Strategic Objective Grant Agreement (SOAG)

USAID Agreement No. 117-0001

MILLENNIUM CHALLENGE ACCOUNT THRESHOLD PROGRAM

STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF

THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF MOLDOVA

FOR THE PROGRAM TO

CONTROL CORRUPTION

S.O. Grant Agreement No. 117-0001
Operating Unit: Moldova
Bureau: E+E
Fund Code: MCC-X6
Fund Year: 2007
Total Amount: $24,700,000

Program Area: 2.2 (A08) [Good Governance];
Program Element: 2.2.4 (A037) [Anti-corruption Reforms];
Amount: $20,700,000

Program Area: 2.4 (A10) [Civil Society]
Program Element: 2.4.1 (A044) [Civic Participation]
Amount: $2,000,000

Program Area: 2.4 (A10) [Civil Society]
Program Element: 2.4.2 (A045) [Media Freedom and Freedom of Information]
Amount: $2,000,000
Millennium Challenge Account Threshold Program

STRATEGIC OBJECTIVE GRANT AGREEMENT

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Millennium Challenge Account Threshold Program

STRATEGIC OBJECTIVE GRANT AGREEMENT

Between

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

and

The Government of Moldova (hereinafter referred to as the “Government of Moldova” or "Grantee")

Article 1: Purpose.

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective described below. This Agreement is concluded within the framework of the Agreement between the Government of the United States of America and the Government of Moldova regarding Cooperation to Facilitate the Provision of Assistance dated March 21, 1994 ("1994 Bilateral Agreement").

Article 2: Strategic Objective and Results.

Section 2.1. Strategic Objective. The strategic objective ("Strategic Objective" or "Objective") is to reduce corruption in the public sector through judicial reform, civil society and mass media monitoring, combating corruption in health care, tax, customs and police, and reforming and strengthening the Center for Combating Economic Crimes and Corruption (CCECC).

This Section 2.1 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives, as defined in Section 6.3.

Section 2.2. Results. In order to achieve the Objective, the Parties agree to work together to achieve the following results (each a “Result” and collectively, the “Results”):

(a) Increase transparency in the judicial sector;

(b) Reduce opportunities for corruption by enabling civil society and mass media to be more effective monitors of government and advocates for reform;

(c) Reduce opportunities for corruption through standardized health care practices and increased oversight;
(d) Improve capacities and transparency in tax collection and customs administration, and strengthen internal investigation capacities of the police; and

(e) Support anticorruption reforms, strategies, and capacities of the CCECC.

This Section 2.2 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives.

Section 2.3. Annex 1, Amplified Program Description. Annex 1, attached hereto, forms part of this Agreement and amplifies the above Objective and Results. Within the limits of the above definitions of the Objective in Section 2.1 and the Results in Section 2.2, Annex 1 may be changed only by written agreement of the Authorized Representatives, without formal amendment of this Agreement.

Article 3: Contributions of the Parties.

Section 3.1. USAID Contribution. The Grant. To help achieve the Objective set forth in this Agreement, USAID, hereby grants, subject to the terms and conditions set forth herein, and pursuant to the Foreign Assistance Act of 1961, as amended, and Section 616 of the Millennium Challenge Act of 2003, to the Grantee an amount not to exceed twenty-four million seven hundred thousand United States ("U.S.") dollars ($24,700,000) (the "Grant").

Section 3.2. Grantee Contribution. The Grantee shall provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Results. Grantee support shall include, but shall not be limited to, all organizational costs associated with achieving the Results.

Article 4: Completion Date.

(a) The Completion Date, March 31, 2009, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing. After such period, USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.
Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant or to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee, in accordance with all of its terms;

(b) A statement, signed by the Authorized Representative of the Grantee specified in Section 6.3, of the name and title of each person who will act as a representative of the Grantee under Section 6.3, together with a specimen signature of each person specified in such statement;

(c) Evidence that the Government of Moldova has appointed sufficient staff for the implementation of the Program, as defined in Annex 1; and

(d) A management plan for the implementation of Program Components 1, 3, 4 and 5.

Section 5.2. Notification. USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

Section 5.3. Terminal Dates for Conditions Precedent. The terminal date for meeting the conditions specified in Section 5.1 is thirty (30) days from the date of this Agreement or such later date as USAID may agree to in writing. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID may terminate this Agreement in whole or in part by written notice to the Grantee.

Article 6: Miscellaneous.

Section 6.1. Financial Disbursement. The activities funded under this Agreement will be undertaken in conformity with United States Government rules, regulations, policies and procedures, and USAID will disburse all funds under this Agreement to Implementing Organizations (as defined in Annex 1) consistent with such rules, regulations, policies and procedures.

Section 6.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement shall be (a) in writing or by telegram or telefax, and (b) deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail Address:
Director
United States Agency for International Development (USAID)
Regional Mission for Ukraine, Belarus and Moldova
19 Nyzhny Val
04071 Kyiv, Ukraine

Telephone: (380-44) 537-4600
Telefax: (380-44) 537-4684

and Country Program Officer
USAID/Moldova
57/1, Banulescu-Bodoni St.,
ASITO Bldg, 5th Floor
Chisinau, MD 2005

Tel: (373-22)-20-18-00
Fax: (373-22)-23-72-77

To the Grantee:

Mail Address:

First Deputy Prime Minister
of the Republic of Moldova
Government Building
1, Marii Adunari Nationale Sq.
Chisinau, MD-2033
Republic of Moldova

Telephone/Telefax: (373-22-250-141)

All such communications will be in English and in the state language of Moldova, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 6.3. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the First Deputy Prime Minister, and USAID will be represented by the individual holding or acting in the Office of Director, USAID Regional Mission to Ukraine, Belarus and Moldova (each an “Authorized Representative” and together, the “Authorized Representatives”). Each of the Authorized Representatives, by written notice, may designate additional representatives (“Additional Representatives”) for all purposes except signing this Agreement, signing formal amendments to the Agreement or exercising the power under Section 2.3 to change Annex 1. The names of the Authorized Representative and the Additional Representatives of the Grantee, with specimen signatures, will be provided to USAID, and USAID may accept as duly authorized any instrument signed by such
representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.


Section 6.5. Language of Agreement. This Agreement is prepared in both English and the state language of Moldova. In the event of ambiguity or conflict between the two versions, the English language version will control.

Section 6.6. Amendments. Unless otherwise specified herein, the Parties may amend this Agreement only by a formal written amendment signed by the Authorized Representatives.

Article 7: Covenants Regarding Program Implementation.

(a) For each Component of the Program, the Parties will develop and approve an implementation plan that includes a statement of the new or amended laws and the new or amended regulations or procedures concerning the operations of agencies of the Government of Moldova and concerning economic activities and legal rights and responsibilities of citizens that must be enacted, issued or amended to achieve the expected Results and accomplish the Objective, along with an estimated timetable for enactment or issuance.

(b) The Government of Moldova shall develop and propose such new or amended laws to the Parliament for enactment and use its best efforts to advocate and secure the enactment of such laws by the Parliament. The Government of Moldova shall develop and issue appropriate regulations and procedures and effectively and impartially implement such laws and regulations.

(c) If USAID determines that the achievement of the Results or the accomplishment of the Objective is improbable because the Government of Moldova has failed to draft appropriate new or amended laws and advocate their enactment by the Parliament, or to issue or amend appropriate regulations in a timely manner, then USAID may, under Annex 2, Section E.1, suspend or terminate assistance for any Component or specified activities that are affected by the failure to enact appropriate laws or issue appropriate regulations.

(d) The Government of Moldova shall appoint, hire or assign sufficient and appropriate staff to the Program management team, including appropriate personnel of senior rank who have access to senior decision-makers in the Cabinet of Ministers, the Judicial Branch and members of the Parliament, so that the Government of Moldova and its Program management team will be able to coordinate and implement the Program.

Article 8: Procurement and Grant-Making Procedures.

(a) Unless the Parties agree otherwise in writing, USAID shall use USAID procedures to commit and subobligate all Grant funds for the activities and objectives described in Annex 1, the Amplified Program Description. The provisions of the 1994 Bilateral Agreement shall apply to
activities and Implementing Organizations (whether or not resident in Moldova) funded through this Agreement.

(b) Government of Moldova officials or other individuals designated by the Government of Moldova will participate in the processes of solicitation for and awarding of grants and contracts to implement the Program, and in monitoring and evaluating the performance and progress of implementing organizations selected to assist the Parties to implement the Program. Details of cooperation between the Parties on procurement and grant-making procedures are provided in Annex 1, and may be further agreed by Implementation Letter, as provided in the Standard Provisions, Annex 2.

(c) The Parties agree that, in addition to Moldovan public bodies and private organizations, several U.S. or other international Implementing Organizations may work under contracts, grants or other agreements with USAID to provide technical assistance in order to implement the Program under the 1994 Bilateral Agreement. The Program will be registered with the Government of Moldova, and the U.S. or other international Implementing Organizations will be accredited to the Government of Moldova, as provided in the 1994 Bilateral Agreement and Government of Moldova procedures.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its Authorized Representative, have caused this Agreement to be signed in their names and delivered in Chisinau, as of this 15th day of December 2006.

GOVERNMENT OF THE UNITED STATES OF AMERICA

By: / s /

Éarl Gast
Director, USAID Regional Mission for Ukraine, Belarus and Moldova

GOVERNMENT OF MOLDOVA

By: / s /

Zinaida Greceanîi
First Deputy Prime Minister of the Republic of Moldova
Witnesses to the Signing of the

Strategic Objective Grant Agreement (SOAG)

USAID Agreement No. 117-0001

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STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

AND

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FOR THE PROGRAM TO CONTROL CORRUPTION

/ s /  / s /

Maureen Harrington
Vice President for Policy and
International Relations
Millennium Challenge Corporation

/ s /  / s /

Vitalie Tarlog
Minister of Justice
Republic of Moldova

/ s /  / s /

Michael D. Kirby
Ambassador of the United States of
America to the Republic of Moldova

Igor Dodon
Minister of Economy and Trade
Republic of Moldova

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Program Area: 2.4 (A10) [Civil Society]
Program Element: 2.4.2 (A045) [Media Freedom and Freedom of Information]
Amount: $2,000,000
ANNEX 1
AMPLIFIED PROGRAM DESCRIPTION

I. INTRODUCTION

This Annex 1 describes the activities to be undertaken and the Results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. BACKGROUND

The Government of Moldova initiated an anticorruption drive in December 2004 when it adopted a national strategy for preventing and fighting corruption. To implement this national strategy, the Government of Moldova has committed to passing numerous laws, including political party financing, conflict of interest, prevention and combating corruption, public procurement, code of ethics for public servants, and amendments to the criminal code. A 2005 Government of Moldova decision regarding combating corruption in public institutions created special units in all public entities to implement anticorruption measures. In 2002, the Government of Moldova created the CCECC which, while still transforming and fighting corruption within its own ranks, has the authorities and the ability to become an effective tool to fight corruption. In January 2006, an anticorruption alliance of nongovernmental organizations (NGOs) was created, reflecting civil society’s attention and concern about the issue.

In November 2005, the Millennium Challenge Corporation (“MCC”) selected Moldova as eligible to receive MCC Threshold program assistance. In September 2006, in response to MCC’s invitation, the Government of Moldova (the “Government”) submitted its final Threshold Country Plan to MCC focused on activities that would impact positively on MCC’s “Control of Corruption” indicator.

In October 2006, the Board of Directors of MCC approved Threshold program assistance for Moldova as set forth in this Agreement (the “Program”). As the Government of Moldova has requested, MCC funding for the Program will be used to focus on some major areas where corruption persists, including the judiciary, the CCECC, the health care system, and tax, customs and police institutions. Likewise, because civil society and the media play a key role in spotlighting corruption, the Program will help them monitor and evaluate the Government’s anticorruption efforts.

III. STRATEGIC OBJECTIVE; RESULTS TO BE ACHIEVED

The Strategic Objective of this Agreement is to improve revenue administration and anticorruption efforts in Moldova. In order to achieve the Objective, the following Results must be achieved for the respective Program components:

- Improve the capacity of the judiciary to prevent and combat corruption;
- Strengthen the monitoring capacity of civil society and mass media;
- Prevent and curb corruption in the health care system;
- Prevent and control corruption in tax, customs, and police bodies; and
- Reform and Strengthen the Center for Combating Economic Crimes and Corruption.

IV. ACTIVITIES

Program Components – Objectives and Proposed Activities:

Component 1. Improve the capacity of the judiciary to prevent and combat corruption: Judicial reform is a critical step to ensure Moldova’s successful transition to becoming a democratic, market economy. Reflecting the importance of reform in this area, the Ministry of Justice is developing a Strategy for Reforming the Judicial System, 2006-2008 and an accompanying action plan, which are in the final stages of development. Certain skills, transparency mechanisms, and integrity mechanisms are still needed in Moldova’s judicial system to help it fairly, equitably, and independently dispense justice, thereby eliminating opportunities for corruption.

Result: Increase transparency in the judicial sector.

Proposed Activities:

- Develop and implement a secure automated case management system for all courts to assign cases randomly and provide access to current versions of laws and case archives. Aggregate data will be provided to the public on the Internet.
- Develop enforceable codes of conduct, including conflict of interest provisions and disciplinary measures for judges, attorneys, and court personnel, through interdisciplinary working groups, including the Moldova bar association, the judiciary, and civil society. Legal disciplinary enforcement mechanisms will be developed for the judiciary.
- Equip 200 courtrooms with recording equipment and transcription software to allow for verbatim transcripts of all court cases.
- Develop web sites for courts of all levels making all court decisions, procedures, and court information available for public inspection.
- Create a database to ensure that all registrations, including pleadings, motions, records of proceedings, and opinions will be available for public inspection. Provide photocopying equipment to courthouses for public use.
- Create a publicly available judicial statistics system, including data on caseloads, enforcement, and conviction rates.
- Amend legislation to allow for more effective enforcement of court judgments, and provide training to court personnel on these changes.

Component 2. Strengthen the monitoring capacity of civil society and mass media: Moldovan civil society and media are not meeting their full potential as effective monitors of government and advocates for reform. Recognizing the vital role that they play in monitoring and identifying government corruption and in educating the public, the Government of Moldova proposes to use MCC funding to build the capacities of NGOs and mass media so that they can more effectively monitor government progress in implementing anticorruption reforms.
Result: Reduce opportunities for corruption by enabling civil society and mass media to be more effective monitors of government and advocates for reform.

Proposed Activities:

- Provide grants, training, and technical assistance to anticorruption NGOs to monitor government activity and its anticorruption reform efforts.
- Provide grants, training, and technical assistance to journalists and media NGOs to strengthen investigative journalism.
- Create a public-private working group to issue recommendations to increase the role of mass media in monitoring anticorruption reforms and to make recommendations regarding improved legislation on mass media.

Component 3. Prevent and curb corruption in the health care system: The Government of Moldova has instituted a number of health care reforms, starting with introducing a mandatory health insurance scheme in 2004. Laws on patients’ rights and physicians’ rights passed in the last two years provide additional foundation for a more accountable, effective health care system. Despite these initiatives, high-level corruption persists within procurement and reform prioritization, and administrative corruption is prevalent in the form of informal payment and misuse of facilities and equipment. This component complements the Government of Moldova’s ongoing efforts to make quality health care more accessible and transparent to all patients, addressing some of these ongoing issues.

Result: Reduce opportunities for corruption through standardized health care practices and increased oversight.

Proposed Activities:

- Develop and implement a comprehensive strategy to reduce corruption in the health care sector.
- Establish a multi-sectoral working group on combating corruption in the health sector at the national level, including NGOs and the private sector, to monitor implementation of the national strategy above.
- Develop internationally acceptable standards for diagnostic and treatment protocols, and protocols for purchasing drugs and medical equipment. Technical working groups may be established to develop these standards and protocols.
- Develop a code of conduct for medical personnel through a working group with professional organizations, government officials, and civil society.
- Establish criteria for budget priorities and releasing budget information publicly to increase transparency of health care financing.
- Develop audit training and procedures for health sector managers, including internal auditing.
- Improve information dissemination from health service providers, including budget and performance information at the national and local level.
• Establish citizen oversight boards, a national center of health sector ombudsmen, and a “yellow card-blue card” corrupt activities reporting system (i.e., system where colored cards are available in public offices so that people can make anonymous complaints) in order to increase oversight and accountability.
• Establish procurement guidelines in line with international best practices, including providing training, creating lists of reliable suppliers, implementing “integrity pacts” and releasing procurement information to the public.

**Component 4. Prevent and control corruption in tax, customs, and police bodies:** Corruption in the areas of tax, customs, and police impacts almost every Moldovan citizen. The Government of Moldova is taking proactive steps, including rotating assignments, introducing codes of conduct, and making recruitment and promotion requirements more transparent. Reducing direct contact between the public and these institutions, improving information management systems, and allowing the public more opportunity to oversee the government actions in these areas will further enhance the Government of Moldova’s anticorruption program in these institutions.

**Result:** Improve capacities and transparency in tax collection and customs administration, and strengthen police internal investigation capacities.

**Proposed Activities:**

• Improve capacities and increase transparency in tax collection.
  • Create a single information center within the Principal State Fiscal Inspectorate to provide information and advice to taxpayers.
  • Streamline tax forms and communications with taxpayers.
  • Create a fraud prevention division in the state fiscal service to improve its cooperation on investigations and prosecutions with anticorruption law enforcement institutions.
  • Provide technical assistance to the state fiscal service to prevent information leaks.
  • Provide technical assistance to help establish an institute for fiscal mediation to apply conflict resolution techniques to tax conflicts.
  • Provide training to employees of the state fiscal service on professional and ethics standards.
• Improve capacities and increase transparency of the Customs Service.
  • Improve recruitment, evaluation, and ethics code implementation systems in the Customs Service, including in the Internal Security Section.
  • Build capacity of the Customs Service Internal Security Section to initiate and conduct internal corruption investigations through training and development of standard operating procedures.
  • Create an independent team to monitor and report on corruption at border crossings.
  • Introduce the new Computerized Transit System, which will integrate with Europe’s new Computerized Transit System, to help eliminate corruption at the borders.
  • Improve “single window” customs processing at the borders.
  • Provide training to businesses on Customs Service rules and regulations.
  • Make Customs Service rules, procedures, and requirements available online and through newspapers.
• Provide training to customs officials on professional and ethics standards.
• Strengthen capacities and abilities of police to investigate corruption.
• Improve recruitment, evaluation, and ethics code implementation systems in the Ministry of Internal Affairs.
• Launch an integrated informational system at the Interior Ministry’s guard units located in all regions of the country and sectors of Chisinau to collect and transmit information about acts of corruption in police bodies.
• Support institutional capacities of the Institute for Continuous Professional Training and Applied Scientific Research at the Academy “Stefan cel Mare” at the Ministry of Internal Affairs to provide training on investigative techniques.
• Provide training on professional and ethics standards, investigation techniques, and cooperation with the press in conducting corruption investigations.

Component 5. Reform and Strengthen the Center for Combating Economic Crimes and Corruption: Created in 2002, the CCECC is the main anticorruption agency in Moldova. The Program will support needed institutional reforms at the CCECC, as well as improve CCECC capacities in management, investigation, and prevention. In addition to Program funds, the Government of Moldova will providing $350,000 toward institutional reforms, the civilian board secretariat, development of a code of ethics, training, and enhancement of whistleblower protection mechanisms. The Government will also provide resources to create a dedicated section in the procuracy to investigate and prosecute corruption within the CCECC.

Result: Support anticorruption reforms and strategies of the CCECC; reform and strengthen the capacities of the CCECC to prevent and combat corruption.

Proposed Activities:

• Reorganize to create a single department for operative investigations to decentralize the CCECC and increase information sharing; a single department for prevention; and a reformed section for internal investigations; provide training on internal investigations to these departments and sections.
• Revise the CCECC’s corporate strategy jointly with mass media and civil society to elaborate a mission statement, values, goals, priorities, and methods.
• Create an independent civilian board to monitor the activity of the CCECC and to advise the CCECC director.
• Create and build capacities of the witness protection unit in the Center for Combating Economic Crimes and Corruption (CCECC), and provide for the protection of members of the media and civil society who report corruption.
• Improve whistleblower statutes.
• Introduce a “yellow card” system for reporting acts of corruption among civil servants.
• Make CCECC budget information available to the public.
• Develop a prevention strategy and strengthen CCECC’s public education program. (This may include conducting surveys to assess the public’s knowledge and perceptions of corruption).
• Develop an anticorruption information strategy and public relations campaign together with civil society and the mass media.
• Train and mobilize civil society representatives to monitor and report on activities of the CCECC and the public sector.
• Build institutional and human resource capacities of the CCECC by developing and implementing standard pre-employment screening and background checks; creating and applying evaluation and recruitment standards for CCECC employees; establishing a continuing training center; and formalizing decision making procedures.
• Support the monitoring group, which includes members of civil society, government and the private sector, in ensuring that all public institutions implement the national strategy.
• Provide technical assistance to the new inter-sectoral working group for anticorruption expertise.
• Provide training and meetings to improve coordination between CCECC, general procuracy, Ministry of Interior, Customs Service, and Service for Security and Information to improve cooperation on anticorruption efforts.

V. ROLES AND RESPONSIBILITIES

A. GOVERNMENT

In connection with the implementation of the activities under this Agreement, the Government shall use its very best efforts to ensure that the Results and the Objective are achieved, as contemplated in this Agreement.

In furtherance of, but without limiting the foregoing, the Government shall: (a) pay for the annual salaries and organizational costs of the Government staff assigned to oversee the Program; (b) provide office space for staff of selected Implementing Organizations (as defined below); (c) provide Program monitoring; and (d) ensure budget support and replication of lessons learned to sustain Program activities after the Completion Date and expand to other areas.

B. USAID

USAID will be the lead U.S. Government agency implementing the Moldova Threshold Program. It will be assisted by other U.S. agencies, including the U.S. Department of Justice.

USAID will work closely with the Government of Moldova to assist the Government to successfully implement the Program and achieve the Results and the Objective contemplated by this Agreement.

USAID will enter into one or more agreements with one or more third-party implementing organizations (each, an “Implementing Organization”) to implement the Program. Such agreements may include but not be limited to grants, cooperative agreements, contracts and interagency agreements. The Implementing Organizations may be local, United States, international or multi-national, governmental or nongovernmental, organizations or persons. USAID will select the Implementing Organizations in accordance with USAID regulations and policies and in consultation with representatives of the Government and MCC. For the purposes of this Agreement, “Implementing Organization” shall include any legal entity (whether or not a resident
of Moldova) that has legal responsibility for implementing the Program in whole or in part on the basis of a written agreement with USAID.

USAID will monitor performance under such agreements and will oversee the performance of the Implementing Organizations and progress toward achievement of the Results.

C. IMPLEMENTING ORGANIZATIONS

USAID will select the Implementing Organizations and will ensure that the Implementing Organizations carry out the implementation of the Program in conformance with this Agreement and report directly to USAID. Each agreement between USAID and an Implementing Organization that is an organization will be consistent with this Agreement and will include a monitoring and evaluation plan, including indicators, targets and outputs.

D. MCC

MCC has charged USAID with responsibility for administering and overseeing the implementation of this Agreement under MCC principles of country ownership, accountability and emphasis on results. MCC is not a party to this Agreement.

VI. FINANCIAL PLAN

The financial plan (the “Financial Plan”) for the Program is set forth below. Changes may be made to the Financial Plan in writing by the Authorized Representatives without formal amendment to the Agreement, if such changes do not cause USAID’s contribution to exceed the amount specified in Section 3.1 of the Agreement.

<table>
<thead>
<tr>
<th>Program Component</th>
<th>USAID Contribution (in U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improve the Capacity of the Judiciary to Prevent and Combat Corruption</td>
<td>$10,300,000</td>
</tr>
<tr>
<td>2. Strengthen the Monitoring Capacity of Civil Society and Mass Media</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>3. Prevent and Curb Corruption in the Health Care System</td>
<td>$2,900,000</td>
</tr>
<tr>
<td>4. Prevent and Control of Corruption in Tax, Customs and Police Bodies</td>
<td>$4,800,000</td>
</tr>
<tr>
<td>5. Reform and Strengthen the CCECC</td>
<td>$2,700,000</td>
</tr>
<tr>
<td><strong>Total Program Cost</strong></td>
<td><strong>$24,700,000</strong></td>
</tr>
</tbody>
</table>

VII. MONITORING AND EVALUATION

Program monitoring and evaluation will be based on quantitative as well as qualitative factors, and will be carried out by the Government of Moldova, the Implementing Organizations and USAID. Achievement of the Results and the Strategic Objective shall be measured based upon the following performance indicators and targets:
Component 1. Improve the capacity of the judiciary to prevent and combat corruption.

- Reduce undocumented extra payments or bribes connected with getting favorable judicial decisions from a score of 4.4 (2005) to 4.8 (Source: Global Competitiveness Report).
- Reduce the extent to which judiciary/legal system is affected by corruption from a score of 3.8 (2005) to 3.4 (Source: Transparency International’s Global Corruption Barometer).
- Reduce the estimated total value of bribes paid by business people within the judiciary from 10 million lei (2005) by 15% (Source: Transparency International Moldova).

Component 2. Strengthen the monitoring capacity of civil society and mass media.

- Improve scores in the quarterly content analysis of news reports/articles published by Moldovan media.

Component 3. Prevent and curb corruption in the health care system.

- Reduce the extent to which the health care sector is affected by corruption from a score of 4.0 (2005) to 3.6 (Source: Transparency International’s Global Corruption Barometer).
- Reduce the estimated total volume of bribes paid by households within health care system by 15 percent from 200 million lei (2005) (Source: Transparency International Moldova).

Component 4. Prevent and control corruption in tax, customs and police bodies.

- Reduce the extent to which tax administration is affected by corruption from a score of 2.9 (2005) to 2.6 (Source: Transparency International’s Global Corruption Barometer).
- Reduce the total volume of bribes paid by business people within the tax system from 69 million lei (2005) by 15 percent (Source: Transparency International Moldova).
- Reduce the undocumented extra payments or bribes connected with annual tax payments from a score of 5.2 (2005) to 5.5 (Source: Global Competitiveness Report).
- Reduce the extent to which customs is affected by corruption from a score of 4.2 (2005) to 3.8 (Source: Transparency International’s Global Corruption Barometer).
- Reduce the undocumented extra payments or bribes connected with export and import from a score of 5.0 (2005) to 5.3 (Source: Global Competitiveness Report).
- Reduce the extent to which the police force is affected by corruption from a score of 4.2 (2005) to 3.8 (Source: Transparency International’s Global Corruption Barometer).

Component 5. Reform and Strengthen the Center for Combating Economic Crimes and Corruption.

- Reduce the percent of Moldovan citizens who have paid a bribe in any form over the past 12 months from 29 percent to 14 percent (Source: Transparency International’s Global Corruption Barometer).
ANNEX 2
STANDARD PROVISIONS

Article A: Definitions and Implementation Letters

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Section A.2. Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, and revisions of Annex 1 which do not conflict with provisions of the Agreement.

Article B: General Covenants

Section B.1. Consultation. The Parties will cooperate to assure that the Objective and Results of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress towards the Objective and Results, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. The Grantee will:

(a) Carry out the Agreement or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by USAID pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

Section B.3. Utilization of Goods and Services

(a) Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement and as USAID may direct in Implementation Letters.
(b) Goods or services financed under this Agreement, except as USAID may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in USAID Geographic Code 935 as in effect at the time of such use.

Section B.4. Taxation

(a) GENERAL EXEMPTION. The Agreement and the assistance thereunder are free from any taxes imposed under laws in effect in the territory of the Moldova, under the terms of the 1994 Bilateral Agreement.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively “goods”) under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(d) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections

(a) Reports and Information. The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) Grantee Agreement Books and Records. The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred under the Agreement, the receipt and use of goods and services acquired under the Agreement, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three
years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings.

c) **Grantee Audit.** If $300,000 or more is expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines"; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

d) **Subrecipient Audits.** The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" subrecipients, as defined below, that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" subrecipient is one who expends $300,000 or more in its fiscal year in "USAID awards" (i.e., as recipients of USAID cost reimbursable contracts, grants or cooperative agreements and as sub-recipients under USAID strategic objective and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered subrecipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the subrecipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange for its own audits. A host-country contractor should be audited by the Grantee’s auditing agency.)

(4) The Grantee shall ensure that covered subrecipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether subrecipients' audits necessitate adjustment of its own records; and require each such subrecipient to permit independent auditors to have access to records and financial statements as necessary.
(e) Audit Reports. The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Other Covered Subrecipients. For "covered" subrecipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) Cost of Audits. Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) Audit by USAID. USAID may, at its discretion, perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose.

(i) Opportunity to Audit or Inspect. The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) Sub-recipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all sub-agreements with non-U.S. organizations which meet the $300,000 threshold of paragraph (c) of this provision. Sub-agreements with non-U.S. organizations, which do not meet the $300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Sub-agreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

**Section B.6. Completeness of Information.** The Grantee confirms:

(a) that the facts and circumstances of which it has informed USAID, or caused USAID to be informed, in the course of reaching agreement with USAID on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Agreement and the discharge of responsibilities under this Agreement; and

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement or the discharge of responsibilities under this Agreement.

**Section B.7. Other Payments.** Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.
Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions

Section C.1. Source and Origin

(a) Disbursements under this Agreement will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in countries included in USAID Geographic Code 935 as in effect at the time orders are placed or contracts entered into for such goods or services, except as USAID may otherwise agree in writing and as follows:

(1) Ocean transportation costs shall be financed under the Agreement only on vessels under flag registry of countries included in USAID Geographic Code 935. Also see Section C.6 on use of U.S. flag vessels.

(2) The country of the Grantee is an eligible source for marine insurance.

(b) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(c) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(d) Transportation by air of property or persons financed under this Agreement will be on carriers holding United States certification, to the extent service by such carriers is available under the Fly America Act. This requirement may be further described by USAID in Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to USAID upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Grant, including documentation relating to the pre-qualification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished USAID on preparation; and
(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in Implementation Letters.

(b) Documents related to the pre-qualification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Agreement for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Implementation Letters, will be approved by USAID in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by USAID prior to execution; and

(d) Consulting firms used by the Grantee for the Agreement but not financed under the Agreement, the scope of their services and such of their personnel assigned to activities financed under the Agreement as USAID may specify, and construction contractors used by the Grantee for the Agreement but not financed under the Agreement, shall be acceptable to USAID.

Section C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, competitive basis.

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

Section C.6. Transportation

(a) In addition to the requirements in Section C.1(a), costs of ocean or air transportation and related delivery services may not be financed under the Grant, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by USAID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the
requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the Grantee may be financed under this Agreement provided:

(1) such insurance is placed at the most advantageous competitive rate;

(2) such insurance is placed in a country which is authorized under Section C.1(a); and

(3) claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

(4) If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in USAID Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property:

The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Agreement may be used to finance the costs of obtaining such property.

Article D: Disbursements

Section D.1. Disbursements. Disbursements will be made through such means as the Parties agree to in writing or as set forth in Annex 1.
Section D.2. Rate of Exchange. If funds provided under the Agreement are introduced into the territory of the Grantee by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the country of the Grantee to any person for any purpose.

Article E: Termination; Remedies

Section E.1. Suspension and Termination

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. USAID also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the objectives of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to noncancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.2. Refunds

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, USAID, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefore.

(b) If the failure of the Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the
amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(c) The right under subsections (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

Section E.3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section E.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous

Section F.1. Investment Promotion

(a) Except as specifically set forth in the Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves investment promotion in the recipient country.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that its employees and subcontractors and sub-recipients providing investment promotion services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts an other sub-agreements entered into hereunder.
Section F.2. Voluntary Family Planning. The Parties agree that all USAID funds provided under this Agreement shall be used in accordance with applicable United States policy and statutory requirements relating to voluntary family planning projects, and that none of the USAID funds provided under this Agreement, or goods or services financed by such funds, may be used for:

(a) the performance of abortion as a method of family planning or to motivate or coerce any person to practice abortions;

(b) the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations; or

(c) any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilizations as a method family planning.

USAID will issue implementation letters that more fully describe the requirements of this section.

Section F.3. Prohibition on Assistance to Drug Traffickers

(a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in relevant U.S. laws and regulations.

(b) USAID reserves the right to terminate assistance to, or take or take other appropriate measures with respect to, any participant approved by USAID who is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in relevant U.S. laws and regulations.

Section F.4. Workers’ Rights

(a) None of the funds obligated by this Agreement may be used to provide assistance for any program, project, or activity that contributes to the violation of internationally recognized workers rights, provided that this restriction commensurate with the level of development of the recipient country and sector, shall not preclude assistance for the informal sector in such country, micro and small-scale enterprise, and smallholder agriculture.

(b) In the event the Grantee is requested or wishes to provide assistance in the above area or requires clarification from USAID as to whether the activity would be consistent with the limitation set forth above, the Grantee must notify USAID and provide a detailed description of the proposed activity. The Grantee must not proceed with the activity until advised by USAID that it may do so.

(c) The Grantee must ensure that all employees and subcontractors and sub-recipients providing employment-related services hereunder are made aware of the restrictions set forth in this clause and must include this clause in all subcontracts and other sub-agreements entered into hereunder.