

**Limited Scope Grant Agreement**

**Between**

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

**and**

**The Government of Australia, acting through the Australian Agency for International Development (“AusAID” or “the Grantee”)**

**For**

**Urban Household Water Supply (Water Hibah) in Indonesia**

Activity Title: Urban Household Water Supply (Water Hibah)  
in Indonesia Activity

Activity Number: 497-024-001 (USAID)  
INJ149 (AusAID)

USAID and AusAID, hereinafter collectively referred to as “the Parties,” hereby agree to carry out the Activity described in this Agreement in accordance with its terms and conditions, recognizing that this Agreement advances the objectives of the July 9, 1998 General Agreement on Development Cooperation between the Government of Australia and the Government of the Republic of Indonesia, and the September 25, 2009 Assistance Agreement between the Government of the United States of America, acting through USAID, and the Government of the Republic of Indonesia, acting through the Coordinating Ministry for People’s Welfare, for Environment Programs in Indonesia (USAID Grant Agreement No. 497-024).

USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to AusAID Ten Million United States (U.S.) Dollars (\$10,000,000) (the “Grant”) to be expended as described herein.

AusAID’s has already committed 20,000,000 Australian Dollars to this Urban Household Water Supply Activity through the Indonesian Ministry of Finance.

This Agreement is effective when signed by both Parties hereto. The Completion Date, which is September 30, 2014, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective will be completed.

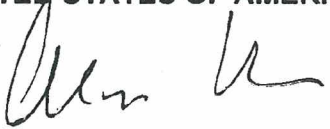
This Agreement consists of (a) this Title Page, (b) Annex 1, the Activity Description and (c) Annex 2, the Standard Provisions.

This Agreement is a limited scope grant agreement between the Parties, and is not an international treaty.

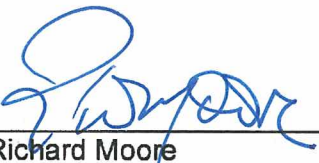
This Agreement is prepared and signed in duplicate, each of which shall be deemed to be a counterpart original.

IN WITNESS WHEREOF, the Government of the United States of America and the Government of Australia, each acting through its authorized representatives, have caused this Agreement to be signed in their names and delivered on this     day of 2011.

**GOVERNMENT OF  
THE UNITED STATES OF AMERICA**

By:   
\_\_\_\_\_  
Walter North  
Mission Director  
United States Agency for  
International Development

**GOVERNMENT OF AUSTRALIA**

By:   
\_\_\_\_\_  
Richard Moore  
First Assistant Director General  
AusAID

**USAID Accounting and Appropriation Data**

7209/141037 – 09/10/ES/INDONESIA/A11/497-M/A054/497/4100400 - \$4,969,337.00

7210/111037 – 10/11/ES/INDONESIA/A11/497-M/A054/497/4100400 - \$2,830,812

7208/131/021/DV/2008/2009/INDONESIA/A11/497-M/A054 - \$1,359,429

72-1908/091031/GH-C/2008/2009/INDONESIA/A11/497-M/A052 - \$840,422

**Urban Household Water Supply  
(Water Hibah) in Indonesia  
Activity Description**

**I. Introduction and Background.**

The pace of Indonesia's urban growth over the past decade has outstripped its very limited investment in urban water supply infrastructure, with the percentage of urban populations served by piped water having consequently declined from 39 percent to 31 percent, during the past ten years. Poor households are affected most. Because of prohibitively high connection fees and/or regulatory barriers to supplying water to informal settlements, up to 12 million of the 112 million Indonesians without piped water connections buy water from water vendors often at prices twenty or more times higher than utility supplied water prices. This situation forces poor households to spend large proportions of their scarce incomes on water and works to limit their water consumption to levels inadequate for maintaining basic health and hygiene.

USAID and AusAID are mutually committed to supporting expanded access to water supply and sanitation services in Indonesia, particularly for the poor and recognize the value to both the United States and to Australia of collaboration aimed at promoting increased and sustainable local government investment in expanding water connections, in close coordination with the Government of the Republic of Indonesia (GOI).

Under this Agreement, USAID will contribute Ten Million (\$10,000,000) United States (U.S.) Dollars to co-finance urban household water connections with AusAID as part of the Urban Household Water Program (Water Hibah) under the Water and Sanitation Initiative (WSI) of the Indonesia Infrastructure Initiative (IndII), a project which seeks to expand access to water supply and sanitation services, particularly for the poor, women, and children in schools; make water and sanitation services more sustainable by supporting sector reform and capacity building; improve the health and quality of life of the poor and vulnerable by increasing their understanding of good hygiene practices, as well as by expanding their access to water supply and sanitation services.

AusAID's direct contribution through the Ministry of Finance for this Water Hibah Activity is 20,000,000 Australian Dollars. With the USAID contribution through this collaborative effort, USAID and AusAID expect to finance the construction of one hundred thousand (100,000) new water connections in collaboration with the GOI and local governments in approximately (60-70) cities communities.

**II. Objective and Results.**

The Objective of the Activity under this Agreement is to support the GOI in achieving increased access to household water supply services in underserved communities in Indonesia. The strategic objective is making water services more sustainable by supporting sector reform and capacity building.

The expected Results of the Activity under this Agreement include:

- A. An estimated 38,000 new households (190,000 individuals) water connections of which approximately 50% will be low-income households.
- B. Investment from (20-30) participating local governments in their respective water utilities (PDAMs) as a first step towards greater responsibility by local governments for water services.

### **III. Program Description.**

A. In support of the Objective of this Agreement, AusAID will utilize USAID funds provided hereunder for the construction of approximately 38,000 of the 100,000 new household water connections in approximately (20-30) of the (60-70) cities communities as a supplement to the Urban Household Water Supply Program .

B. In collaboration USAID, the GOI's Ministries of Finance and Public Works, local government units (LGU) and PDAMs, prior to the utilization of USAID funds under this Agreement for the construction of water connections, AusAID conduct a baseline survey to establish the level of unconnected households in the designated expansion area, as well as to collect secondary data including: (i) existing sources of water, (ii) cost of daily water vs. consumption, (iii) household size, (iv) gender and age profile of the household, (v) presence of people with disabilities. The secondary data will be used to assess how the LGUs and the PDAMs have responded to gender and poverty issues in the implementation of the Activity under this Agreement.

C. USAID funds under this Agreement shall only be used to finance water connections where there is a minimum ratio of 50% poor to non-poor connections. The poor households is defined as those with  $\leq 1,300$  KVA power connection and at least 50% must have  $\leq 900$  KVA connections,

D. USAID funds under this Agreement shall only be used to support water connections where a local government has agreed to take part in the Urban Household Water Supply Program pursuant to a formal, signed on-granting agreement with the GOI's Ministry of Finance.

E. Except to the extent there is a conflict between this Agreement and AusAid's agreement with the GOI for the Urban Household Water Supply and Sanitation Program (AusAID Agreement No. 54184), AusAID will utilize USAID funds under this Agreement to construct approximately 38,000 water connections in accordance with the criteria and requirements set forth in AusAid Agreement No. 54184. This includes, inter alia, the following:

1. USAID funds under this Agreement will only be used to support the construction of water connections using an output-based approach where success is measured based on the number of new household piped water connections constructed by PDAMs and verified as functioning for a minimum of three months.

2. LGUs selected for participation in the Activity financed under this Agreement must meet the following minimum criteria:

- a. An LGU must have sufficient water treatment capacity available to serve the proposed customer base expansion or have plans for expansion;
- b. An LGU must meet the key eligibility requirements for the GOI's Central Government Debt Restructuring scheme; or be free of debt or arrears on existing debt.
- c. An LGU has committed to inject equity into their PDAMs equal to or greater than the value of the grant;
- d. An LGU must have a sound distribution expansion program prepared and ready for implementation in 2011 and onwards.

3. USAID funds under this Agreement shall only be used to finance water connections in each local governmental unit as follows: 2,000,000 Indonesian Rupiah (IDR) per water connection for the first 1,000 connections and 3,000,000 IDR per water connection thereafter to a maximum of 10,000 water connections limit per local government. USAID has determined that these amounts are generally sufficient to cover approximately 45 percent of the incremental investment cost of 3,000 water connections per local government unit.

F. The GOI, represented by the Ministry of Public Work's Directorate General of Human Settlement in consultation with AusAID will determine the actual number of water connections to be constructed in a community which will be based on a selection process and agreement to the proposed expansion area by the local governments.

G. AusAID will complete all water connections funded by USAID under this Agreement on or before December 31, 2013, with completion of all payments by September 2014 and report to USAID within 30 days of September 2014.

H. AusAID will facilitate coordination between the GOI's Ministries of Finance and Public Works, PDAMs, LGUs, local citizens, USAID any AusAID implementing organizations to ensure to complete, timely and successful completion of the Activity under this Agreement.

I. AusAID will undertake an independent verification once new water connections have been installed and have been operating for more than three (3) months to determine if the connections are properly constructed, fully operable, and adequately maintained. This includes, but is not limited to, direct verification with end-users or households connected to the water supply that (i) a water connection has been made and is working satisfactorily, (ii) the connection has been operating for three months or more, (iii) the householder has paid for two months water bills. AusAID will submit verification reports to USAID as part of the progress reports specified in Section IV, below, and provide copies to the concerned PDAMs and LGUs as well as the Ministries of Finance and Public Works.

#### **IV. Financial Plan and Financial Reports**

- A. USAID funds will support the construction of approximately 38,000 water connections. An amount not to exceed 10 % of the USAID Grant fund may be spent for the baseline, monitoring and management activities by AusAID.
  
- B. AusAID will provide USAID with a detailed six-monthly report on the expenditure of USAID funds provided through this Agreement. The report must reflect the actual expenses incurred during the covered period. A final financial report is due within thirty (30) days of the completion of this Agreement.

#### **V. Payment**

- A. USAID hereby obligates the amount of Ten Million United States (U.S.) Dollars (\$10,000,000) to support the Activity under this Agreement.
  
- B. Payment will be made to AusAID in two tranches upon submission of a completed SF-425 (Federal Financial Report).
  
- C. The first tranche in the amount of five million United States (U.S) Dollars (\$5,000,000) will be made by 15 July 2011 and the second tranche in the amount of five million United (U.S) Dollars (\$5,000,000) will be made by 15 July 2012. The payment will be made to AusAID's bank details as follow:

Account title	:	AusAID Official Administered Payment Account
BSB No	:	092009
Account Number:	:	110118
SWIFT Code	:	RSKAU2S
Bank	:	Reserve Bank of Australia (RBA)
Branch	:	London Circuit, Canberra

#### **VI. Program Reports**

AusAID will submit six-monthly progress reports to USAID, the first of which is due no later than thirty (30) days from the first six months since the effective date of this Agreement. A final program report is due within thirty (30) days of the completion date of this Agreement. If more frequent reporting is available, such reports will be furnished to USAID. The reports will include, at a minimum, information on progress toward achieving the objectives of the Activity under this Agreement and any significant problems or delays related to program implementation.

USAID may share progress reports provided by AusAID under this Agreement with GOI's Coordinating Ministry of People's Welfare's Steering Committee for the Water Element under USAID Grant Agreement No. 497-024, of which one of the objectives is to increase access to safe drinking water and adequate sanitation services in Indonesia.

## **VII. Roles and Responsibilities of the Parties.**

### **A. General.**

AusAID will promptly inform USAID of any event that interferes or threatens to interfere with the successful implementation of the Activity. AusAID will consult USAID when fundamental changes which adversely affect the Activity occur and, together, AusAID and USAID will jointly determine the appropriate course of action.

**B. AusAID.** AusAID, will coordinate with all implementing organizations of the GOI, including, but not limited to the Ministry of Public Work's Directorate General of Human Settlements, MOF, LGUs, PDAMs, and other GOI organization at the national or sub-national level involved in the Urban Household Water Supply Program under the WSI or necessary to fulfil AusAID's obligations under this Agreement.

AusAID is responsible for the oversight of the day-to-day implementation of the Activity under this Agreement and for the overall management, review, and monitoring of the Activity, including the award of any contract(s) necessary to support the implementation of the Activity.

AusAID agrees to provide USAID with access, upon a written request made at least five (5) days in advance, to all documentation and information in AusAID's possession pertaining to its administration of the Activity under this Agreement, including its use and administration of USAID funds. This may include the provision of copies, within five (5) days of receipt of a request by USAID. Further, AusAID will seek to obtain from the GOI any information or documentation relating to the Activity under this Agreement that USAID may reasonably request.

AusAID agrees to acknowledge USAID's contribution to the Activity under this Agreement in any publicity material, media reporting and annual reports, which acknowledgement will include the use of the USAID logo as specifically requested by USAID.

AusAID will work cooperatively and collaboratively with USAID to ensure the complete and timely achievement of all activities hereunder.

**C. USAID.** USAID will serve as the principal representative of and overall coordinator for the USG under this Agreement. Principal responsibility within USAID for management of the activities under this Agreement will lie with USAID's Office of Environment.

USAID will work cooperatively and collaboratively with the GOI and AusAID, including all AusAID implementing organizations which support the implementation of the Activity under this Agreement to ensure the complete and timely achievement of all activities hereunder.

USAID agrees to acknowledge AusAID's contribution to the Activity under this Agreement in any publicity material, media reporting and other reports.



### **VIII. Monitoring and Evaluation**

AusAID and USAID will collaboratively develop a monitoring and evaluation framework as part of the Activity, based on the Annual Work Plan.

**STANDARD PROVISIONS**

**Article A: Definitions.** As used in this Annex, "Agreement" means the Agreement to which this Annex is attached, and any amendments to the Agreement. Terms used in this Annex have the same meaning or reference as in the Agreement.

**Article B: Implementation Letters.** The Parties may use Implementation Letters ("ILs") to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

**Article C: USAID Contribution.**

Section C.1. USAID will expend funds and implement this Agreement only in accordance with the laws and regulations of the United States Government.

Section C.2. If at any time USAID determines that its contribution exceeds the amount which reasonably can be committed for achieving the results or activities of this Agreement, USAID may, upon written notice to AusAID, withdraw the excess amount, thereby reducing the amount of the Grant.

**Article D: AusAID Contribution.** AusAID will make available its contribution prior to the Completion Date.

**Article E: Completion Date.**

Section E.1. The Completion Date, which is set forth on the Title Page of this Agreement, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that the activity will be completed.

Section E.2. Except as USAID may otherwise agree 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.

**Article F: Utilization of Goods and Services.** Any goods and services financed by USAID under this Agreement, unless otherwise agreed in writing by both Parties, will be devoted to this Agreement until the completion or termination of this Agreement, and thereafter (as well as during any period of suspension of this Agreement) will be used to further the objectives of this Agreement or as USAID may direct in ILs.

**Article G: Taxation.**

In accordance with the tax exemption provisions included in both the July 9, 1998 General Agreement on Development Cooperation between the Government of Australia and the Government of the Republic of Indonesia and the September 29, 2010 Assistance Agreement between the Government of the United States of America, acting through USAID, and the

Government of the, acting through the Coordinating Ministry for People's Welfare, for Environment Programs in Indonesia (USAID Grant Agreement No. 497-024, this Agreement and the assistance provided under it are expected to be free from any taxes imposed under laws in effect in the Republic of Indonesia.

**Article H: Reports and Information, Agreement Books and Records, Audits, and Inspections.**

**Section H.1. Reports and Information.** AusAID will furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

**Section H.2. AusAID Agreement Books and Records:** AusAID will keep separate accounts for the USAID grant under this Agreement. These records must be adequate to show, without limitation, all costs incurred by AusAID using USAID funds under the Agreement, the receipt and use of goods and services acquired with USAID funds under the Agreement by AusAID, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired by AusAID, the basis of award of AusAID contracts and orders, and the overall progress of the Agreement toward completion ("Agreement books and records"). These accounts must be kept to either the standard prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in Australia. AusAID will preserve its financial records for this Agreement for a period of seven years from the date on which the funds were provided and shall make such records available to USAID upon its written request.

**Section H.3. Audit by USAID.** USAID retains the right to perform the audits required under this Agreement by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement

**Section H.4. Opportunity to Audit or Inspect.** AusAID will 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.

**Section H.5. AusAID Audit.** AusAID agrees that if \$300,000 or more of USAID funds are expended directly by AusAID in its fiscal year under the Agreement, AusAID may have financial audits made of the expenditures within the scope specifically and reasonably requested by USAID.

**Section H.6. Subrecipient Audits.** AusAID, except as the Parties may otherwise agree in writing, will 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 AusAID.

(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). It includes, but is not limited to, AusAID's overall managing

contractor for the Activity under this Agreement and its subcontractor, other AusAID contractor and recipients of block grants under the Activity.

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

(3) The plan will identify the funds made available to covered sub-recipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy AusAID's audit responsibilities.

(4) AusAID will ensure that covered sub-recipients under direct contracts or agreements with AusAID take appropriate and timely corrective actions; consider whether sub-recipients' audits necessitate adjustment of its own records; and require each such sub-recipient to permit independent auditors to have access to records and financial statements as necessary.

**Section H.7. Cost of Audits.** Subject to USAID approval in writing, costs of audits, including AusAID audits, performed in accordance with the terms of this Agreement may be charged to the Agreement.

**Section H.8. Audit Reports.** AusAID will furnish or cause to be furnished to USAID an audit report for each audit arranged for by AusAID 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.

**Section H.9. Non-U.S. Sub-recipient Books and Records.** AusAID has confirmed that its contract with its overall managing contractor for the Activity under this Agreement includes provisions which satisfy paragraphs (H.1) – (H6) of this provision and agrees to ensure that any agreement with other non-U.S. sub-recipients include provisions which satisfy these requirements. It also agrees that sub-agreements with U.S. organizations will state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

**Section H.10. AusAID's Annual Report.** In addition to the above, USAID's grant under this Agreement will be covered under AusAID's Annual Report. A copy of the Annual Report will be provided to USAID upon request, within four months of the end of AusAID's financial year.

**Article I: Other Payments.** AusAID affirms that no payments have been or will be received by any official of AusAID in connection with the procurement of goods or services financed under this Agreement, except fees, taxes, or similar payments legally established in the country of AusAID.

**Article J: Information and Marking.** AusAID will give appropriate publicity to the Agreement and the Activity thereunder 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 (ILs).

**Article K: Rate of Exchange.** If funds provided under this Agreement are introduced into Indonesia, AusAID, or any public or private agency for purposes of carrying out obligations of

USAID hereunder, AusAID will make such arrangements as may be necessary so that such funds may be converted into local currency at the Bank of Indonesia rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia or the country of AusAID to any person for any purpose.

**Article L: Procurement of Goods and Services.**

Section L.1. All goods and services financed by USAID under this Agreement will only pertain to the Activity as outlined in Annex I to this Agreement, as may be further explained through ILs.

Section L.2. Title to goods or other property financed by USAID under this Agreement will be in the name of AusAID or other entity as AusAID may designate, except as the parties agree, or as specified in ILs.

**Article M: Suspension, Termination and Other Remedies.**

**Section M.1. Suspension and Termination.**

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

(b) Except for payment which the Parties are committed to make pursuant to non-cancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to this Agreement, or to the suspended or terminated portion of this Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated will 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 by USAID under this Agreement be transferred to the Government of the Republic of Indonesia if the goods are in a deliverable state.

**Section M.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 AusAID to refund the amount of such disbursement in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(b) If the failure of AusAID to comply with any of its obligations under this Agreement has the result that goods or services financed or supported under this Agreement are not used effectively in accordance with this Agreement, USAID may require AusAID 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 this Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for this 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 funds disbursed by USAID to AusAID under this Agreement prior to the authorized use of such funds for this Agreement will be returned to USAID in U.S. Dollars by AusAID, unless USAID otherwise agrees in writing.

(f) The rate of exchange for any refund by AusAID to USAID under this Agreement will be determined in accordance with the Reserve Bank of Australia rate of exchange.

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

**Section M.4. Assignment.** AusAID agrees, upon request, to execute an assignment to USAID of any cause of action which may accrue to AusAID 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 N: Investment Promotion.**

**Section N.1.** Except as specifically set forth in this 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 a foreign country.

**Section N.2.** In the event that AusAID 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, AusAID must notify USAID and provide a detailed description of the proposed activity. AusAID must not proceed with the activity until advised by USAID that it may do so.

**Section N.3.** AusAID 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 and other sub-agreements entered into hereunder.

**Article O: Voluntary Family Planning.**

The Parties agree that all USAID funds provided under this Agreement will 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.
- (d) USAID will issue implementation letters that more fully describe the requirements of this section.

**Article P: Prohibition on Assistance to Drug Traffickers.**

USAID reserves the right to terminate this Agreement or take other appropriate measures if AusAID or a key individual of AusAID is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

**Article Q: Workers' Rights.**

Section Q.1. Except as specifically set forth in this Agreement or otherwise authorized by USAID in writing, no funds or other support provided hereunder may be used for any activity that involves workers' rights in a foreign country.

Section Q.2. In the event that AusAID 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, AusAID must notify the USAID and provide a detailed description of the proposed activity. AusAID must not proceed with the activity until advised by USAID that it may do so.

Section Q.3. AusAID 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.

**Article R: Terrorist Financing Clause**

AusAID is reminded that U.S. Executive Orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the responsibility of AusAID to ensure compliance with these Executive Orders and laws by sub-recipients.

**Article S: Foreign Government Delegations To International Conferences**

Funds in this Agreement may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a multilateral or public international organization.