing. The CEL is available online and all project purchases must be compared against this listing. To illustrate how to work with the document, please refer to the below example "Are t-shirts eligible for purchase?" Information is also available in the section "Organisation and Use of this Document" in the CEL.

A commodity, which is ineligible according to the CEL, may only be financed after it has been approved in writing by USAID. If the project inputs are found to be ineligible and yet are deemed important for the result of the project and it is difficult to find substitutes, it is advisable to discuss with USAID if an approval can be obtained and under which circumstances.

The CEL part II "Eligibility criteria for certain commodities" refers to restricted commodities discussed further in the next section. Please note that due to a revision of ADS 312 Eligibility on Commodities, the CEL requirement for agricultural commodities and fertilizer is superseded by ADS 312mac Agricultural Commodity Eligibility and Requirements relating to Quality and Safety. Also, the CEL provisions for pharmaceuticals and medical supplies do not apply to project or program assistance. In general, it is recommended to seek the early guidance of the AO as it may take considerable time to receive a response.

#### Example: Are t-shirts eligible for purchase?

Consider the purchase of cotton t-shirts. Under "List of Commodity Groupings", t-shirts are included in Chapter 52 Cotton. Go to Chapter 52 in Part I "Aid Commodity Eligibility list". T-shirts fall under "Woven fabrics of cotton (excluding luxury-type fabrics)" number 5208.11.2020-5212.25.0000. The "x" in column 1 indicates that the t-shirts are eligible without any special conditions and procurement is eligible.

## Resources

USAID Commodity Eligibility Listing (May 2014): <https://www.usaid.gov/ads/policy/300/31251m>

Section 3.3 “Restricted Commodities” in ADS Chapter 312 Eligibility of Commodities (November 2015):

<https://www.usaid.gov/ads/policy/300/312>

ADS 312mac Agricultural Commodity Eligibility and requirements relating to Quality and Safety (November 2015):

<https://www.usaid.gov/ads/policy/300/312mac>

### 2.2.3 Are the commodities and services restricted?

A restricted commodity can only be purchased under the award if a prior written approval is obtained before purchase and, if relevant, an applicable waiver has been provided by the AO. Please refer to section 2.4 “Is it necessary to get a waiver?” for more information. Best practice is to request the prior approval in the proposal and ensure that the prior approval is given in the award document. The following commodities are restricted:

- Agricultural commodities
- Motor vehicles
- Pharmaceuticals for humans or animals (essential medicines, vaccines, vitamins, Oral Rehydration Salts, Intravenous (IV) Fluids, Long lasting Insecticidal Nets (LLINs))
- Pesticides
- Used equipment and US Government-owned excess property
- Fertilizer

The Procurement Reform has not completely eliminated the requirement for products originating (mined, grown, produced) or purchased from the US. Consequently, agricultural commodities, motor vehicles and pharmaceuticals are under special source rules and require US manufacture or purchase. For some projects this could mean, that there may be a need for both a prior approval to buy the restricted product and a waiver to purchase a restricted product produced outside of the US.

#### Agricultural commodities

USAID makes an exception to the rules when the purpose is emergency humanitarian assistance provided under International Disaster Assistance authority. For eligibility of agricultural commodities please observe that CEL has been replaced by ADS 312mac Agricultural Commodity Eligibility and requirements relating to Quality and Safety.

#### Motor vehicles

USAID finances the procurement of passenger cars that are necessary for an activity and are not provided by other donors. Vehicles must be manufactured in the US to be eligible for USAID financing, unless a waiver is approved and included in the award. This requirement applies to vehicles that are purchased or obtained under a long-term lease<sup>3</sup> of more than 180 days. Blanket waivers do exist and please refer to the section on waivers for more information.

The definition of a motor vehicle is a self-propelled vehicle with passenger carriage capacity, such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized bicycles, ATVs, and utility vehicles. Important to note is that excluded from this definition are ambulances, snowmobiles, industrial vehicles handling earthmoving, such as lift trucks, tractors, graders, scrapers, off-the-highway trucks (such as off-road dump trucks), boats, and other vehicles that are not designed for travel at normal road speeds (40 km and above).

An exception to the requirement for a US manufactured vehicle is in connection with transportation and driver services, where the driver or company owns or leases or maintains the vehicle. In such situations, the vehicle can be of any source, but the company or service provider owning or leasing the vehicle must meet the nationality requirement.

<sup>3</sup> A long-term lease for the purpose of this section is defined at 22 CFR 228.01, as, specifically, “a) a single lease of more than 180 calendar days; or b) repetitive or intermittent leases under a single award within a one-year period, which cumulatively total more than 180 calendar days.”

**NOTE:** The restrictions apply to the entire item: a vehicle, a motorcycle etc., and purchase of spare parts for the vehicle is not subject to US manufacture.

### **Pharmaceuticals**

If pharmaceuticals are required in the project there is a choice of purchasing with USAID funds and thus follow the USAID guidelines, or procure with private funds under Cost Sharing and thereby through the application of the DCA Procurement Manual. If the latter is possible, the DCA Procurement Manual recommends purchase through a Humanitarian Procurement Centre.

As a restricted commodity, procurement of pharmaceuticals requires prior approval. Furthermore, pharmaceuticals must be procured in the US, unless a waiver is available. A waiver for all USAID financed pharmaceuticals purchased until December 31, 2016 is approved allowing purchase outside of the US. The restricted pharmaceutical commodity approval does not apply to contraceptive pharmaceuticals and an additional approval is required for these.

The approval of the pharmaceutical is determined on a case-by-case basis and is in addition to the special source requirement. The purpose of the approval is to attest the quality of the pharmaceuticals. The approval is given on the quality of a pharmaceutical from a specific manufacturer at a specific manufacturing site, or from a specific procurement agent/wholesaler or other source. A change in the manufacturer, the manufacturing site (even from the same manufacturer), or procurement agent/wholesaler or other source requires a new approval.

USAID approved sources for quality pharmaceuticals are:

- a. Manufacturers approved by a Stringent Regulatory Authority (i.e. USFDA, European Medicines Agency, Health Canada, Japanese Ministry of Health, Labour, and Welfare, and stringent regulatory authorities of member states admitted to the European Union prior to 1996)
- b. Manufacturers inspected and approved by the WHO in compliance with the Good Manufacturing Practices (GMP)
- c. Pharmaceuticals approved by WHO Prequalification of Medicines Programme
- d. Pharmaceuticals procured from UNICEF
- e. Pharmaceuticals procured from prequalified procurement agents/wholesalers approved by USAID.

Purchase of pharmaceuticals from other sources than the above require additional information on quality before they can be approved. Such a process is time consuming and not recommended.

In an emergency situation, USAID may on a case-by-case basis provide approval to obtain pharmaceuticals from a supplier in the Recipient country. Please contact the AO in such instances.

For the purpose of requesting the required approval of the restricted pharmaceutical, please refer to the internal USAID template linked below. The following information is required:

- Generic name
- Strength
- Dosage form
- Specific manufacturer and manufacturing site or procurement agent (as applicable)<sup>4</sup>

The capacity of distributors, and other intermediaries to satisfactorily manage transportation, storage or distribution of the pharmaceutical must be considered in the procurement process. It is not a part of the restricted pharmaceutical approval.

---

<sup>4</sup> Information on the specific manufacturer and manufacturing site is not required if the purchase is through an approved procurement agent.

There is no requirement for a specific procurement procedure and in situations where competition is available, please assign procurement procedures in compliance with the DCA Procurement Manual. Also, the step guide of the DCA Procurement Manual may be helpful, while keeping in mind that USAID requirements to pharmaceuticals supersede the DCA Procurement Manual.

The USAID procurement of pharmaceuticals requires careful planning and please review any USAID material for pharmaceuticals provided in the Request for Application for a given proposal. The documents listed below are good resources and a reading requirement before contacting the AO for further discussions and potential questions.

### Medical supplies and equipment

Medical supplies and equipment are not a restricted commodity and do not require a prior approval. In the proposal, please include name, quantity and price allowing USAID to determine if the inputs are appropriate for the health intervention. The glossary list includes a definition of medical supplies and equipment.

### Resources

ADS Chapter 312 Eligibility of Commodities: <https://www.usaid.gov/ads/policy/300/312>

ADS 312mac Agricultural Commodity Eligibility and requirements relating to Quality and Safety (November 2015): <https://www.usaid.gov/ads/policy/300/312mac>

Special Source Rules in §228.19 in 22 CFR 228 Procurement of Commodities and Services Financed by USAID Federal Program Funds: [http://www.ecfr.gov/cgi-bin/text-dx?tpl=/ecfrbrowse/Title22/22cfr228\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-dx?tpl=/ecfrbrowse/Title22/22cfr228_main_02.tpl)

ADS 312sae Pharmaceuticals and Medical Supplies. An Additional Help Document to ADS chapter 312 (October 2015): <https://www.usaid.gov/ads/policy/300/312sae>

Frequently Asked Questions (FAQs) on ADS 312: Restricted Commodity Approval (October 2013):

[https://www.usaid.gov/sites/default/files/documents/1864/FAQ\\_ADS\\_312\\_3.28.13.pdf](https://www.usaid.gov/sites/default/files/documents/1864/FAQ_ADS_312_3.28.13.pdf)

USAID/OFDA Proposal Guidelines – Pharmaceutical Annex A (December 2015):

<https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20Pharmaceutical%20Annex%20A%20-%20Definitions.pdf>

USAID/OFDA Prequalified Pharmaceutical Wholesalers (January 2014):

[https://scms.usaid.gov/sites/default/files/documents/1866/pharm\\_annex.pdf](https://scms.usaid.gov/sites/default/files/documents/1866/pharm_annex.pdf)

Template for Restricted Commodity approval for Pharmaceuticals (March 2013): <https://www.usaid.gov/what-we-do/global-health/hiv-and-aids/technical-areas/supply-chain-hiv-and-aids-essential-health#section4>

USAID/OFDA Essential Medicines List (March 2016):

<https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20EML%20March%202016.pdf>

### 2.2.4 Do the source and nationality regulations apply to this purchase?

Source and nationality requirements apply to procurement by DCA and partners with USAID funds under USAID Grants, Cooperative Agreements and contracts. Other US government agencies may also on occasion include source and nationality matters with specific language in Grants and Cooperative Agreements, and it is important to carefully review award documents for any restrictions.

The source refers to the country from which an item is shipped to the Recipient country. It also refers to the Recipient country itself if the item is located in that country at the time of the purchase, irrespective of the place of manufacture or production. Under no circumstances can an item be shipped from a prohibited source<sup>5</sup> country. If an item is shipped from a free port or bonded warehouse in the form in which it was received, source means the country from which the item was shipped to the free port or bonded warehouse. Please refer below to *Example 2: Spare parts under Geographic Code 937* for an illustration of source.

**NOTE:** The source regulations cannot be circumvented by arranging for suppliers in the Recipient country to import goods and services from non-eligible source countries in an attempt to make the source eligible.

<sup>5</sup> Note that “prohibited sources” is a list of countries that for policy reasons are deemed ineligible for procurement and does not have the same meaning as the word “source” in ADS 310 and 22CFR228.

The nationality refers to the place of legal organisation, ownership, citizenship, or lawful permanent residence of suppliers of commodities and services. This means that an individual must be a citizen or a permanent resident of an eligible country, and a company must be incorporated in an eligible country with a place of business in such country. Furthermore, a company must employ more than 50% of eligible staff in full time position and management positions. Foreign government controlled companies are not eligible and under no circumstances can nationality be from a prohibited source country.

Unless other written instructions or approvals from the AO are given, the key to the source and nationality requirement is to procure from countries identified in the award by the authorized geographic code. In addition to that, it is important to know the exceptions and never to buy from foreign policy restricted countries. There are exceptions to the source and nationality requirements, which do not apply to:

- Private funds under Cost Share
- Program Income under the award
- Individual transactions below USD 25,000 (excluding restricted goods and transportation)
- Contractor's employees or experts under a service contract
- Commissions paid by suppliers
- Bonds and bank guarantees issued by banks and insurance companies
- Liability insurances under construction contracts
- Export packing and loading
- Commodity inspection services
- Freight forwarder services
- Incidental services in connection with equipment e.g. installation, erection, maintenance, upgrading and training of employees by contractors and individuals providing technical or professional services to recipients
- Short-term single or repetitive leases of a combined 180 calendar days or less

#### Resources

22CFR228 Subpart B – Conditions Governing Source and Nationality of Commodity and Service Procurement Transactions for USAID Financing: <https://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf>

ADS 310mac List of Prohibited Source Countries (February 2012):  
<https://www.usaid.gov/sites/default/files/documents/1864/310mac.pdf>

#### 2.2.5 Will the purchase comply with the authorized geographic code?

If the source and nationality requirements apply, the next question to ask concerns the geographic code. It is important to understand the fundamentals of the geographic code and how to apply it. For procurement planning purposes, it is necessary to know the geographic code early on. This is to ensure the eligibility of the goods and services planned when the award is approved.

The geographic code identifies the countries from which goods can be sourced and the eligible nationality of the suppliers. Consequently, the geographic code identifies how we can fulfil the source and nationality requirements. Sometimes the code is included in the RFA or award.



**The USAID Principal Geographic Codes:**

Code	Conditions
<b>937</b>	<ul style="list-style-type: none"> <li>• Default code or</li> <li>• If no geographic code is specified in the award or</li> <li>• If the procurement element<sup>6</sup> is &gt; USD 250,000</li> </ul>
<b>935</b>	<ul style="list-style-type: none"> <li>• If a waiver is approved or</li> <li>• If the procurement element is ≤ USD 250,000</li> </ul>
<b>110</b>	<ul style="list-style-type: none"> <li>• Procurement under the Support for Economic and Democratic Development of the Independent States of the former Soviet Union</li> </ul>

There are three Principal Geographic Codes: 937, 935 and 110. Their conditions are summarized in the table above. Code 937 is the default code unless otherwise instructed in the award or a waiver is approved. Please note that code 937 does not include any European or industrialized countries, with the exception of the United States. It is possible to purchase goods and services of an advanced developing country under code 937 when:

- The procurement is for a USAID program in that advanced developing country
- A waiver is approved
- The goods and services are available for purchase on the local market so long as such goods or services are of recipient country source or nationality. This is possible because the procurement reform has eliminated the origin restriction. It is not allowed to circumvent this rule by arranging for suppliers in an authorized country to import goods and services from a country outside of the authorized geographic code.

When procuring for a total of less than USD 250,000 or when a waiver is approved, code 935 is applicable. Code 935 is the least restrictive code and called "Special Free World". It includes all countries with the exception of prohibited source countries and U.S Foreign Policy Restricted countries.

**Countries eligible under a Geographic Code:**

Countries	937	935
United States	Yes	Yes
Recipient Country	Yes	Yes
Developing Countries	Yes	Yes
Advanced Developing Countries	No	Yes
OECD/DAC members (EU, Australia, Canada, Iceland, Japan, New Zealand, Norway, South Korea and Switzerland)	No	Yes
Prohibited Source Countries and US Foreign Policy restricted countries	No	No

**NOTE:** Inclusion of a country in a particular geographic code does not authorize procurement in violation of any US law or regulation, such as OFAC sanctions included in section 2.2.6 below.

<sup>6</sup> The "procurement element" includes all goods (e.g. equipment, materials and supplies) and services. It is calculated at the time of signature

### Establishing the Geographic Code

For Procurement Officers new to working with USAID it might be useful to refer to the below list of steps in establishing the Geographic Code at time of planning:

Step	Task
1	Estimate the total procurement element of all goods e.g. equipment, materials, supplies and services
2	If the procurement element is above USD 250,000 proceed to plan with code 937 If the procurement element is below USD 250,000, proceed to plan with code 935
3	Identify and print list of eligible countries under the authorized code. They are available from the links below
4	Check that the planned project inputs can be sourced from those countries
5	Check that the suppliers are available with registered nationality in those countries
6	If the required project inputs or suppliers are not available from the authorized geographic code, find alternatives or proceed to apply for a waiver
7	Upon receipt of the award, validate the geographic code and calculate and document the total procurement element during the life of the award

#### Example: Spare parts under Geographic Code 937

As an example, consider a USAID funded project taking place in Malawi. The total procurement element of the project is more than USD 250,000, thus the applicable geographic code is 937. The Recipient plans to use its own fleet of Toyota vehicles in the project and is budgeting for spare parts for vehicle maintenance. The market survey establishes that the spare parts are produced in Japan (an ineligible country as per above table) and are available on the market from suppliers in Malawi as well as neighbouring countries.

As per USAID guidelines, spare parts are a non-restricted item and can freely be purchased without prior approval. Under geographic code 937, the Recipient country and the neighbouring development countries are eligible. Consequently, the spare parts can be sourced (shipped, delivered) from Malawi and the neighbouring developing countries from suppliers that are registered in those countries.

The fact that the spare parts are produced in Japan has no bearing on the source and nationality as the origin requirement has been eliminated. However, had the spare parts not been available in the Malawian market, it would not be allowed to instruct the Malawian company to import the spare parts directly from Japan, as Japan is an ineligible source under code 937. This would be considered circumvention of the rule.

### Resources

M6 USAID Eligibility Rules for Procurement of commodities and services (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

22CFR228 Subpart B – Conditions Governing Source and Nationality of Commodity and Service Procurement Transactions for USAID Financing: <http://www.ecfr.gov/cgi-bin/text-idx?SID=b942964fe65296d6f0369905ec885e0f&mc=true&node=sp22.1.228.b&rgn=div6>

ADS 310 Source and Nationality Requirements for Procurement of Commodities and Services Financed by USAID (March 2012): <https://www.usaid.gov/sites/default/files/documents/1876/310.pdf>

ADS 260 Geographic Codes (August 2012): <https://www.usaid.gov/sites/default/files/documents/1868/260.pdf>

ADS 310mac List of Prohibited Source Countries (February 2012): <https://www.usaid.gov/sites/default/files/documents/1864/310mac.pdf>

ADS 310maa List of Developing countries (February 2012): <https://www.usaid.gov/sites/default/files/documents/1876/310maa.pdf>

ADS 310mab List of Advanced Developing Countries (February 2012):

<https://www.usaid.gov/sites/default/files/documents/1876/310mab.pdf>

US Department of the Treasury Sanctions Programs and Country Information: <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

### 2.2.6 Is the supplier eligible?

The Recipient and Sub recipient are prohibited from doing business with ineligible suppliers, unless prior approval is received from the AO. Therefore, it is relevant to establish that the suppliers under the award are eligible and not suspended or debarred by the US Government. Furthermore, the Recipient and Sub recipient must not have transactions with, or provide resources or support to individuals and organisations associated with terrorism, including those appearing on the Specially Designated Nationals and Blocked Persons List maintained by the US Treasury or the United Nations Security designation list.

To ensure compliance under simple and negotiated procedure it is important to avoid the invitation of ineligible suppliers and the check must take place so early as to avoid that. To ensure compliance under local and international open tender please check the suppliers as part of the administrative requirements. Eligibility is established by searching the below databases and documenting the findings.

- System for Award Management (SAM)
- Master list of Specially Designated Nationals and Blocked Persons maintained by the US Treasury's Office of Foreign Assets Control (OFAC)
- United Nations Security Council (UNSC) sanctions committee established under UNSC Resolution 1267

Commercial companies including non-profit organisations with a foreign government controlling interest are not eligible as suppliers, unless they have been approved through a waiver. Please refer to section 2.4 on waivers.

### Resources

System for Award Management (SAM): <https://www.sam.gov>

Master list of Specially Designated Nationals and Blocked Persons maintained by the US Treasury's Office of Foreign Assets Control (OFAC): <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

United Nations Security Council (UNSC) sanctions committee established under UNSC Resolution 1267 (1999) (the "1267 Committee"): [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

M12 Debarment and Suspension (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

M14 Preventing Terrorist Financing in Standard Provisions for Non-US Nongovernmental Organisations (August 2013): <https://www.usaid.gov/ads/policy/300/303mab>

### 2.2.7 Will the purchase comply with the ocean transportation regulations?

The USAID ocean transportation regulations are applicable when DCA or partners ship goods purchased or financed with USAID funds. Consequently, this question is relevant if the procurement plan includes goods that will require transport by sea to the Recipient country. This applies to all project shipments by sea including shipments between non-US destinations. Shipment of goods purchased or financed by USAID requires the use of a vessel sailing under a US flag unless a foreign-flag vessel is approved through a waiver.

Consequently, if the market survey has identified that there is a need for ocean shipment of any of the items in the procurement plan, it is required to contact the USAID office below before any agreement is made with the shipping company. The purpose of the contact is to determine the flag and class of the vessel to be used for the shipment.

US Agency for International Development,  
Bureau for Management  
Office of Acquisition and Assistance, Transportation Division  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523-7900

Email: [oceantransportation@usaid.gov](mailto:oceantransportation@usaid.gov)

As the time to obtain a waiver can vary from 2 weeks to 6 months it is advisable that the need for a waiver is identified in the planning phase and the request is submitted as early as possible and preferably with the proposal.

Before approaching USAID with a request for a waiver, please ensure that the request is based on one of the below conditions, which the AO will consider the request against. They are described in full in CFR 228.56.

- a. Non-availability of a US flag
- b. The use of a US flag increases costs unreasonably
- c. The use of a US flag will result in a significant delay

#### Resources:

RAA9 Ocean Shipment of Goods in Standard Provisions for Non-US Nongovernmental Organisations (June 2012): <https://www.usaid.gov/ads/policy/300/303mab>

CFR 228.55 Delivery services (4-1-11 edition): <https://www.gpo.gov/fdsys/pkg/CFR-2011-title22-vol1/pdf/CFR-2011-title22-vol1-sec228-55.pdf>

ADS 314 Eligibility of Delivery Services (August 2012): <https://www.usaid.gov/sites/default/files/documents/1876/314.pdf>

#### 2.2.8 Will the purchase comply with the Fly America Act restrictions?

This provision is applicable if the procurement plan includes items, which require air shipment, and the items are not funded with Cost Share or Program Income. The purchase is eligible for USAID funding if the international air transportation of the cargo meets the Fly America Act. This means that for all international air transportation including those between the US and a non-US destination and between two destinations outside of the US the cargo must be transported on a US flag air carrier<sup>7</sup> or use the code-share arrangement that the US flag carrier has with the non-US flag carrier. This is the case except when applying one of the below listed reasons or other exceptions under the Fly America Act.

1. The transportation is with a non-US flag carrier from a country that has signed one of the four Open Skies agreements. For example with an airline from a country in the European Union (EU), operating from an EU country, which has signed the US-EU Open Skies agreement.
2. Travel to or from one of the following countries on an airline of that country when no city pair fare<sup>8</sup>, is in effect for that leg:
  - Australia on an Australian airline,
  - Switzerland on a Swiss airline or
  - Japan on a Japanese airline
3. No US flag air carrier provides service on a particular leg of the route
4. For a trip of 3 hours or less, the use of a US flag air carrier at least doubles the travel time
5. If the US flag air carrier offers direct service, use of the US flag air carrier would increase the travel time by more than 24 hours; or
6. If the US flag air carrier does not offer direct service,

<sup>7</sup> ) "US Flag Air Carrier" means an air carrier on the list issued by the US Department of Transportation at [https://ntl.custhelp.com/app/answers/detail/a\\_id/185/~list-of-us-certificated-air-carriers](https://ntl.custhelp.com/app/answers/detail/a_id/185/~list-of-us-certificated-air-carriers). US Flag Air Carrier service also includes service provided under a code share agreement with another air carrier when the ticket, or documentation for an electronic ticket, identifies the US flag air carrier's designator code and flight number.

<sup>8</sup> The City Pair Program (CPP) offers fares considerably lower than comparable commercial fares. Airline City Pairs are found by using the CPP Search Tool: <http://cpsearch.fas.gsa.gov/>. (Note: If the link does not work in Chrome, try it in Internet Explorer)

- Use of the US flag air carrier increases the number of aircraft changes by 2 or more
- Use of the US flag air carrier extends travel time by 6 hours or more, or
- Use of the US flag air carrier requires a layover at an overseas interchange of 4 hours or more

Please note that the exception to the use of a US flag carrier is not based on the cost of the ticket.

Exception #1 means that using an air carrier of a country that is signatory to the EU Open Skies agreement on a leg allowed by the Open Skies agreement is equally compliant with the Fly America Act as using a US flag carrier, whether or not a US flag carrier flies the same leg. Consequently, the EU Open Skies agreement expands the options for Fly America-compliant carriers to include flag carriers of signatory countries, whenever they are available.

A written waiver and prior approval are not required and DCA and partners are allowed to move forward with foreign-flag carriers while documenting the use of one of the above exceptions. The documentation of the exceptions do not pertain to why we use the option, but instead which option we utilize. Consequently, if option #1 is used, the file will include the air waybill (AWB) or the ticket, which documents the airline number/name of the US-EU Open Skies agreement and that we are using option #1.

#### **Example: air transportation**

Example 1: a person traveling from Dublin, Ireland to Addis Ababa, Ethiopia on board a Lufthansa airline via Frankfurt. This travel is eligible through exception #1 under the Fly America Act since Lufthansa is an EU airline signatory to the US-EU open skies agreement.

EU Open Skies airlines are treated the same as a US airline. This covers flights to and from the US, including between two destinations outside the US and also to and from the US from EU or any other non-US point.

Example 2: an airlift of goods from Billund, Denmark to Bujumbura, Burundi with Ethiopian Airlines. This airfreight is eligible through exception #3, as our freight forwarder has documented that there is no US air carrier available and the selected option meets the cost principles.

Please note that the USAID regulations states that it is not enough to comply, and any time a valid exception is used it must be documented with the flight information, lack of service, etc.

#### **Resources**

Fly America Act and the Open Skies Agreements: <http://www.gsa.gov/portal/content/103191>

US-EU Open Skies agreement (June 2011): <http://www.state.gov/e/eb/rls/othr/ata/i/ic/170684.htm>

41 CFR 301-10.135 – When must I travel using US flag air carrier service:

<https://www.law.cornell.edu/cfr/text/41/301-10.135> or [http://www.ecfr.gov/cgi-bin/text-idx?SID=df294381bca60544522113a95982084d&mc=true&node=pt41.4.301\\_610&rgn=div5%20-%20se41.4.301\\_610\\_1135#se41.4.301\\_610\\_1135](http://www.ecfr.gov/cgi-bin/text-idx?SID=df294381bca60544522113a95982084d&mc=true&node=pt41.4.301_610&rgn=div5%20-%20se41.4.301_610_1135#se41.4.301_610_1135)

More information on allowable fares under Fly America Act: <http://lostinregulation.blogspot.ch/2014/09/fly-america-act-and-allowable-airfares.html>

M2 Accounting, Audit and Records (Dec 2012): <https://www.usaid.gov/ads/policy/300/303mab>

RAA8 Travel and International Air Transportation (Dec 2014) in Standard Provisions for Non-US

Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

City pair fare: <http://www.gsa.gov/portal/content/104512>

## **2.3 IS PRIOR APPROVAL REQUIRED AND AVAILABLE?**

The Recipient must ensure that costs are eligible (reasonable, allocable and allowable) in compliance with the applicable cost principles, resulting in costs being reimbursable by USAID. To avoid disallowance of costs, prior approval is required for the procurement of items that USAID designates as requiring prior approval. Please request

prior approval as a part of the proposal and please ensure that the award specifically states prior approval is provided as part of the terms and conditions of the award.

A prior written approval is obtained from the AO as required by the applicable cost principles. Among others, prior approval is required for all restricted items and for equipment. Equipment is defined as *a tangible personal property (including information technology systems) financed by USAID with a useful life of more than one year, and a purchase cost of USD 5,000 or more per unit*. For supplies, no prior approval is required unless it is a restricted item.

Prior approval is of interest to procurement because an item defined as restricted or equipment such as a vehicle or generator with a unit price above USD 5,000 could be a part of the planned project inputs.

**Example: Prior approval for equipment**

An organisation is implementing a project in Country A. The project budget includes a car (\$23,000) and a generator (\$8,000). The award document includes a section stating: "Prior approval is hereby provided for the purchase of one motor vehicle and one generator". As part of her orientation when she joined the organisation, the newly hired procurement officer, has been given a manual of the USAID regulations. Unsure about the approval process the procurement officer asks the project director to explain the prior approval process. The project director explains, "we do not need to get prior approval just go ahead with the procurement". The procurement officer proceeds to buy the generator and the car using a competitive process.

Six months later, the project expands to another province in the same country. The expansion requires the purchase of an additional car and generator. The procurement officer, who is still not officially trained, remembers the conversation she had with the project director specifically, that she had been told "we do not need to get prior approval", and proceeds to purchase the car and generator without obtaining prior approvals from USAID.

The annual audit report had a finding, "Unauthorized procurement of equipment. No prior approval obtained. Costs disallowed."

When the project director told the procurement officer that she did not need to get prior approval for the purchase, what the Director meant was that the prior approval was available as part of the award, and they did not need to go through the process of obtaining prior approval. The procurement officer misunderstood and thought that prior approval was not needed at all for the procurement of such items as cars and generators.

In summary, for all procurements we must ask: (1) do we need prior approval and (2) do we have the prior approval if it is needed?

**Example: Prior approval for a restricted item**

The request for prior approval for a restricted item is similar to that for an equipment item. However, with the restricted item the project might also be requesting a waiver from the restrictions. That is a separate issue, and the process might mean that two separate approvals are being requested.

For example, take the purchase of a car. Cars are obviously motor vehicles, which are restricted items. The restriction on motor vehicles is that they require prior approval and they must be US manufactured. To request prior approval submit a request to the AO stating why the project needs the item, its intended use, and estimated cost. This relates only to the authorization to purchase.

If the project has decided against the purchase a US manufactured vehicle and instead have decided that they want to purchase a Toyota, the project would need to obtain a waiver. The request for the waiver would go through the AO. The request would include justification for requesting the waiver based on the three options allowed in 22 CFR 228.30, please refer below.

The project can either submit two separate requests for the approval and waiver or combine the two requests into one document. If they do the latter, please remember to specifically ask for the two items to be provided in USAID's request, i.e. their response must specifically state that (1) prior approval is being provided for procurement and (2) that a waiver is being provided.

**Resources**

M7 Title to and Use of Property (June 2016): <https://www.usaid.gov/ads/policy/300/303mab>

M1 Allowable costs (June 2016) in Standard Provisions for Non-US Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

2 CFR 200.313 Equipment (Dec 2014): <http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1.5&rgn=div6>

2 CFR 200.407 Prior approvals Sub part E - Cost Principles. Only Subpart E is mandatory to Non-US organisations (December 2014): <http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1.5&rgn=div6>

**2.4 IS IT NECESSARY TO GET A WAIVER?**

When an exception to the USAID rules is required, the waiver guidelines in this Guide are applicable. When an exception to the DCA Procurement Manual is required, the derogation guidelines in the DCA Procurement Manual apply.

To accomplish project objectives, USAID may under certain conditions waive the rules contained in the Standard Provisions. In such an instance and to secure a smooth, efficient and compliant process, please request a waiver in advance of a purchase and during the planning phase to be included with the application. This will allow for the inclusion of the applicable waiver in the award and save the potential substantial processing time. The waiver may be requested and approved in writing from the appropriate USAID Agreement (AO) or Contracting Officer (CO).

For any waivers approved, the principal geographic code is 935 with the exception of prohibited sources and restricted commodities under special rule. Waivers of special rule for restricted goods are discussed below. A waiver of source is also a waiver of nationality. Waiver criteria are outlined in 22 CFR 228 Subpart D, which specifies that all waivers must be in writing and decisions made on the below basis:

Geographic code waivers allowing procurement outside of code 937 and 110 must be based on a case by case determination that;

1. The project requires commodities and services of the type that are not produced in or available for purchase in code 937 or 110. The decision may be based on:
  - a. Unavailability of sufficient, reasonable and available quantities or sufficient and reasonable quality that is fit for the intended purpose



- b. For an identical or substantially similar commodity or service, it is possible to request such a waiver on the basis of an item, a type or a category and receive an approval on a regional, country or program basis.
2. It is important to allow procurement outside of code 937 or 110 to meet unforeseen circumstances such as an emergency
3. To meet and / or promote efficiency in the use of USAID resources

A restricted goods waiver to authorize procurement from outside the United States of agricultural commodities, motor vehicles and pharmaceuticals under special rule must meet the requirements of 22 CFR 228.19 and the procedures in ADS 312 Eligibility of Commodities. Please refer below for more information.

#### **Waiver of special rule for an agricultural commodity**

Certain agricultural items must be procured in the US if the domestic price is below the parity price. USAID may approve non-US procurement if the commodity could not reasonably be purchased in the US in fulfillment of the objectives of the particular assistance program. USAID establishes if there is a parity price and if the project is in need of a waiver. If the project requires agricultural items it is always recommended to discuss the requirement with the AO.

#### **Waiver of special rule for motor vehicles**

The requirement to purchase or lease only US-manufactured motor vehicles may be waived on a case by case basis when special circumstances exist and those special circumstances are supported by market research and adequate documentation. Special circumstances that merit waiving the requirement include, but are not limited to:

1. The inability of US manufacturers to provide a particular type of needed motor vehicle;
2. The present or projected lack of adequate service facilities and supply of spare parts for US-manufactured motor vehicles in the country or region within a country where the vehicle will be used; or
3. An emergency requirement for motor vehicle(s) that can be met in time only by purchase of non-US-manufactured motor vehicle(s) and for which no non-USAID funds are available.

Please note that higher costs associated with procuring a US-manufactured motor vehicle and delays in receipt associated with shipping a US-manufactured motor vehicle to a recipient country are not special circumstances. In the event of shipping delays, DCA and partner may use short-term leases of motor vehicles or contract other transportation until receipt of the US-manufactured motor vehicle.

USAID has a blanket waiver in place and it applies as follows:

- RHD motor vehicles. Market research and experience indicate that the only US-manufactured RHD motor vehicles currently available are the Jeep Cherokee and Jeep Wrangler. When program activities require a RHD motor vehicle, only US-manufactured Jeep Cherokees or Jeep Wranglers are eligible for purchase or lease, unless the implementer or Mission determines that the Jeeps are not adequate for project demands. For example, a program activity may require a RHD motor vehicle with greater cargo space and/or passenger capability (that is, a cargo or passenger van), or may require a smaller sedan car with greater fuel efficiency. Also, the waiver applies where there is a lack of adequate service facilities and/or spare parts for the US-manufactured Jeeps in the country or region within a country where the motor vehicle will be used; and
- Lightweight and medium weight (below 600 cubic centimetres (cc)) two-wheel and three-wheel motor vehicles. Currently, US-based Rokon is the only known manufacturer of lightweight/medium weight motorcycles in the United States. When program activities require a lightweight/medium weight motorcycle, only US-manufactured Rokon models are eligible for purchase or lease, unless they determine that they are not suitable or adequate for project demands. Rokons are all-terrain motorcycles built for rugged terrain, which may be suitable for some applications in the field. However, in other cases such as more urban use, Rokon motorcycles are not well-suited

to project demands. Additionally, the waiver applies where there is a lack of adequate service facilities and/or spare parts for Rokon motorcycles in the country or region within a country where the vehicle will be used.

#### **Waiver of special rule for pharmaceuticals**

For pharmaceuticals, a source-nationality waiver for all USAID financed pharmaceuticals purchased from February 1, 2011 until December 31, 2016 is available; therefore, an additional source-nationality waiver is not required. Accordingly, the Geographic Code 935 is the authorized code and includes all countries except foreign policy restricted countries.

#### **Waiver of special rule for Construction and Engineering Services**

There are special rules on procurement under construction contracts with non-US owned local firms for construction contracts for USD 10 million or less. A local firm will be eligible if USAID determines it to be an integral part of the local economy. Please consult regulation 22 CFR 228.14 and 228.17. It is possible to obtain a waiver to authorize procurement of construction and engineering services from advanced developing countries which have attained a competitive capacity in international markets.

#### **Waiver to make Government-owned Organisations eligible**

Commercial companies including non-profit organisations with a foreign government controlling interest are not eligible as suppliers unless they have been approved through a waiver. Waivers to make government-owned organisations eligible for financing as discussed in 22 CFR 228.13 must comply with the waiver requirement at the beginning of section 2.3.

#### **Resources**

22 CFR 228 Subpart B (January 2012) – Conditions Governing Source and Nationality of Commodity and Service Procurement Transactions for USAID Financing: <https://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf>

ADS 310 Source and Nationality Requirements for Procurement of Commodities and Services Financed by USAID (June 2012): <https://www.usaid.gov/sites/default/files/documents/1876/310.pdf>

Section 3.4 in ADS Chapter 312 Eligibility of Commodities (Oct 2015): <https://www.usaid.gov/sites/default/files/documents/1876/312.pdf>

ADS 310mac List of Prohibited Source Countries (June 2012): <https://www.usaid.gov/sites/default/files/documents/1864/310mac.pdf>

ADS 310maa List of Developing Countries (June 2012): <https://www.usaid.gov/sites/default/files/documents/1876/310maa.pdf>

ADS 310mab List of Advanced Developing Countries (June 2012): <https://www.usaid.gov/sites/default/files/documents/1876/310mab.pdf>

## **2.5 CAN THE PURCHASE BE FINANCED USING COST SHARE OR PROGRAM INCOME?**

Cost Share, or co-financing in DCA terminology, is cash and in-kind contributions from non-US Government sources. This includes project costs incurred by the Recipient from its own funds or project costs financed with cash, services, or property contributed or donated to the Recipient from other non-US Government sources, including sub recipients.

The information on Cost Share is included in this Guide to draw attention to the degree of flexibility this provision provides regarding the eligibility rules for procurement. The flexibility derives from the condition that source, nationality and restricted goods requirements as described in this Guide do not apply to Cost Share expenditures.

Consequently, should a situation arise where it is not possible to meet the USAID requirements of source, nationality and restricted goods and it is not possible to obtain a required waiver from USAID for a purchase, the Cost Share provision presents an option to proceed with the planned items funded with the Cost Share part of the award. To illustrate, please imagine that the project plans to purchase maize, which is an agricultural product and thus a

restricted goods. It therefore must be purchased from a US source unless a waiver is obtained. For various reasons it is not possible to obtain a waiver to allow for the purchase of maize in the Recipient country. In such an instance, this provision for Cost Share makes it possible to proceed with the purchase of maize while using non-US funds to finance the purchase. It is a last resort because it likely means that DCA will need to fund this element of the project, unless the project includes a non-US government donor.

Furthermore, in the event of any disallowance of expenditures from USAID award funds, the Recipient may substitute expenditures made with funds provided from non-US funds, provided they are eligible in accordance with the list of criteria in Standard Provisions RAA14.

#### **Resource**

RAA14 Cost Share (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations:

<https://www.usaid.gov/ads/policy/300/303mab>

## **2.6 IS IT MORE ECONOMICAL AND PRACTICAL TO LEASE OR PURCHASE?**

USAID instructs that wherever appropriate, the Recipient must determine the most economical and practical means by which to accomplish program objectives. The purpose is to maximize the use of the available funds and to ensure the best value is obtained. This includes the necessity of the commodities or services, lease or purchase options, and if the costs are reasonable. To help with the analysis of lease and purchase alternatives, please refer to the explanations and flow chart in Annex US3 – Leasing vs. Purchase below.

#### **Resource**

M5 Procurement Policies (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations:

<https://www.usaid.gov/ads/policy/300/303mab>

## **2.7 IS IT PRACTICAL TO INVITE US SMALL BUSINESSES?**

USAID instructs that the Recipient must conduct procurement to exhibit fair and unbiased competition, and this includes among other things the encouragement to use US Small Businesses whenever practical.

To make this possible, steps must be taken to include the US Small Business on the List of suppliers and candidates (General Annex 13), to create sub lots to permit the highest degree of participation and to establish delivery schedules that encourages these type of businesses to participate.

A situation where this could be relevant is the purchase of restricted goods, which requires US source. Whether it is practical is to be established in each project. To invite US Small Businesses it is necessary to make information about the business opportunity available to these entities. This can be done by using General Annex 11 - Business Opportunity/Tender Notice and submit it to:

#### **Office of Small and Disadvantaged Business Utilization (OSDBU/MRC)**

Agency for International Development  
Mauricio Vera, Director, OSDBU  
Ronald Reagan Building, USAID/OSDBU/MRC  
1300 Pennsylvania Avenue, NW, Room S.8C  
Washington, DC 20523-5800  
Email: [mvera@usaid.gov](mailto:mvera@usaid.gov)

#### **Resources**

M5 Procurement Policies (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations:

<https://www.usaid.gov/ads/policy/300/303mab>

2 CFR 200.321: Contracting with small and minority businesses, women's business enterprises and labour surplus area firms: [http://www.ecfr.gov/cgi-bin/text-idx?SID=5e85ebf96c4dbc4262b55190c3b55bea&mc=true&node=pt2.1.200&rgn=div5%23se2.1.200\\_10#se2.1.200\\_1321](http://www.ecfr.gov/cgi-bin/text-idx?SID=5e85ebf96c4dbc4262b55190c3b55bea&mc=true&node=pt2.1.200&rgn=div5%23se2.1.200_10#se2.1.200_1321)

The DCA Procurement Manual (password required):

<https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual>

## 2.8 IS THE PLANNED PURCHASE A CONSTRUCTION?

For projects planning the implementation of Works contracts there are two aspects to be aware of as outlined below.

### **Construction procurement valued at more than USD 100,000**

For Works contracts valued at more than USD 100,000 it is mandatory to consider the use of a relevant bonding requirement. Bonding is an insurance agreement guaranteeing repayment for financial loss caused to the Recipient by the act or failure to act by the contractor. The bonding options used by DCA are included in the DCA Procurement Manual section 9.3 Prepayment, Tender and Performance Guarantees.

### **Construction procurement with foreign-owned local firms**

For Works contracts of USD 10 million or less, foreign-owned local firms are eligible if USAID determines the company to be an integral part of the local economy. However, first USAID will determine, if no US construction company with the required capability is currently operating in the Recipient country or, if there is such a company, that it is not interested in bidding for the proposed contract. Consequently, whenever there is planned procurement of Works contracts below USD 10 million, please ensure that US construction companies from the Recipient country are invited to solicit a bid. For waiver options, please refer to section 2.4.

### **Resources**

M5 Procurement Policies (June 2012) in Standard Provisions for Non-US Nongovernmental Organisations:

<https://www.usaid.gov/ads/policy/300/303mab>

Section 9.3 in the DCA Procurement Manual (5Ed April, 2016): <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual/procurement-manual-4th-edition>

22 CFR 228.14 (4-1-14 edition) – Construction procurement with foreign-owned local firms:

<https://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf>

## 2.9 IS THE PURCHASE DOCUMENTED AND READY FOR AUDIT?

All donor projects are subject to immediate audit by donors, and it is important to keep the procurement files up-to-date at any given time. From an auditor's perspective, unless it is documented, it did not happen. Consequently, it is important to document all decisions and steps in the procurement process. The procurement documentation must comply with the requirements in the DCA Procurement Manual.

Procurement records must be retained for a period of 3 years from the date of submission of the final expenditure report or if equipment disposition is required, from the time of final disposition. If the legal requirement of the receiving country is longer, the records must be retained to meet that requirement. It is recommended to note the retention period in General Annex 18 – Procurement Documentation Template. To minimize the risk consider destroying the files at the end of the retention period, as USAID auditors will have access to the records for as long as they exist.

DCA decides the format of the records and 2 CFR 200 allows for electronic records to be kept without any further approval.

The DCA standard terms and conditions for Supply, Service and Works provide for the Contracting Authority's right to check and audit all documents related to the Contract, and give the same right to the funding agency. If this requirement needs emphasizing, it is possible to add access by auditors as a condition in the Purchase Order/Contract as a special clause.

DCA is audited based on the USAID requirements including the DCA Procurement manual and DCA's implementing parts are audited based on their status as non-US or US organisation.

**Resources**

Section 5 in the DCA Procurement Manual (5Ed April, 2016): <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual/procurement-manual-4th-edition>

M2 and M5 (June 2012) in Mandatory Standard Provisions for Non-US Nongovernmental Organisations: <https://www.usaid.gov/ads/policy/300/303mab>

2 CFR 200.318(i) minimum procurement records; 2 CFR 200.333 retention requirements for records; 2 CFR 200.335 Methods for collection, transmission and storage of information; 2 CFR 200.336 Access to records [http://www.ecfr.gov/cgi-bin/text-idx?SID=5e85ebf96c4dbc4262b55190c3b55bea&mc=true&node=pt2.1.200&rgn=div5%23se2.1.200\\_1334](http://www.ecfr.gov/cgi-bin/text-idx?SID=5e85ebf96c4dbc4262b55190c3b55bea&mc=true&node=pt2.1.200&rgn=div5%23se2.1.200_1334)

### 3 ABBREVIATIONS

AAPDs:	Acquisition & Assistance Policy Directives
ADS:	Automated Directives System
AIDAR:	Aid Acquisition Regulations
AO:	Agreements Officer
AWB:	Air Way Bill
CEL:	Commodity Eligibility Listing
CIB:	Contract Information Bulletin
CFR:	Code of Federal Regulations
CPP:	City Pair Program
DCA:	DanChurchAid
EU:	European Union
FAR:	Federal Acquisition Regulations
IPR:	Implementation and Procurement Reform
NGO:	Non-Governmental Organisation
OECD:	Organisation for Economic Co-operation and Development
OMB:	Office of Management and Budget
OFAC:	Office of Foreign Assets Control
OFDA:	The Office of U.S. Foreign Disaster Assistance
RAA:	A section in the Required as Applicable Standard provision for Non-US organisations
RFA:	Request for Application
SAM:	System for Award Management
SRA:	Stringent Regulatory Authority
UNICEF:	United Nations International Children's Emergency Fund
USAID:	United States Agency for International Development
US:	United States of America
USFDA:	United States Food and Drug Administration

## 4 GLOSSARY

Term	Definition
<b>Automated Directives System (ADS)</b>	The ADS contains the organisation and functions of USAID, along with the policies and procedures that guide the Agency's programs and operations. It consists of over 200 chapters organized in six functional series: Agency Organisation and Legal Affairs, Programming, Acquisition and Assistance, Human Resources, Management Services, and Budget and Finance. The information is continuously updated to align USAID's policies with the latest Federal regulations, Administrator policy statements, and other overarching guidance.
<b>Aid Acquisition Regulations:</b>	The AIDAR is USAID's Acquisition Regulation supplementing the FAR (48 CFR Chapter 1) and is published as Chapter 7 of Title 48, Code of Federal Regulations. The AIDAR is applicable to U.S. Nongovernmental Organisations, only.
<b>Acquisition &amp; Assistance Policy Directives (AAPDs) and Contract Information Bulletins (CIBs):</b>	AAPDs serve as official sources for the latest updates in acquisition and assistance (A&A) policy and requirements. AAPDs provide information of significance including, but not limited to, advance notification of changes or implementation of new requirements to A&A regulations and procedures.
<b>Assistance:</b>	Financial support to accomplish a public purpose, including Grants, Cooperative Agreements and other agreements in the form of money, or property in lieu of money, by the Federal government to an eligible recipient.
<b>Agreement Officer (AO):</b>	A person with the authority to enter into, administer, terminate and closeout assistance agreements, and make related determinations and findings on behalf of USAID. An Agreement Officer can only act within the scope of a duly authorized warrant or other valid delegation of authority. The term "Agreement Officer" includes persons warranted as "Grant Officers." It also includes certain authorized representatives of the Agreement Officer acting within the limits of their authority as delegated by the Agreement Officer.
<b>Agreement Officer's Technical Representative (AOTR):</b>	The individual who performs functions that are designated by the Agreement Officer, or is specifically designated by policy or regulation as part of contract or assistance administration.
<b>Air waybill (AWB):</b>	Official shipping document that travels with a shipment and identifies its consignor, consignee, origin and destination, describes the goods, and shows their weight and freight. Prepared by the shipping company for its internal record and control, it is neither a contract of carriage nor a negotiable instrument.
<b>Blanket waiver:</b>	An exemption from established rules across projects and regions.
<b>Commodity:</b>	Any material, article, supply, goods or equipment.
<b>Commodity Eligibility listing (CEL)</b>	The AID Commodity Eligibility Listing shows the general eligibility of commodities for AID financing. Implementing documents issued under individual AID assistance agreements may incorporate the entire Listing, or may designate only selected commodities or groups of commodities as being eligible.
<b>Code of Federal Regulations:</b>	The Code of Federal Regulations (CFR) is a codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies of the Federal Government.
<b>Cooperative Agreement:</b>	A legal instrument used where the principal purpose is the transfer of money, property, services or anything of value to the Recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and where substantial involvement by USAID is anticipated.



<b>Construction:</b>	Construction means construction, alteration, or repair (including dredging and excavation) of buildings, structures, or other real property and includes, without limitation, improvements, renovation, alteration and refurbishment. The term includes, without limitation, roads, power plants, buildings, bridges, water treatment facilities, and vertical structures.
<b>Carrier:</b>	Any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes of transportation.
<b>Contract:</b>	A legally binding document between a buyer (Contracting Authority) and a supplier of supplies and/or services and/or works.  A procurement contract under an award or sub award, and a procurement subcontract under a recipient's or sub recipient's contract.
<b>Contractor:</b>	The general term used in this manual referring to all types of economic operators concluding contracts with the Contracting Authority.
<b>Corruption:</b>	DCA defines corruption as the misuse of entrusted power for private gain. Corruption is a practice where a DCA or partner staff member is receiving or giving money or gifts in order to gain personal or organisational advantages such as favourable treatment, services, a possibility to gain power, lowering prices or ensuring that a particular contractor is winning a contract. Corruption may also occur in a more indirect form where the benefit is given to a third party (family, own business etc.).
<b>Contractor:</b>	A business, person or other entity providing goods and services acquired with a Purchase Card for the Federal Government.
<b>Derogation:</b>	The authorised allowance to depart from the general rules and procedures for procurement.
<b>Eligibility:</b>	Meeting the stipulated requirements or being qualified. Eligibility can e.g. refer to the eligibility of costs or eligibility of a supplier/candidate.
<b>Exclusion criteria:</b>	The criteria defined by the Contracting Authority to exclude a supplier/candidate from a procurement procedure.
<b>Federal Acquisition Regulations (FAR):</b>	The Federal Acquisition Regulations System establishes and publishes uniform policies and procedures for acquisition by all executive agencies. The Federal Acquisition Regulations System consists of the Federal Acquisition Regulation (FAR), which is the primary document, and agency acquisition regulations that implement or supplement the FAR. The FAR System does not include internal agency guidance. The FAR System is applicable to U.S. Nongovernmental Organisations, only.
<b>Geographic code:</b>	A geographic code is a three-digit number that for administrative purposes identifies geographic entities; countries, territories, organisations, regions, and sub-regions--and program activities associated with geographic entities.
<b>Grant:</b>	A legal instrument used where the principal purpose is the transfer of money, property, services or anything of value to the Recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and where substantial involvement by USAID is not anticipated.
<b>Implementation and Procurement Reform (IPR)</b>	The Procurement Reform was effective from February 6, 2012 and presented substantial changes to the Standard Provisions for Non-U.S. Nongovernmental Organisations – Mandatory Reference for ADS 303. It included a revision and simplification of 22 CFR 228 Rules on Procurement of Commodities and Services (New default Geographic code of 937 and deletion of Geographic code 000 and 941), a deletion of the concept of "origin" and "local procurement", restrictions imposed on foreign government controlled vendors and a streamlining of the waiver procedures leading to fewer waiver criteria. The aim is to provide more flexibility for our Missions

	and our implementing partners and to reduce the complexity of our compliance requirements.
<b>Medical Supplies:</b>	These are commodities are consumables and are disposed of after treating a patient. Medical supplies include such items as single-use syringes, bandages, tongue depressor blades, suture materials, and both surgical and exam gloves.
<b>Medical Equipment:</b>	These are commodities are durable and may generally be reused after proper cleaning and disinfection have taken place. Medical equipment covers such items including, but not limited to, sphygmomanometers, baby scales, exam tables, etc.
<b>Non-governmental organisations (NGO):</b>	Any non-governmental organisation or entity, whether non-profit or profit-making, receiving or providing USAID-funded assistance under an assistance instrument or contract.
<b>OMB Circulars:</b>	OMB Circulars are instructions or information issued by the Office of Management and Budget to Federal agencies. These are expected to have a continuing effect of two years or more. OMB is the Office of Management and Budget that makes the federal rules.
<b>Origin:</b>	The country where a commodity is mined, grown or produced. The concept
<b>Partner:</b>	The partner organisation to DCA that implements a project or program.
<b>Pharmaceuticals:</b>	Any substance intended for use in the diagnosis, cure, mitigation, treatment, or prevention of diseases in humans or animals; any substances (other than food) intended to affect the structure or any function of the body of humans or animals; and, any substance intended for use as a component in the above. The term includes pharmaceuticals, drugs, medicines, vitamins, and oral rehydration salts (ORS).
<b>Procurement:</b>	Procurement is the complete process of obtaining supplies, services and works from preparation and processing of a requisition through to receipt and approval of the invoice for payment.
	A procurement is not a sub award, which is an award of financial assistance to carry out the purposes of the program in the form of money, or property in lieu of money, made under an award by a recipient to an eligible sub recipient or by a sub recipient to a lower tier sub recipient. If sub awards are authorized under this award, then the Recipient must comply with the Standard Provision "Sub awards."
<b>Prohibited source:</b>	Countries which are subject to applicable sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control, and other applicable executive branch restrictions.
<b>Policy Division</b>	The Policy division is responsible for the creation, review, and interpretation and distribution of all Acquisition and Assistance Policy for USAID. The site will provide updates and general information regarding changes in policy; however, contractors and Grant recipients are encouraged to contact their cognizant Contracting/Agreement Officer in matters relating to specific awards or solicitations. The <a href="#">Ombudsman</a> is also available for crosscutting issues, customer service, and outreach activities.
<b>Recipient, Prime Recipient, Grantee:</b>	A recipient, prime recipient, grantee is an organisation receiving a Grant or Cooperative Agreement directly from USAID to carry out a project or program.
<b>Recipient Country:</b>	Cooperating country or recipient country means the country receiving the USAID assistance, and includes all the countries receiving assistance under a regional program or project.
<b>Source:</b>	The country from which a commodity is shipped.
<b>Standard Provision for Non-U.S.</b>	The Rules and Regulations in place for non-U.S. organisations and thus DCA. These are different from the guidelines for U.S. organisations.

---

<b>Stringent Regulatory Authority:</b>	A regulatory authority, in case of the European Union both the European Medicines Agency (EMA) and national competent authorities are included, which is (a) a member of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ICH, as specified on its website; or (b) an ICH Observer, being the European Free Trade Association (EFTA) as represented by SwissMedic, Health Canada, and World Health Organization (WHO) (and may be updated from time to time); or (c) a regulatory authority associated with an ICH member through a legally binding mutual recognition agreement including Australia, Norway, Iceland and Liechtenstein (and may be updated from time to time)
<b>Sub award:</b>	Financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible sub recipient or by a sub recipient to a lower tier sub recipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services nor does it include any form of assistance which is excluded from the definition of "award" in this section.
<b>Sub recipient:</b>	Any person or government department, agency, establishment, or non-profit organisation that receives financial assistance to carry out a program through a primary recipient or other sub recipient.
<b>Substantial involvement:</b>	USAID involvement in the implementation of a Cooperative Agreement and is negotiable. The difference between a Grant and a Cooperative Agreement is the concept of Substantial involvement.
<b>USAID Policies and Procedures:</b>	The ADS is USAID's directives management program. Agency policy directives; required procedures; and helpful, optional material are drafted, cleared, and issued through the ADS. Agency employees must adhere to these policy directives and required procedures.
<b>United States Agency for International Development (USAID):</b>	USAID is the lead U.S. Government agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential.
<b>Waiver:</b>	The written permission required to eliminate the requirements of a specific policy. Authorized individuals may Grant waivers to meet specific business needs.

## 5 LIST OF RESOURCES

<b>DanChurchAid</b>	
DCA Anti-Corruption Policy	<a href="http://www.danchurchaid.org/about-us/quality-assurance/anti-corruption/our-policy">http://www.danchurchaid.org/about-us/quality-assurance/anti-corruption/our-policy</a>
DanChurchAid	<a href="http://www.danchurchaid.org/">http://www.danchurchaid.org/</a>
DCA Procurement Manual 5 <sup>th</sup> edition (password required)	<a href="https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual/procurement-manual-4th-edition">https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/procurement-manual/procurement-manual-4th-edition</a>
DCA Logistics Manual 1 <sup>st</sup> edition (password required)	<a href="https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual">https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual</a>
<b>USAID Standard Provisions and Forms</b> (See also <a href="#">ADS 303.4.2</a> )	
Standard Provisions for Non-US Nongovernmental Organisations (June 2016) – Mandatory Reference for ADS 303. Including Required as Applicable	<a href="https://www.usaid.gov/ads/policy/300/303mab">https://www.usaid.gov/ads/policy/300/303mab</a>
USAID Forms	<a href="http://www.usaid.gov/orms">www.usaid.gov/orms</a>
<b>Understanding USAID</b>	
Index of all Operational Policies – the Automated Directives system (ADS)	<a href="http://www.usaid.gov/policy/ads">www.usaid.gov/policy/ads</a>
Acquisition & Assistance Policy Directives	<a href="https://www.usaid.gov/work-usaid/aapds-cibs">https://www.usaid.gov/work-usaid/aapds-cibs</a>
Glossary of ADS Terms (May 2014)	<a href="https://www.usaid.gov/who-we-are/agency-policy/glossary-ads-terms">https://www.usaid.gov/who-we-are/agency-policy/glossary-ads-terms</a>
ADS chapter 303 Grants and Cooperative Agreements to non-Governmental Organisations (June 2016)	<a href="https://www.usaid.gov/sites/default/files/documents/1868/303.pdf">https://www.usaid.gov/sites/default/files/documents/1868/303.pdf</a>
<b>Eligibility</b>	
ADS Chapter 312 Eligibility of Commodities (November 2015)	<a href="https://www.usaid.gov/ads/policy/300/312">https://www.usaid.gov/ads/policy/300/312</a>
ADS Chapter 310 Source and Nationality Requirements for Procurement of Commodities and Services Financed by USAID (June 2012):	<a href="https://www.usaid.gov/sites/default/files/documents/1876/310.pdf">https://www.usaid.gov/sites/default/files/documents/1876/310.pdf</a>
22 CFR 228 Rules for Procurement of Commodities and Services Financed by USAID (10 Jan 2012)	<a href="https://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf">https://www.gpo.gov/fdsys/pkg/CFR-2012-title22-vol1/pdf/CFR-2012-title22-vol1-part228.pdf</a>  <a href="http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title22/22cfr228_main_02.tpl">http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title22/22cfr228_main_02.tpl</a>
ADS 310 List of Developing Countries (June 2012)	<a href="https://www.usaid.gov/sites/default/files/documents/1876/310maa.pdf">https://www.usaid.gov/sites/default/files/documents/1876/310maa.pdf</a>
ADS 310 List of Advanced Developing Countries (June 2012)	<a href="https://www.usaid.gov/sites/default/files/documents/1876/310mab.pdf">https://www.usaid.gov/sites/default/files/documents/1876/310mab.pdf</a>
ADS 310 List of Prohibited Source Countries (June 2012)	<a href="https://www.usaid.gov/sites/default/files/documents/1864/310mac.pdf">https://www.usaid.gov/sites/default/files/documents/1864/310mac.pdf</a>
ADS 260 Geographic Codes (August 2012)	<a href="https://www.usaid.gov/sites/default/files/documents/1868/260.pdf">https://www.usaid.gov/sites/default/files/documents/1868/260.pdf</a>

ADS 312mac Agricultural Commodity Eligibility and requirements relating to Quality and Safety (November 2015)	<a href="https://www.usaid.gov/ads/policy/300/312mac">https://www.usaid.gov/ads/policy/300/312mac</a>
ADS 312SAE Pharmaceuticals and Medical supplies. An Additional Help Document to ADS chapter 312 (October 2015)	<a href="https://www.usaid.gov/ads/policy/300/312sae">https://www.usaid.gov/ads/policy/300/312sae</a>
Frequently Asked Questions (FAQs) on ADS 312: Restricted Commodity Approval (October 2013)	<a href="https://www.usaid.gov/sites/default/files/documents/1864/FAQ_ADS_312_3.28.13.pdf">https://www.usaid.gov/sites/default/files/documents/1864/FAQ_ADS_312_3.28.13.pdf</a>
USAID/OFDA Proposal Guidelines – Pharmaceutical Annex A (December 2015)	<a href="https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20Pharmaceutical%20Annex%20A%20-%20Definitions.pdf">https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20Pharmaceutical%20Annex%20A%20-%20Definitions.pdf</a>
USAID/OFDA Prequalified Pharmaceutical Wholesalers (January 2014)	<a href="https://scms.usaid.gov/sites/default/files/documents/1866/pharm_annex.pdf">https://scms.usaid.gov/sites/default/files/documents/1866/pharm_annex.pdf</a>
Template for Restricted Commodity approval for Pharmaceuticals (March 2013)	<a href="https://www.usaid.gov/what-we-do/global-health/hiv-and-aids/technical-areas/supply-chain-hiv-and-aids-essential-health#section4">https://www.usaid.gov/what-we-do/global-health/hiv-and-aids/technical-areas/supply-chain-hiv-and-aids-essential-health#section4</a>
USAID/OFDA Essential Medicines List (March 2016)	<a href="https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20EML%20March%202016.pdf">https://scms.usaid.gov/sites/default/files/documents/1866/USAID-OFDA%20EML%20March%202016.pdf</a>
Frequently Asked Questions (FAQs) on ADS 312: Restricted Commodity Approval (October 2013)	<a href="https://www.usaid.gov/sites/default/files/documents/1864/FAQ_ADS_312_3.28.13.pdf">https://www.usaid.gov/sites/default/files/documents/1864/FAQ_ADS_312_3.28.13.pdf</a>
USAID Consolidated List of Approved ARVs (November 2014)	<a href="https://www.usaid.gov/sites/default/files/documents/1864/USAIDConsolidatedApprovedARVs.pdf">https://www.usaid.gov/sites/default/files/documents/1864/USAIDConsolidatedApprovedARVs.pdf</a>
USAID Commodity Eligibility Listing (May 2014)	<a href="https://www.usaid.gov/ads/policy/300/31251m">https://www.usaid.gov/ads/policy/300/31251m</a>
System for Award Management (SAM)	<a href="https://www.sam.gov">https://www.sam.gov</a>
Master list of Specially Designated Nationals and Blocked Persons maintained by the US Treasury's Office of Foreign Assets Control (OFAC)	<a href="https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx">https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx</a>
United Nations Security Council (UNSC) sanctions committee established under UNSC Resolution 1267 (1999) (the "1267 Committee")	<a href="http://www.un.org/sc/committees/1267/qa_sanctions_list.shtml">http://www.un.org/sc/committees/1267/qa_sanctions_list.shtml</a>
<b>Transport</b>	
Fly America Act and the Open Skies Agreements	<a href="http://www.gsa.gov/portal/content/103191">http://www.gsa.gov/portal/content/103191</a>
US-EU Open Skies agreement (June 2011)	<a href="http://www.state.gov/e/eb/rls/othr/ata/i/ic/170684.htm">http://www.state.gov/e/eb/rls/othr/ata/i/ic/170684.htm</a>
41 CFR 301-10.135 – When must I travel using US flag air carrier service	<a href="https://www.law.cornell.edu/cfr/text/41/301-10.135">https://www.law.cornell.edu/cfr/text/41/301-10.135</a> or <a href="http://www.ecfr.gov/cgi-bin/text-idx?SID=df294381bca60544522113a95982084d&amp;mc=true&amp;node=pt41.4.301_610&amp;rqn=div5%20-%20se41.4.301_610_1135#se41.4.301_610_1135">http://www.ecfr.gov/cgi-bin/text-idx?SID=df294381bca60544522113a95982084d&amp;mc=true&amp;node=pt41.4.301_610&amp;rqn=div5%20-%20se41.4.301_610_1135#se41.4.301_610_1135</a>
List of certified US flag air carriers from 2012	<a href="https://ntl.custhelp.com/app/answers/detail/a_id/185/-/list-of-us-certificated-air-carriers">https://ntl.custhelp.com/app/answers/detail/a_id/185/-/list-of-us-certificated-air-carriers</a>
City pair fare	<a href="http://www.gsa.gov/portal/content/104512">http://www.gsa.gov/portal/content/104512</a>
More information on allowable fares under Fly America Act	<a href="http://lostinregulation.blogspot.ch/2014/09/fly-america-act-and-allowable-airfares.html">http://lostinregulation.blogspot.ch/2014/09/fly-america-act-and-allowable-airfares.html</a>
ADS 314 Eligibility of Delivery Services (August 2012)	<a href="https://www.usaid.gov/sites/default/files/documents/1876/314.pdf">https://www.usaid.gov/sites/default/files/documents/1876/314.pdf</a>
<b>Cost Principles</b>	
2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Subpart E – Cost principles mandatory for non-US Nongovernmental organisations	<a href="http://www.ecfr.gov/cgi-bin/text-idx?SID=3b9818823a7185ff3b78c440ea784156&amp;mc=true&amp;node=pt2.1.200&amp;rqn=div5">http://www.ecfr.gov/cgi-bin/text-idx?SID=3b9818823a7185ff3b78c440ea784156&amp;mc=true&amp;node=pt2.1.200&amp;rqn=div5</a>

**Other Useful Resources**

InsideNGO Resources

[www.insidengo.org/linkspages/linkspage.htm](http://www.insidengo.org/linkspages/linkspage.htm)

## 6 ANNEXES

### ANNEX US1 – USAID RULES AND REGULATIONS MATRIX

As a non-US based NGO, DCA will follow the guidelines in the box.

Rules and Regulations <sup>9</sup>	Topic	USAID US based	USAID Non-US based	USAID/OFDA
<b>Administrative Requirements</b>		2CFR200 Subpart A-D Mandatory and Required as Applicable Std. Provisions for US organisations	Mandatory and Required as Applicable Std. Provisions for non-US organisations	Award Specific; Mandatory and Required as Applicable Std. Provisions
	<b>Financial Management</b>	2CFR200.300-309	M1, 2, 3; RAA1 or 2	M1, 2, 3; RAA1 or 2
	<b>Property Management</b>	2CFR200-310-316	M7	22CFR226.30-37; ADS 303 and M7
	<b>Procurement Management</b>	2CFR200.317-326	M5	M5
	<b>Cost Sharing</b>	2CFR200.306	RAA14	ADS-303.3.10 and RAA14
	<b>Program Income</b>	2CFR200.307	RAA15	ADS-303 and RAA15
	<b>Budget Revisions</b>	2CFR200.308	M3	M3
	<b>Reporting Period of Availability of Funds</b>	2CFR200.327	Award Specific M1	ADS-303 M1
	<b>Close Out</b>	2CFR200.343	Award Specific	Award Specific
	<b>Suspension and Termination</b>	2CFR200.95 and 2CFR200.213	M10	M10
	<b>Continuing Responsibilities</b>	2CFR200.344	M2a	M2a
	<b>Source and Nationality</b>	22CFR228, M8	22CFR228, M6	22CFR228
<b>Cost Principles</b>		2CFR200 Subpart E	2CFR200 Subpart E	2CFR200 Subpart E
<b>Audit Requirements</b>		2CFR200 Subpart F	Recipient Contracted Audit Guidelines (RCAG) for Non-US Recipients	Recipient Contracted Audit Guidelines (RCAG) for Non-US Recipients

OMB Circular A-110 is the background document for 22CFR226, which has been replaced by 2 CFR 200 subpart A-D. The Mandatory Provisions are always a part of the award. Required As Applicable (RAA) Standard Provisions are only a part of the award if the provision is relevant to the project work.

<sup>9</sup> As per June 2016



## ANNEX US2 – USAID PROCUREMENT CHECKLIST

Before submitting the proposal to USAID, please apply this checklist to allow for an eligible, effective and efficient project implementation. The checklist is in addition to the requirements of the DCA Procurement Manual and please consult the DCA procurement manual for the steps involved in planning, implementing and finalizing procurement in a project.

Please start a General Procurement file (General Annex 18-2) and document the findings and evidence resulting from applying the checklist.

Sec.	Task	Yes	No
1.3	Is the Request for Application / Cooperative Agreement reviewed and qualified?		
2.1	Is the DCA Procurement Manual being followed?		
2.2	Is the planned purchase eligible?		
2.2.1	Are the commodities and services eligible?		
2.2.2	Is the item checked against the USAID Commodity Eligibility Listing (CEL)?		
2.2.3	Are the commodities and services Restricted?		
2.2.4	Do the source and nationality regulations apply to this purchase?		
2.2.5	Will the purchase comply with the authorized geographic code?		
2.2.6	Is the supplier eligible?		
2.2.7	Will the purchase comply with the ocean transportation regulations?		
2.2.8	Will the purchase comply with the Fly America Act?		
2.3	Is prior approval required and available?		
2.4	It is necessary to get a waiver?		
2.5	Can the purchase be financed using cost share or program income?		
2.6	Is it more economical and practical to lease instead of purchase?		
2.7	Is it practical to invite US Small Businesses?		
2.8	Is the planned purchase a construction?		
2.9	Is the purchase documented and ready for audit?		

## ANNEX US3 – LEASING VS. PURCHASE<sup>10</sup>

### Procurement option

When the Recipient buys an item, the purchase price is for the entire cost of the item. The Recipient is free to use that item as much as it wishes and for any purpose for which the item was designed. Usually in donor-funded programmes, the Recipient pays the full price for the item at purchase and the only other payments are for maintenance and insurance, if applicable.

The Recipient owns the item and can dispose of it when it desires and how it desires, with the donor's approval, if required. For example, if a car is purchased and the full price paid at the time of delivery, the Recipient is only responsible for keeping the car maintained and insured and has no additional obligations to the seller. The Recipient can use the car as much as it wants without restrictions, and when the car is no longer required, it can be sold or transferred to another use.

### Leasing option

When the Recipient leases an item, the Recipient is paying only for a portion of time in the life cycle of the item. However, the lease usually restricts how the Recipient can use the item and the lengths of time it is available for use. There might be penalties for additional usage over the allowed amounts. For example, leasing a photocopier might restrict the Recipient to 500 copies per month and impose a charge of 10 cents per page for any copies above 500 copies. There are on-going monthly payments for the lease and the leasing company might impose other fees. At the end of the lease period, the Recipient returns the item to the leasing company and has no responsibility for disposition.

### Issues to consider in deciding lease or purchase:

#### How long will the item be used?

Will it be used for the industry established standard life cycle, for example two years for a laptop, three years for a desktop? If the item will be used for longer than the industry life cycle, it is better to procure the item than lease.

#### What is the amount of funding available?

If funds are restricted and the item is needed for a short-term period, the leasing option might be preferable.

#### The total cost

Ultimately, data must be gathered on the total cost of both options before a decision is made. The total cost must include all costs including inception fees, bank fees, financial costs, contract termination penalties, the expected length of time the item will be used and the extent to which the item will be used (there are sometimes restrictions on use of an item in a lease with added cost for use beyond the restrictions).

#### Disposition requirements

It will be easier to dispose of a leased item by returning it to the lessor

#### Short-term costs

The short-term monthly cost of leasing is usually significantly less than the cost of buying.

#### Medium-term cost

The medium-term cost of leasing is nearly the same as the cost of buying. This is assuming the buyer sells/trades the item at the end of its useful life and the leaser returns the item to the lessor at the end of the lease.

#### Long-term costs

The long-term cost (more than three years) of leasing is always more than the cost of buying. This is assuming the buyer keeps the item at the end of its useful life and the leaser extends the terms of the lease or originally leased the item for an extended period.

<sup>10</sup> Source: InsideNGO workshop on USAID Rules and Regulations London 2012 adapted by DCA

The following is an example of a flow chart that is useful to decide on leasing vs. procurement.

