USAID | GUATEMALA
FROM THE AMERICAN PEOPLE

August 31, 2011

Subject: **Request for Applications (RFA) Number: RFA-520-11-000003 Amendment No. 3**
Project Name: **Rural Value Chains Project**

Dear Applicants:

This Amendment No. 3 to subject RFA is hereby issued to make the following changes:

1. Section I.1) Program Description, page 4 third paragraph and wherever else it appears delete "five components" and substitute by "six components".

2. Section IV.4) Application Preparation Guidelines, top of page 51, delete "For the purposes of this RFA, the term "applicant" is used to refer the prime and any proposed partners." And substitute by "For the purposes of this RFA, the term 'applicant' is used to refer the prime."

3. Section IV.6) COST/BUSINESS APPLICATION FORMAT, delete entire section and substitute as follows:

"**IV.6) COST/BUSINESS APPLICATION FORMAT**
The Applicant must submit a detailed budget and budget narrative that support its proposed cost estimates. Cost applications will be evaluated based on cost fairness, cost realism, completeness, and reasonableness. Cost realism is defined as the Applicant's ability to project costs which are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the Applicant's technical capacity.

The Cost/Business Application should be prepared following the guidance provided below. All information discussed below should be included in the application in the manner and format described below.

1. Separateness: The Cost/Business application must be completely separate from the applicant's technical application. The application must be submitted using SF 424 and SF 424A "Application for Federal Assistance".

2. Cost Information Submission: The cost information submitted must include three distinct parts: a) the SF 424; b) the budget; and c) budget notes.

a. SF 424
The cost application should be for a period of five years using the budget format shown in the SF 424A. http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf

b. Budget
The information to be presented under the Cost/Business Application must be presented per cost category by year and with a summary total for all five years. For the prime recipient as well as for the sub-recipients proposed to implement the project.

Year 1: July 2012 – June 2013
Year 2: July 2013 – June 2014
Year 3: July 2014 – June 2015
Year 4: July 2015 – June 2016
Year 5: July 2016 – June 2017

c. Budget Notes
To support the costs proposed, please provide detailed budget notes/narrative for all costs explaining how all costs were derived. The combination of the cost data and breakdowns specified above and the cost notes must be sufficient to allow a determination whether the costs estimated are reasonable and realistic. The following section provides guidance on issues involving specific types of costs.

i) Salary and Wages: Propose direct salaries and wages in accordance with applicant's current (as of application submittal) personnel policies.

Compensation, including merit or promotion increases paid to Third Country Nationals (TCN) and Cooperating Country Nationals (CCN) shall be in accordance with the applicant's personnel policies as well as market value in Guatemala. The maximum annual basic rate for a professional high level may not exceed Q548,841/per year. The compensation of such TCN and CCN employees shall be paid in the currency of the cooperating country.

Applicants should note that USAID/Guatemala looks to promote engaging local talent to the furthest extent that is practical and possible. Therefore, proposing TCNs for this program will be scrutinized and the rationale for going against this practice will be seriously questioned. Note that TCNs that are legal residents of Guatemala are considered CCNs.

Pursuant to the most recent local compensation plan, dated June 6, 2010, the following represent the minimum and maximum annual basic compensation paid for different professional CCN levels:

Professional level	Minimum annual basic rate	Maximum annual basic rate
Clerical staff	Q34,703	Q147,407
Administrative staff	Q133,375	Q301,125
Professional [low level]	Q230,914	Q357,922
Professional [mid level]	Q310,769	Q481,697
Professional [high level]	Q354,093	Q548,841

ii) Fringe Benefits: The application should include fringe benefits in accordance with Guatemalan law (bono14, IGSS, aguinaldo, etc.) and any other additional benefit provided by the Organizations to their employees according to their internal policies.

iii) Travel and Transportation: The application should indicate the number of trips, domestic and international, and the estimated costs per trip. Specify the origin and destination for each proposed trip, duration of travel, and number of individuals traveling. Per diem should be based on the applicant's normal and current travel policies (applicants may choose to refer to the Federal Standardized Travel Regulations for cost estimates).

iv) Equipment: Specify all equipment to be purchased, including the type of equipment, the manufacturer, the unit cost, the number of units to be purchased and the expected geographic source. See 22CFR 228.03 for more information on USAID geographic codes.

v) Materials and Supplies: Specify all materials and supplies expected to be purchased, including type, unit cost and units.

vi) Communications: Specific information regarding the type of communication cost at issue (i.e. mail, telephone, cellular phones, internet etc.) must be included in order to allow an assessment of the realism and reasonableness of these types of costs.

vii) Subcontracts/Consultants: Information sufficient to determine the reasonableness of the cost of each specific subcontract and consultant expected to be hired must be included. The level of effort for short-term consultants should not exceed 260 days per year. Similar information should be provided for all consultants as is provided under the category for personnel.

viii) Allowances: Allowances are only applicable to US Organizations proposed as subawardees and should be broken down by specific type and by person.
Allowances should be in accordance with the applicant’s policies and the applicable regulations and policies.

ix) Direct Facilities Costs: Specific information regarding the cost of any facilities needed to perform program activities. The information provided should include the unit cost (rent), the time-period the facilities are needed and the number of facilities. Only facilities that directly benefit the program activities should be included in this category; all other facility costs should be included in the indirect cost category.

x) Other Direct Costs: This includes report preparation costs, medical exams and inoculations, insurance (other than insurance included in the applicant's fringe benefits, as well as any other miscellaneous costs which directly benefit the program proposed by the applicant). The narrative should provide a breakdown and support for all other direct costs. If seminars and conferences are included, the applicant should indicate the subject, venue and duration of proposed conferences and seminars, and their relationship to the objectives of the program, along with estimates of costs, and number of persons participating in the events.

xi) Security: Applicants should include costs related to the safeguarding and safety of the Organization's personnel and any USAID funded equipment and/or property.

xii) Indirect Costs: The applicant should charge the administrative/management costs as direct costs.

US Organizations proposed as partners (sub-contracts/sub-grants), that have a Negotiated Indirect Cost Rate Agreement (NICRA) signed by a US Government Agency shall charge indirect costs according to signed NICRA.

xiii) Rules on Source and Origin for Goods and Services: Goods and services provided by the Recipients under this USAID-financed award are subject to the 000 Geographic Code. Goods and services procured outside of the 000 code are covered under the **local** procurement Blanket Waiver signed by the USAID Administrator on November 24, 2010. Please refer to ADS 310, 22CFR228 and the Blanket Waiver (copy attached) for more information on this subject.

xiv) Rapid Response Fund: Applicants shall reserve an amount not to exceed $379,175 over the five year period of implementation.

xv) Subgrants/subagreements: Applicants shall include the amount estimated for subgrants or subagreements.

3. Cost Sharing-Leverage: Applicants shall describe in the budget the organization and partner's financial and/or in-kind contributions of cost sharing and/or leverage proposed for this project. Cost share and Leverage included in the cost application shall meet the requirements for cost share and leverage included in other sections of this RFA.

4. Management Costs: Applicants should minimize their administrative and support costs for managing the project in order to maximize the funds available for project activities.

5. Teaming: If the applicant is a group of organizations that has actually formed a separate entity – i.e. a joint venture -- for the purposes of this application, then the Cost/Business application must include a copy of the documents that set forth the legal relationship between the partner organizations. If no joint venture is involved, the Cost/ Business Application should include a complete discussion of the relationship between the applicant and its partner organizations, how work under the program will be allocated, how work will be organized and managed and copies of all agreements between the partner organizations.

In all cases, the cost information provided in part 2.b of this subsection should indicate the amounts committed to each member of the team. The Budget notes described in part 2.c of this subsection should discuss which team member is bearing a particular cost where appropriate and justify and explain the cost in question.

6. Certifications: Certifications included in RFA Section IV.3 must be included with the cost proposal.

7. Financial Resources: The Cost/Business Application should include the following information:

(a) Audited financial statements for the past three years,

(b) Organization chart, by-laws, constitution, and articles of incorporation, if applicable.

8. Responsibility: The application should include information that substantiates that the applicant:

(a) Has adequate financial resources or the ability to obtain such resources as required during the performance of the Agreement.

(b) Has the ability to comply with the Agreement conditions, taking into account all existing and currently prospective commitments of the applicant, non-governmental and governmental.

(c) Has a satisfactory record of performance. In the absence of evidence to the contrary or circumstances properly beyond the control of the applicant, applicants who are or have been deficient in current or recent performance (when the number of grants, contracts, and cooperative agreements, and the extent of any deficiency of each, are considered) shall be presumed to be unable to meet this requirement. Past unsatisfactory performance will ordinarily be sufficient to justify a determination of non-responsibility, unless there is clear evidence of subsequent satisfactory performance. The Agreement Officer will collect and evaluate data on past performance of applicants.

(d) Has a satisfactory record of integrity and business ethics.

(e) Is otherwise qualified and eligible to receive a cooperative agreement under applicable laws and regulations (e.g., EEO).

Applicant may submit any additional evidence of responsibility considered necessary in order for the Agreement Officer to make a determination of responsibility. Please note that a positive responsibility determination is a requirement for award, and all organization shall be subject to a pre-award survey to verify the information provided and substantiate the determination.

The prime Applicant is also responsible to make similar Responsibility Determination for each of the sub-contracts or sub-recipients included in its application.

IV.7) SUBMISSION DEADLINES

Applications shall be due at 10:00 a.m. Guatemala Time on November 2, 2011. USAID will determine that any applications that are not received by the Agreement Officer by the time and date indicated will be late. Because making an award is critical to USG foreign policy goals, time is important and late application(s) may be accepted, at the sole discretion of the Agreement Officer."

4. Delete the following paragraph under Section V.1) 4, Cost Sharing-Leverage, bottom of page 66:

“**Cost Sharing-Leverage:** Applicants should treat USAID/Guatemala funding as an incentive to leverage funds from alliance partners which in combination can be used to build the foundation for sustained rural economic growth. The Applicant and its alliance partners are expected to provide leverage to help establish sustainable service delivery mechanisms to rural farm and off-farm enterprises. Leverage, defined as financial and in-kind contributions/investments which enable the achievement of substantial results, could include resources from joint ventures and commercial partnerships among others. However, it should not include sales, sales contracts, or purchase agreements. Within these parameters, Applicants are expected to quantify the leverage which will be provided in terms of cash and in-kind contributions.

In addition to leverage provided by partner resources, USAID expects the Applicants, as recipients, to contribute at least 15% in cost sharing to implement program activities and achieve expected results.”

5. Annex A to this RFA Amendment 3, includes a list of answers to several questions received by potential applicants to help in the preparation of applications.

All other terms and conditions of the RFA remain without change and in full force.

Sincerely,

Luis A. Rivera
Regional Agreement Officer

Annex A	List of Questions and Answers
Annex B	Blanket Waiver to Authorize Procurement in the Cooperating Country

QUESTIONS & ANSWERS
RFA 520-11-000003 RURAL VALUE CHAINS PROJECT

1. We are confused regarding the intervention area since at the beginning of the RFA you refer to 5 departments and you don't mention Sololá as a department; however, further in the document it is mentioned. Can you confirm if Sololá is included?

   Sololá is listed as one of 6 departments that are mentioned in the Government of Guatemala's PLANOCC. However, USAID will work in only five departments, and Sololá is not included as an eligible department for the Feed the Future program.

2. Can an NGO not Guatemalan but legally recognized in Guatemala since 2010 can participate in this RFA.

   Eligibility for this project: This project is restricted to Guatemalan organizations as prime recipients; to be eligible an organization must:
   a. Be a <u>Guatemalan</u> Non-Governmental Organization organized under the laws of Guatemala;
   b. Have its principal place of business in Guatemala;
   c. Be managed by a governing body, the majority of whom are citizens or lawful permanent residents of Guatemala; and
   d. Attach official documentation of their formal legal status as an NGO in Guatemala.

   <u>Subsidiaries or external branches of entities organized or located outside Guatemala are not</u> considered "Guatemalan organizations" for the purpose of this RFA and are not eligible to receive an award as prime recipients but would be eligible to receive sub-awards (sub-contracts/subgrants) not to exceed 40% of the total proposed budget.

3. We have reviewed the RFA for the Rural Value Chains Project in Guatemala and are very interested in participating. However, the RFA seems to indicate that only local NGO's in Guatemala are eligible to submit proposals under this solicitation. I wanted to confirm whether this is correct. WDI a United States based non-profit organization. Are we eligible to submit a proposal?

   Please refer to answer given in the above question #2.

4. While the RFA clearly states that *applicants* must be local (Guatemalan) organizations, the possibility of international organizations to take a role in the RVCP as partners subbing to prime local organizations is less clear. On page 51, the RFA states: *"For the purposes of this RFA, the term "applicant" is used to refer to the prime and any proposed partners."* We would very much appreciate any clarification that you could provide on this point.

   Please refer to answer given in the above question #2. Also, please note that the sentence on page 51 has been changed as reflected in paragraph 2 of Amendment #3 letter.

5. I am at Alabama A & M University in Huntsville, Alabama, Please let me know if am eligible to apply for the RURAL VALUE CHAINS PROJECT: RFA-520-11-000003?

   Please refer to answer given in the above question #2.

6. Can applications be presented by department?

   The Applicant is responsible for submitting its technical approach and has the latitude to present its ideas in whatever manner it feels is most logical.

7. Can we present applications for one determined component or is it required to present an application for all components

   Applicants must apply for all 6 components in order to be considered responsive to the RVCP RFA.

8. What are the amounts assigned by department, component or family?

   USAID did not assign fixed amounts for departments, components or family. The Private Sector Aggregator model is the only activity that has a fixed dollar value assigned, see RFA Amendment No. 2, page 3.

9. If we make alliances with local authorities (example: municipalities, development councils) what type of document do we need to present for the building of the Alliance?

   A Memorandum of Understanding signed by the parties involved, detailing each organization's responsibilities and activities can be submitted with the application.

10. In the pre-application meeting held on August 18th a list of municipalities was offered, we would like you to provide it

    The list of municipalities was included as Annex B to the RFA Amendment 2 issued August 25, 2011.

11. Are the funds for the Rural Value Chains Project different from the funds assigned to "Plan Estratégico para alimentación y seguridad alimentaria y nutricional PESAN 2009 - 2012 PLANOC"

    The Rural Value Chains Project is funded directly by USAID. The Rural Value Chains Project contributes to the goals and objectives established by the Government of Guatemala's national food security strategy and the PLANOCC but the United States Government is not contributing financially to the PLANOCC.

12. In the costs related to salaries; should fringe benefits be contemplated?

    Yes, all fringe benefits according to Guatemalan law shall be contemplated in the cost proposal. Please note that Section IV.6 has been changed as reflected in paragraph 3 of Amendment #3 letter. Fringe Benefits should, however, be proposed as a separate line item, and should not be included under the Salaries line item.

13. Can you explain complementary fringe benefits or additional ones that appear in the Budget section?

    Unfortunately, we could not identify the Section or paragraph you were referring to. Please note that fringe benefits are those required by Guatemalan law and the ones provided by the Guatemalan Organizations to their employees according to their internal policies or approved fringe benefits for US Organizations if these organizations are proposed as sub contractors or sub-recipients.

14. What aspects or elements should be contemplated regarding Security that appears in the budget section, please explain.

    Costs related to ensure that adequate steps are taken to safeguard the security and safety of the Organization's personnel and any USAID funded equipment and/or property. Please note that this Section has been changed as reflected in paragraph 3 of Amendment #3 letter.

15. Please clarify the statement on page 59, "The level of effort for short-term consultants should not exceed 260 days for workweek."

    The sentence should read: "The level of effort for short-term consultants should not exceed 260 days per year." Please note that this Section has been changed as reflected in paragraph 3 of Amendment #3 letter.

16. Please clarify, from page 53, which charts are not subject to the 30 page technical application limit, in addition to the Management Structure Organizational Chart(s).

    The following are not subject to the 30 page limit: the organization chart, and a chart/matrix or other graphic that highlights the interrelationships between the prime and its sub-partners.

17. Page 34 refers to "forestry management related activities, including reforestation and restoration activities." Are these expected activities under the RFA?

    No 'forestry management related activities, including reforestation and restoration activities' is anticipated or included under this RFA.

18. Is the "Innovation and Investment Fund" on page 24 the same as the 3-year Private Aggregator model pilot activity, or it is a separate fund?

    The Private Aggregator model and the "Innovation and Investment Fund" are separate activities but are related in that the Rural Value Chains Project (RVCP) seeks to encourage creativity and innovation during project implementation.

19. Would it be possible to provide a general rule of thumb for budgeting security costs, expressed as a percentage of the total budget?

    Security costs cannot be expressed as a percentage of the total budget; they have to be budgeted as a direct cost. Security costs related to the safeguarding and safety of

the Organization's personnel and any USAID funded equipment and/or property. Please note that this Section has been changed as reflected in paragraph 3 of Amendment #3 letter.

20. In designing the Performance Monitoring Plan, the RFA states (on page 4). "The RVCP will share with other USAID-funded programs and will report upon specific, mandatory FTF indicators relating to income generation and the effects on nutritional improvements at the household levels." Given the importance of indicators during program proposal design and cost budgeting, is it possible to have more knowledge on the mandatory indicators?

    The FTF Guatemala Indicators and the FTF Indicator Definitions that apply to this RFA can be found in: http://www.usaid.gov/gt/docs/ftf_proposed_indicators.pdf **and** http://www.usaid.gov/gt/docs/ftf_indicator_handbook.pdf

21. Page 4 of the RFA states: USAID/Guatemala intends to make multiple awards…USAID anticipates that the Recipients will carry out a program that includes five separate but complementary components to work primarily on improve value chains in two sectors: horticulture and coffee. Since USAID intends to make multiple awards, can USAID clarify whether it expects all offerors to apply for all components and value chains or whether the offeror may select which value chain and components to include?

    In order to be responsive to this RFA, the Applicant must apply for all components. The selection of a specific horticultural value chain (whether to work on green beans or peas, for example) is not necessary at this time, but an applicant must present its application for all 6 components. The Applicant, however, may wish to use a specific value chain in order to illustrate their proposed approach.

22. The RFA states (on page 25) that component 4 would receive at least $1 million per year of USAID funds. For the proposal budget, should this component be presented as a separate isolated budget? If so, how will this affect the submission of forms SF 424A? Alternatively, should the entire budget be presented as cost (columns) separated per component?

    Component 4 should be presented as a separate line item in the proposal budget; it shall not be presented as a separate isolated budget. The entire budget (cost/business application) shall be submitted in accordance with instructions provided in Section IV.6 COST/BUSINESS APPLICATION FORMAT, page 57 "…per cost category by year and with a summary total for all five years." Using the SF 424 Form.

    The applicant may present a budget summary broken down by component, additional to the instructions provided in page 57.

23. Should the Strategic Communications Plan and illustrative budget include the typical USAID branding and marking requirements?

    The typical USAID branding and marking requirements shall be considered in the Strategic Communications Plan as one of the vehicles of positioning. The illustrative budget needs to include costs related to the Strategic Communications Plan.

24. Page 36 of the RFA Leverage and Beneficiary Cost Sharing: Can USAID clarify if there are any minimum requirements for resource leveraging with alliance partners and how binding these commitments must be?

As published in Amendment #2:
SUMMARY OF LEVERAGE AND COST SHARE UNDER THIS PROGRAM

Required

Leverage for Component 4 -Private Aggregator	**1:1**
Cost Share	**5% of USAID contribution**

Highly Desirable

Leverage for the entire program	**No specific amount**

Please refer to ADS303.3.10.2 for more information on cost share and leverage.

25. Page 56 of the RFA Past Performance section. Can USAID please clarify its use of the term "substantive role" for partners? How is the term defined? What level of effort or USD amount would be considered substantive?

Each applicant will have to make its own determination of the definition of "substantive" as it relates to the proposed partnerships/alliances, their technical approach and achievement of desired results.

26. Page 60 of the RFA states that the Geographic Code for goods and services is 000. The RFA does not specify the amount for local procurement. Since the program will certainly work with local organizations, will the Prime Applicant need to request a waiver for procurement outside Geographic Code 000, as stated in 22 CFR 228, Subpart F?

There is a new Blanket Waiver recently authorized by the USAID Administrator that will allow prime Recipients of the RVC Project to procure services of individuals or firms of Guatemalan nationality and commodities of Guatemalan source and origin, excluding the foreign policy restricted countries, up to $5.0 Million during the life of the project. We expect that this waiver will cover the local procurement needs for this project.

USAID wants to clarify that this restriction <u>does not apply</u> in the case the prime Recipients of the RVCP want to make <u>sub-agreements or sub-grants</u> since assistance awards, are not considered procurement of services or commodities.

Blanket Waiver attached for reference.

27. Page 60-61 of the RFA: Financial Resources section. The prime applicant and all partner organizations are required to provide:
    a) Audited financial statements for the past three years,
    b) Organization chart, by-laws, constitution, and articles of incorporation, if applicable,
    c) If the applicant has made a certification to USAID that its personnel, procurement and travel policies are compliant with applicable OMB circular and other applicable USAID and Federal regulations, a copy of the certification should be included with

the application. If the certification has not been made to USAID/Washington, the applicant should submit a copy of its personnel (especially regarding salary and wage scales, merit increases, promotions, leave, differentials, etc.), travel and procurement policies, and indicate whether personnel and travel policies and procedures have been reviewed and approved by any agency of the Federal Government. If so, provide the name, address, and phone number of the cognizant reviewing official.

d) If applicable, approval of the organization's accounting system by a U. S. Government agency including the name, addresses, and telephone number of the cognizant auditor.

Can USAID clarify if this information also needs to be provided by partners with a current NICRA or if the NICRA agreement will suffice?

This section has been changed as reflected in paragraph 3 of Amendment #3 letter.

US Organizations that will be proposed as subawardees and which have a Negotiated Indirect Cost Rate Agreement (NICRA) signed by a US Government Agency do not need to provide more information than a copy of the signed NICRA.

28. Do municipalities where activities from component 5 will be implemented need to be exactly the same that those municipalities where value chain activities will be implemented?

    Applicants are urged to consider the benefit of combining horticulture/coffee value chain activities (Component 1-4) wherever possible with Food Crop Productivity and Improved Utilization in order to benefit from synergies in technologies and the presence of project staff. However, it is not strictly necessary to limit Component 5 activities to only the selected municipalities. Furthermore, USAID considers that the list of proposed municipalities, as explained in an introductory paragraph to the transmission of that list, is a universe or pool of possible municipalities that have meet criteria related to poverty, malnutrition and economic potential rates.

29. Will USAID Guatemala post the information related to "graduated groups" from the PL480 Food Security Program?

    Currently there are no criteria for "graduation" of individual beneficiaries, or associations of beneficiaries, receiving assistance under PL 480 Title II programs. Therefore, a formal list of "graduated groups" does not yet exist. However, it is important that a set of criteria be developed agreed upon and shared so that "graduating groups" can be identified. USAID recognizes the difficulties faced in graduating recipients of PL 480 programs to the Value Chain Project activities. USAID will ask that within 90 days of signing the resulting Cooperative Agreement that a meeting be organized to share experience among partners and discuss ways and means of accelerating and sharing responsibility for advancing the "graduation process". The Applicant's technical approach should incorporate ideas about the "graduation" process.

30. Will USAID post the name of the prioritized municipalities under this RFA?

The list of prioritized municipalities was included as Annex B to the RFA Amendment 2 issued August 25, 2011.

31. Can you define what the handicrafts value chain will include (ie. Textiles, furniture, etc.)

    The Applicant is responsible for identifying specific handicraft value chains that they feel offer the best possible income generating opportunities, especially for women, as explained on page 30 of the RFA.

32. Can you define what is included within the horticulture value chain? Does it include tubers?

    The horticulture value chain is inclusive of many agriculture products and the applicant is encouraged to propose the most appropriate crops to be emphasized that can be grown profitably for export in the target area taking in to consideration local, regional and international markets and "windows of opportunity" for such products. Some crops have different labor requirements or soil/water demands. The Applicant is responsible for identifying suitable crops for inclusion during project implementation. At this time the RVCP does not have a stated preference, nor does it discourage specific agricultural crops to be included in the horticulture value chain approach.

33. Can vegetables with potential for a national or regional market be considered for the horticulture value chain?

    Yes, the RVCP encourages expanded local, regional and international markets for horticulture production

34. Is there a minimum or a maximum amount of US$ for an application?

    The anticipated life of project total for the RVCP is currently $40 million for the USG contribution to the project distributed among multiple awardees. The upper limit would be $40 million; there is no minimum amount per se, but the proposed budget should be closely correlated with the achievement of sustainable results in all 6 components.

35. Do you recommend a broad geographical approach or a more focused geographical approach?

    Applicants are requested to respect the geographic focus of the Feed the Future program in their Applications.

36. Can we work in food security with communities with no potential to be included in a value chain at the beginning of the project?

    The RVCP project has as an overall objective of increasing access to food through increased income from participation in high value horticulture or specialty coffee value chains. The assumption, therefore, is that a community, or communities, within

a specific municipality have some potential to participate in income producing activities. This participation can come either directly through production of horticulture or coffee or as laborers (in fields where these crops are grown or locations where crops are processed for export) or, in the case of Component 6, production or marketing of handicrafts. It is more logical therefore to exclude communities that exhibit no potential for participation in these activities.

37. To what extent will activities under this RFA should focus on nutrition? What will be the coordination with the Global Health Initiative?

    There are direct linkages between the Global Health Initiative and the Feed the Future Initiative in the 5 departments of the western highlands. One of the four Feed the Future principles (p. 10-11) states "Changing food consumption behavior to encourage dietary diversity and improvement in childhood nutrition among targeted beneficiaries". Therefore there is significant emphasis upon nutrition and an assumption that the prime applicant will partner with one or more entities to ensure that beneficiaries of the program have access to nutrition education and activities that encourage a diverse, nutritious diet, especially for mothers and children under 5 years of age. A soon-to-be-released solicitation for Global Health Initiative-funded activities will include the identical Feed the Future principles and applicants for that solicitation will therefore be encouraged to closely coordinate with RVCP implementing entities.

38. What level of coordination is expected with the implementers of the PRS project implementers? When will this project start?

    Successful applicants can consider the Policy Regulatory Support (PRS) project as a potential source of technical assistance support for policy and regulatory support in Food Security, Trade, Environment, and Rural development. Phytosanitary regulations policy and reform are included in the PRS project. As regulatory or policy-related issues arise that threaten achievement of results or that could accelerate attainment of objectives, RVCP partners are encouraged to identify and propose analysis of specific topics. The PRS project contract has been awarded to Weidemann Associates; the technical assistance team will be in place by end of September. As soon as the team is in place the PRS will start meetings with different sectors and partners.

39. Page 4 of the RFA encourages Applicants to consider "creating partnerships, alliances, or a consortium to implement all the activities within the RVCP and obtain desired results;" please confirm that international NGOs may be included as partners on a local Guatemalan organization's prime application.

    Yes, international NGOs may be included as <u>partners</u> (sub-contracts/sub-grants) not to exceed 40% of the total proposed budget under a local Guatemalan organization as prime recipient.

40. Page 44 of the RFA states that Applicants should "provide a proposed Performance Monitoring Plan (PMP) as part of a response to this RFA;" per additional guidance provided

at the Pre-Application Meeting on August 18th, please confirm that the PMP will be included in the 30 page limit for technical applications.

The Applicant can include the PMP as either part of the 30 page limited "body" or as part of the 25 page Annex (see p. 53). In either case the PMP "would be reviewed as part of the selection process" (p. 44).

41. Page 51 of the RFA provides guidance on hard copy submission of applications. For the hard copy submission, kindly clarify if applicants must submit an original and two copies of both the technical and cost applications.

    Yes, applicants should submit an original and two copies of both the technical and the cost proposals.

42. Per additional guidance provided at the Pre-Application Meeting on August 18th, please confirm that the Past Performance table referenced on Page 57 may be submitted as an annex and will not be included in the 30 page limit for technical applications.

    The Applicant is free to decide where to include the Past Performance table. It is recommended that the Past Performance Table be submitted as an Annex and it is subject to the total 25 page limitation for annexes.

43. Per verbal guidance provided at the Pre-Application Meeting on August 18th, kindly confirm the following:
    a. Applicants are expected to address all six components in their proposed programs.
    Yes, Applicants are required to apply for all six components.

    b. USAID expects a $1 to $1 funding match by Applicants' proposed private sector partner for the Private Aggregator Pilot activity under Component 4; and this funding match may be considered part of the expected 15% cost share.
    As published in Amendment #2:
    SUMMARY OF LEVERAGE AND COST SHARE UNDER THIS PROGRAM

    <u>Required</u>

Leverage for Component 4 -Private Aggregator	**1:1**
Cost Share	**5% of USAID contribution**

    <u>Highly Desirable</u>

Leverage for the entire program	**No specific amount**

44. Kindly clarify USAID's expectations regarding annual budget allocation for the 3-Year Private Aggregator Pilot noted on Page 24 of the RFA.

    Applicant is referred to page 3 of Amendment No 2 of the RVCP RFA for an explanation of the Private Sector Aggregator.

45. <u>Components:</u> Does USAID intend for all applicants to address each of the 6 components given in the RFA? Or for instance can an applicant choose not to work in Component 6 of

handicrafts. Likewise can an implementer choose to only work in one of the two core value chains, such as working only in coffee or horticulture?

In order to be responsive to the RVCP solicitation, Applicants are required to bid on all 6 components either as prime, or with alliances or partnerships (sub contractual relationships) with others.

46. Exclusivity: Are groups (including local NGOs) who are included in a prime applicant's proposal expected to commit exclusively to the prime applicant? Or can groups be included in multiple applications through non-exclusive commitment?

    USAID does not expect commitment exclusively to one prime applicant.

47. Operational Plan: Page 44 of the RFA states that applicants should be familiar with standard indicators in various USAID frameworks including the "Operational Plan." Would USAID please share the "Operational Plan" to which this is referring?

    The "Operational Plan" is not a public document. However, USAID is pleased to share with Applicants the Standard Indicators and the definitions of the indicators that are to be used under the RVCP. These can be found in:
    http://www.usaid.gov/gt/docs/ftf_proposed_indicators.pdf **and**
    http://www.usaid.gov/gt/docs/ftf_indicator_handbook.pdf

48. Start date: Page 47 and 58 of the RFA indicates that USAID anticipates a start date for the program of July 2012, however page 52 of the RFA indicates that the recipient should start activities immediately after signing an agreement. Please clarify what start date USAID would anticipate for this project.

    The selected Recipients should be able to start activities immediately after signing the cooperative agreements which is estimated to be June/July 2012.

49. Annex Page Limitation: Are charts, such as organizational charts and a past performance table, included in the 25 page limit to Annexes?

    Yes, the page limitation for annexes, which may include organizational charts and past performance among others, is 25 pages.

50. Indicators: Has USAID selected specific Feed the Future standard indicators that are focus areas for Guatemala? If so, would USAID please share those?

    The proposed FTF indicators and the FTF indicator definition can be found in:
    http://www.usaid.gov/gt/docs/ftf_proposed_indicators.pdf **and**
    http://www.usaid.gov/gt/docs/ftf_indicator_handbook.pdf

51. Five aspects of FtF: Page 54 of the RFA references "five common implementation aspects of the FtF initiative." Are these the "integrating FtF principles" on page 11? Could USAID please clarify what the "five common implementation aspects of the FtF initiative" are (page 54)?

The five common implementation aspects of the FtF on page 54 are generalized and summarized references to the four integrating FtF principles on page 11. The intention of both the principles and the five common implementation aspects is that value chain activities have a positive impact upon nutrition,that the activities included nutrition behavior changes in the household especially for children, that community and municipal leaders participate in order to ensure continuity and sustainability and that involvement of the private sector is to be encouraged. On page 54 we added to the four principles a fifth guide, to be considered during implementation - the need to coordinate with other USAID programs for maximum impact.

52. Past Performance: Does USAID intend for the application to include an institutional capacity statement in the technical narrative as well as past performance references in table format as an annex?

Applicants may wish to consider how the institutional capacity statements of the prime and alliance partners support their proposed technical approach; however, the Applicants are responsible for determining where to submit institutional capacity statements (in the technical narrative or as annex).

53. Private Sector Aggregator: Does USAID envision the private sector aggregator fund working with wholesalers only? Or does USAID see this mechanism as working with other actors in the value chain (with a focus on the private sector) that can address key value chain and systematic constraints?

Amendment No. 2 to the RVCP RFA, page 3 provides additional clarification of the private sector aggregator model. It is the responsibility of the Applicant to propose their vision of this aggregator model that is private, innovative and sustainable.

54. Staff compensation: We understand page 58 of the RFA to be suggesting two different policies for staff compensation:
   i) First, the RFA says that the applicant must, "Propose direct salaries in accordance with applicants' current (as of application submittal) personnel policies."
   ii) Second, the RFA states that, "Compensation, including merit or promotion increases paid to TCN's and CCN's may not, without the approval of the Mission Director or the Assistant Administrator having program responsibility for the project, exceed the prevailing compensation paid to personnel performing comparable work in the cooperating country as determined by the USAID Mission."

   Assistance agreements follow A-122 cost principles; in particular, Attachment B #8 regarding 'compensation for personal services.' A-122, Attachment B, #8.c.2 defines reasonable compensation as, "**reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved.**" Moreover, A-122, Attachment B, #8.b.1 states that "the costs of such compensation are allowable to the extent that total compensation to individual employees […] **conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities** […]". To comply with these principles, NGOs conduct regular salary and benefit surveys (both national and expatriate) and establish salary scales and benefits packages based on these surveys. Staff that are promoted or hired into new positions are compensated according to the salary scale, per the job level, responsibilities and functions required, not according to previous salary levels. A-122 cost principles dictate that organizations must treat everything consistently. As such, all staff are paid consistently according to established organizational policies and salary scales, not based on a particular project or previous salary level of an individual, and not based on USAID Local Compensation Plan.

To follow A-122 principles, consistency, and ensure equity among staff, we respectfully request that USAID revise the RFA to state that salaries should be in accordance with an organization's policies.

All costs, including salaries will be reviewed for cost fairness, cost realism, completeness and reasonableness. Please note that this Section has been changed as reflected in paragraph 3 of Amendment #3 letter.

55. Will the implementation of the Project be in a gradual manner geographically or it has to be implemented in all the Departments and municipalities from the beginning of the project and at the same time?

    The Applicant is responsible for proposing the detailed technical approach they feel is most effective in meeting the objectives of the RVCP.

56. Do the activities of the project must be implemented in ALL the municipalities of the Departments or only in some?

    The list of prioritized municipalities was included as Annex B to the RFA Amendment 2 issued August 25, 2011. These municipalities have been selected for a combination of high poverty and high malnutrition rates and economic potential. The Applicant is responsible for determining which communities, if any, within the list of proposed municipalities have households that can participate in value chain activities.

57. Are there available databases or characterizations about the Departments (local languages, organizations data base, poverty index, malnutrition index, etc)?

    The list of candidate municipalities includes some basic data on poverty and malnutrition. Applicants must familiarize themselves with existing Guatemalan social and economic data bases.

58. Can we put as match the cost of the time that a person spends in a training instead of being working in the field?

    The amount of time spent in training should not be considered as a cost-share as there is a presumption of value to be gained by the training program.

59. Are you able to extend the limit date (October 3) to deliver proposals?

    The Closing Time for Application Submission was extended from October 3, 2011 to November 2, 2011 10 am (Guatemala time) as reflected in Amendment 2.

60. Components 1, 2, and 3: As investment, is it possible to buy seeds and production materials? Taking into consideration, for example, that coffee plants need to be renewed?

    USAID has restrictions on the purchase of certain commodities including seeds, fertilizers and some planting materials. USAID/Guatemala is seeking clarification and hopes to have an answer shortly. We recognize that in certain limited cases the procurement of seeds or planting material may be appropriate –demonstration plots, support to beneficiaries "graduating" from one program (a PL 480 Title II activity for example) to another. USAID is prepared to consider the case by case justification for such procurement once the award is made and implementation planning begins. However, for the purposes of the application and the application Budget, please include estimated costs for seeds, agri-inputs or seedling material. Use of funds for these purposes and purchase of these items will be subject to prior USAID approval.

61. Component 1: Is it feasible to buy agriculture equipment for the RVCP? For example, invest in micro tunes?

    Yes, there will be situations in which such investments will be justified to introduce new technologies –micro or macro tunnels, drip irrigation systems, etc. (see response above) USAID will review and approve such investments as they are proposed and justified. The Applicant is referred to Component 4 of the amended RFA (Amendment 2 page 3) and the discussion of the "Innovation and Investment Fund".

62. Component 1: Is it applicable the execution of sample plots with new technologies to reduce the impact on climate change?

    USAID encourages innovation in the RVCP program and the mitigation of risks, especially those caused by global climate change. As such, again on a case by case basis, USAID is willing to support the introduction of new technologies under the RVCP.

63. Component 4: Is there a minimum or maximum established for pilot projects to be executed during the five years?

    USAID requires the Applicant to implement at least one private aggregator model. Recipient should contemplate at least $1.0 million per year from USAID funds for this component and request leverage at the rate of at least 1:1 from interested private sector sub-applicants. No upper limit has been established; the Applicant should explain how they propose to utilize the pilot private aggregator model in its Technical Approach.

64. Component 6: Is it applicable the investment of equipment and materials like threads to strengthen productive design shops and new collections that allow better quality and productivity in key sectors? Example: looms, machinery, threads, etc.

    The RVCP envisions primarily the provision of technical assistance in the design and marketing of handicrafts and in the strengthening of producer and marketing groups. Applicants would be encouraged to form alliances with other organizations to provide seed capital or equipment but should limit themselves to technical assistance only.

65. Support: What type of accounting support is required in the cost-share?

    Cost sharing proposed in the application needs to comply with the requirements in Standard Provision #16 Cost Sharing (matching)(July 2002), Attachment 4, page 43 of the RFA.

66. Taking into consideration the access to irrigation; is it possible to invest in materials to implement irrigation systems in the Rural Value Chains Project?

    USAID encourages innovation in the RVCP program and the mitigation of risks, especially those caused by global climate change. As such, again on a case by case basis, USAID is willing to support the introduction of new technologies under the RVCP.

67. Institutional documents: Is it necessary to submit a certification of policies, personnel, procurement, and travel to review their compatibility with OMB circular for an organization that has already handle USAID funds?

    Please note that Section IV.6.7. Financial Resources has been changed as reflected in paragraph 3 of Amendment #3 letter.

68. What is the process to receive a certification from USAID regarding the NGO's personnel, procurement and travel policies?

    USAID no longer "certifies" NGOs. However, USAID continues to perform pre-award reviews/surveys of new institutions seeking business with USAID, in accordance with ADS 303.3.9.1.

69. What are the audit firms accepted by USAID?

    The list of audit firms approved by our Inspector General Office will be provided to the awardees on a case by case basis.

70. What is the process to receive approval from USAID of the organization's accounting system?

    USAID standards to accept an accounting system are listed in OMB Circulars A-110 and A-122. The requirements in 22 CFR 226 are not directly applicable to non-US organizations, but as a matter of USAID policy, these standards may be used.

71. Is it necessary to submit the marking plan with the Application? Since it will be a component of it

    In accordance with the RFA, Section V.3: "Please note that the Branding Strategy and Marking Plan shall not be included with the original application but shall be provided only after a written request of the Agreement Officer.

72. Which are the priority municipalities of investment?

    The list of prioritized municipalities was included as Annex B to the RFA Amendment 2 issued August 25, 2011.

73. Should we invest in all prioritized municipalities and in all departments?

    An explanation of why these municipalities were selected has been shared with all Applicants, see item 7, page 7 of Amendment No. 2 to the RFA.

74. Can we apply just for some of the components or should we apply to all of them?

    Applicants must submit an application on all 6 components in order to be responsive to the RFA.

75. Can we include in the staff, people from other countries?

    The Applicant shall propose the composition of the technical and/or administrative team it feels is most appropriate. Third country nationals (people from other countries) are not excluded.

    Applicants should note that USAID/Guatemala looks to promote engaging local talent to the furthest extent that is practical and possible. Therefore, proposing TCNs for this program will be scrutinized and the rationale for going against this practice will be seriously questioned. TCNs legally residents in Guatemala are considered CCNs.

76. Is there a limit on the number of organizations to form a consortium?

    The Applicant is responsible for proposing the best possible mix of technical and administrative/financial assistance. Consortia, partnerships and/or alliances are encouraged, but there is no limit, per se, to the number of possible organizations that can be proposed as consortium members.

77. Is the Responsive Fund like a small grants mechanism?

    The Rapid Response Fund, gives USAID an opportunity to work with the Applicant, to direct resources to meet emerging opportunities within the RVCP. The purpose of the Rapid Response Fund is explained on page 36 of the RFA. UAID anticipates that sub-awards can be utilized to implement the RRF, but this should be included as a separate budget line item.

78. What is the overhead allowed IDC for this project?

There is no overhead rate established for Guatemalan non-governmental organizations. Each organization must budget their overhead (indirect costs) as direct costs in the budget application.

Please note that the Section on indirect costs has been changed as reflected in paragraph 3 of Amendment #3 letter.

79. Can we propose within the components one to be direct for small grants or to be given to sub grantees?

The Applicant is responsible for designing activities that offer the best opportunities to achieve results under the RVCP.

80. Is there any specific format for CV? Or can we use the biodata form?

There is no specific format for CV, they may be submitted in the format the Applicant considers it best. There is no need to use the bio data sheet form.

81. Are there requirements or limitations regarding the type of organizations that can be member of a consortium. More specifically, can they be privately owned companies that are registered in Guatemala (as " sociedad anónima") and operate with or without national capital, be eligible?

The Applicant is responsible for proposing the best possible mix of technical and administrative/financial assistance. Consortia, partnerships and/or alliances are encouraged, but there is no limit, per se, to the number of possible organizations that can be proposed as consortium members. Privately owned companies registered in Guatemala as "sociedad anonima" can be eligible as members of a consortium; however, if they are operating with international capital they cannot be prime recipients.

82. You mentioned you prefer nationals in key positions, do non - U.S. citizens resident in Guatemala qualify as nationals or foreigners.

The Applicant shall propose the composition of the technical and/or administrative team it feels is most appropriate. Third country nationals (people from other countries) are not excluded.

Applicants should note that USAID/Guatemala looks to promote engaging local talent to the furthest extent that is practical and possible. Therefore, proposing TCNs for this program will be scrutinized and the rationale for going against this practice will be seriously questioned. TCNs legally residents in Guatemala are considered CCNs.

83. We would like to know if cacao production can be considered for San Marcos in this project?

USAID appreciates the suggestion and solicitation that cacao production be included in the RVCP. USAID recognizes that there are many potential crops that could

contribute to increased income in the western highlands. Unfortunately, USAID/Guatemala had to make tough choices and trade-offs among a number of possible value chains. The analysis conducted strongly suggests a focus upon high value horticulture and specialty coffee. USAID will not consider cacao under the RVCP.

84. On the meeting held on August 18th you talked about resource leverage of 1:1 and of 1:25 so my question is the following: Is 1:1 for private companies and 1:25 NGOs? Can you please be so kind to explain this?

As published in Amendment #2:
SUMMARY OF LEVERAGE AND COST SHARE UNDER THIS PROGRAM

<u>Required</u>	
Leverage for Component 4 -Private Aggregator	**1:1**
Cost Share	**5% of USAID contribution**
<u>Highly Desirable</u>	
Leverage for the entire program	**No specific amount**

85. Considering that there will be various consortiums participating in project implementation, could you consider the idea of having a consortium or an implementer to have one area of action defined, for example a department of the five mentioned; in order to establish responsibilities in compliance of the indicators and avoid duplicity of efforts?

Applicants are encouraged to propose the technical and managerial approach they deem most appropriate to reach the Objectives of the RVCP.

86. As part of cost share, especially when the 1:1 is mentioned, can we consider among these the contributions of the groups or producers (work, training, materials, others)

Cost sharing proposed in the application needs to comply with the requirements in Standard Provision #16 Cost Sharing (matching)(July 2002), Attachment 4, page 43 of the RFA. Cost sharing required for this project is 5% of USAID contributions which can be in cash or in-kind (see page 6 and 7 of Amendment No. 2 to the RFA). USAID defines cost sharing as contributions, including cash or in kind that *the Recipient provides directly* to the project.

USAID is willing to consider labor, approved agricultural inputs, office space/warehousing, etc. as eligible to be considered as cost sharing. Participants should benefit from training programs and because training is neither cash nor in-kind support directing to the project, training would not be acceptable.

The 1:1 leverage required for Component 4 is not considered cost share. The minimum 1:1 mentioned in the RFA is *Leverage* for Component 4 – Private Aggregator and it is defined in Amendment No. 2 to the RFA, as follows:

<u>Private Aggregator leverage</u>: is defined as the leverage required from interested private sector sub-applicants for Component 4. A rate of at least 1:1 is required for

this component, which means for each dollar required from USAID contribution, the same amount is required from interested private sector sub-applicants.

Applicants should treat USAID/Guatemala funding as an incentive to leverage funds from alliance partners which in combination can be used to build the foundation for sustained rural economic growth. The Applicant and its alliance partners are expected to provide leverage to help establish sustainable service delivery mechanisms to rural farm and off-farm enterprises.

87. Can the contribution from commercial companies in component 4 be calculated on seeds and materials for the production as well as technical assistance and other similar when referring to the 15% minimum investment?

    The cost-share percentage has been reduced to 5% of the USAID contribution to the RVCP, per Amendment No. 2 to the RFA. As for the pilot aggregator model, the Applicant must describe how they will design and implement the private aggregator model including potential partner leveraging and the sources of this leveraging. The Applicant should propose the 1:1 minimal leveraging and the sources of this leveraged amount –cash, in-kind capital goods such as warehousing or processing facilities based upon their approach.

88. In component 4 could we establish alliances with more than one private company considering that some of them do not have experience with all products that can be produced in the objective zone?

    USAID has no preconceived notions of the proposed pilot private aggregator model. Therefore, it is the responsibility of the Applicant to explain how they envision the organization and operation of the private sector aggregator model in their technical approach.

89. Did we understand the idea of using $125 per family for project implementation in order to comply with goals and objectives?

    The $125 cost per family was used as an example drawn from preliminary analysis conducted by a USAID consulting firm. It was mentioned during the pre-application meeting. Actual figures may be higher or lower. The intention of the aggregator model is to provide sustainable, cost-effective services.

90. The participation of local organizations in project implementation could be presented solely as a possibility and not necessarily as a defined alliance; since this could be defined in relation to specific actions that must implemented under each component and territory?

    Applicants are required to present an Application on all 6 components either as prime, or with alliances, consortia or partnerships (sub contractual relationships) with others. The members of any alliance, consortia or partnership engaged in the implementation of the RVCP should be named in the application. Beneficiary groups that would be engaged in the program do not have to be specified at this point.

91. Could the direction of the project be in charge of a well-qualified person with experience in all themes but with limitations in English?

    The proposed Key Personnel must meet the requirements established in the RFA Section V.1) 2. Management and Staffing Plan – Key Personnel, Page 65.

92. If there are various implementers, all of them should have a person in charge of spreading and communication or could it be consider that this theme be managed by a conjoint team?

    Each awardee will be responsible for the development of their communication strategy that will report upon Project progress and results.

93. Is there any pre-established or suggested format to present the Application and its annexes?

    There is no pre-established or suggested format. Applicants should follow the instructions provided in Section IV Application and Submission Information.

94. We are an export fruit company (banana, pineapple) and palm oil and would like to know if we can apply to participate in this award?

    All organizations that comply with the eligibility requirement and all requirements described in the RFA are free to submit an Application in accordance with the terms and conditions of the RFA.

95. What are the requirements needed to be able to participate?

    Please read the terms and conditions of the RFA in order to participate.

96. How many companies participate in this prize?

    This is not a prize competition; all organizations that comply with the terms and conditions of the RFA are allowed to participate by sending their Application in accordance with the RFA.

97. If we, as a company, already have a program with USAID in which we receive funds; would it be easier to participate in the award?

    All organizations that comply with the terms and conditions of the RFA are allowed to participate in accordance with the RFA.

98. What does Leverage mean?

    Please read definition given in Amendment #2 page 6.

Annex B

USAID
FROM THE AMERICAN PEOPLE

November 24, 2010

ACTION MEMO FOR THE ADMINISTRATOR

FROM: GC - Lisa Gomer, Chair, Procurement Reform Group /s/

SUBJECT: Approval of Blanket Waiver to Authorize Procurement in the Cooperating Country

Recommendation

That you approve a blanket waiver to authorize and encourage local procurement in the cooperating country[1], in an amount up to $5 (five) million aggregate in local procurements per each USAID-funded implementing instrument.

Approve ____________ Disapprove ____________

Background

Your approval is requested for a blanket waiver authorizing Agency operating units to fund implementing instruments with contractors and grantees permitting procurement of services of host country nationality[2], commodities of host country source and origin,[3] and commodities of host country source and any origin, excluding the foreign policy restricted countries[4], in an amount of up to $5 million in commodities and/or services per award, from local suppliers in the cooperating country.

In providing that "[f]unds made available under this Act may be used by the President for procurement…in the United States, the recipient (cooperating) country, or developing countries," Congress in the FAA established a preference for cooperating and developing country (as well as U.S.) procurement sources. FAA 604 (a). Local procurement in cooperating countries is recognized by many development experts, in addition to Congress, as an effective development tool for providing administrative and financial management training and experience to cooperating country civil society organizations (CSOs) and local businesses, thereby strengthening their capacity to partner with USAID and other donors. Local procurement also promotes and helps establish international standards for procurement reforms, transparency, and anti-corruption in cooperating countries.

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[1] "Cooperating country" is defined as the "the country receiving the USAID assistance," 22 C.F.R. Section 228.01(d).

[2] For purposes of USAID's procurement rules, "nationality" refers to the place of incorporation, ownership, citizenship, residence, etc. of suppliers of goods and services. ADS Glossary.

[3] "Source" is defined as the country from which a commodity is shipped to the cooperating country (or the cooperating country itself if the commodity is located therein at the time of the purchase). "Origin" is the country where a commodity is mined, grown or produced. ADS Glossary.

[4] "Foreign policy restricted countries" are those to which USAID is restricted or prohibited from providing assistance by law, regulation or policy (currently, Cuba, Iran, North Korea and Syria).

For historical reasons, USAID has developed regulations and Agency policy implementing Section 604 (a) – namely, the geographic "source, origin and nationality" codes[5] – that do not directly reflect Congress's preference expressed in the statutory language for procurement in the cooperating country (along with other developing countries, and the U.S.) and do not capture the three sources mandated by Congress – U.S., cooperating country, or developing countries – in any one geographic source code. In partial recognition of Congress's guidance, USAID established an exception to its geographic source codes, permitting cooperating country procurements in relatively modest amounts (locally available commodities of U.S. origin up to $100,000 per transaction; commodities from developing countries up to $5,000 per transaction; professional services contracts up to $250,000 per transaction), see 22 C.F.R. Section 228.40 and ADS 311, even when the applicable geographic source code does not provide for local procurement. Agency regulations also permit a waiver to authorize procurement in the cooperating country without limitation of amount, see 22 C.F.R. 228.51(a) (4) and 228.53 (d) (4), but such waivers must be processed on a case by case basis.

All of these obstacles–the development of a complicated geographic source code system; the low ceilings in the exception permitting local procurements; the necessity for a case by case determination to process a waiver–have resulted in underutilization of our waiver authority and more broadly, underutilization of cooperating country procurements. We seek your approval for a blanket waiver to encourage local procurement in the cooperating country and enhance the use of such procurements as a development assistance tool.

Discussion and Justification

Two of the Agency's primary objectives under our Implementation and Procurement Reform ("IPR") initiative are to increase competition and to use USAID resources more efficiently and effectively. In order to achieve these and other IPR objectives, we must streamline and simplify policies and procedures so it is easier for a wider range of potential partners–both private sector and non-governmental organizations–to compete for USAID-funded contracts and grants. The complexity of current agency source, origin and nationality requirements are a major obstacle to our staff and partners alike, and our request for your approval of this waiver for local procurements will lower some of these obstacles while we make revisions to streamline the underlying regulations.

In addition, in affirming the Paris Declaration on Aid Effectiveness, the follow-on Accra Agenda for Action, and parallel donor attempts to 'untie' foreign assistance, the U.S. government has committed both to greater use of cooperating country systems and also an increased amount of funding of procurements in the cooperating country. These commitments also are at the center of our IPR initiative. The Agency has recognized that increasing engagement with, and funding of, local CSOs and private sector businesses will increase the capacity of local entities to partner more effectively with USAID, other donors, local CSOs and businesses, and their own cooperating country governments. Agency procurement officials anticipate that the Agency's reform efforts will promote greater local "ownership" of development, enhance local capacity and accelerate the sustainability of local organizations.

[5] The geographic source codes are used by USAID Agreement/Contract officers to designate source, origin and nationality requirements in each implementing agreement, as directed by Agency policy, see ADS 310.5.1.

This, in turn, will advance and promote the objectives of country, regional and worldwide USAID assistance programs, a requirement for use of the waiver authority in 22 C.F.R. 228.51(a) (4) (v) and 228.53 (d)(4).

A first step to achieving IPR reforms is to encourage and facilitate greater use of existing authorities while undertaking revisions and expansions of them. In this regard, while a waiver to permit local procurement is already authorized on a case by case basis by 22 C.F.R. 228.51 (a)(4) (v) and 228.53 (d) (4), your approval of a blanket waiver will highlight and promote Agency efforts to encourage cooperating country procurements, obviate the need for operating unit heads (mission directors) to process and approve such waivers on a case by case basis, inspire Agency officials to undertake cooperating country procurements, and send a strong signal that the Agency is committed to and advancing on commitments made under the Paris Declaration and Accra Agenda, procurement reform, and "USAID Forward." LPA and GC have completed consultations with Senate and House authorizing and appropriations committee minority and majority staff, who did not express any objection concerning the proposed blanket waiver we are requesting you to approve. Finally, LPA and GC have briefed Congressional staffers and begun revisions of Agency source, origin and nationality regulations, a process that will require public "notice and comment" administrative rulemaking, and related agency policies as a near term goal of the IPR initiative (LPA and GC have promised to consult with committee staff again before publication of the new proposed regulation). Please note that we recommend a ceiling of $5 million for the waiver because most of USAID's contracts and grants are for a term of five years and many of them are $50 million or more per award, and based on surveys of field missions, we believe that $5 million is a sufficient amount to provide relief to mission and implementing partner staff from our overly restrictive regulations and policy while we revise the underlying regulation through administrative rulemaking procedures.

Authority

FAA Section 604 (a) establishes a preference, inter alia, for cooperating country procurements. Section 228.51 (a) (4) of Title 22 of the Code of Federal Regulations provides criteria for a waiver of any applicable geographic source code to authorize procurement of commodities in the cooperating country. Subsection (v) of Section 228.51 (a) (4) further provides that such a waiver may be authorized if "[p]rocurement in the cooperating country would best promote the objectives of the foreign assistance program." Similarly, Section 228.53 provides that a waiver to permit cooperating country procurement of locally available services (privately owned commercial suppliers and nonprofit organizations) if "[p]rocurement of local services would best promote the objectives of the foreign assistance program." Because the proposed waiver would best promote Agency objectives in encouraging and authorizing cooperating country procurements, the criteria is met for both cooperating country procurements of commodities and services.

Please note that, if approved, this blanket waiver is only a first (but important) step in promoting greater use of procurements in cooperating countries. All authorities, restrictions, and requirements for USAID procurement, funding and programming not specifically included within the scope of this blanket waiver remain otherwise unaffected. For example, existing competition requirements will still apply, as will restrictions on procurement of special commodities such as agricultural commodities, motor vehicles, pharmaceuticals, contraceptive products, pesticides, used equipment and fertilizer, see, e.g., FAA 604 (e), 22 C.F.R. 228.51 (b) and ADS 312, and construction or engineering from an advanced developing country under FAA Section 604 (g). Please also note that the authorities for waivers to authorize procurements in the cooperating country, 22 C.F.R Sections 228.51 (a) (4) (v) and 228.53 (d) (4), the basis for this "blanket" waiver, still remain available for use by USAID operating units to authorize cooperating country procurements in excess of $5 million per award, upon approval of the appropriate and cognizant official as designated by ADS 103. The $5 million per award limit of this blanket waiver is not intended to set any benchmark or standard for operating unit consideration of waivers in excess of that amount. Finally, please note that the blanket waiver approving cooperating country procurements up to the limit of $5 million per instrument effectively establishes the cooperating country as an additional source code for procurements within the $5 million limit, and like all waivers to expand authorized sources, permits procurement of commodities of any origin, excluding the foreign policy restricted countries, so long as they are available for purchase in the cooperating country. It is our recommendation that if you approve this blanket waiver, it remain in place until such time as the underlying regulation be revised through the public rulemaking process discussed above.