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capability to perform its responsibilities as stated in the Plan of Operation;

(vi) Governmental or nongovernmental entities involved in the program and the extent to which the program will strengthen or increase the capabilities of such entities to further economic development in the recipient country. The Cooperating Sponsor shall also include a description of the steps that the government of the host country is taking to improve the pre-school and school systems in the country;

(vii) Method of educating consumers as to the source of the provided commodities and, where appropriate, preparation and use of the commodity; and

(viii) Criteria for measuring progress towards achieving the objectives of activities and evaluating program outcome, including health, nutrition and education.

(5) Use of funds or goods and services generated: If the activity involves the use of sale proceeds, the receipt of goods or services from the barter of commodities, or the use of program income, the cooperating sponsor shall provide the following information:

(i) The quantity and type of commodities to be sold or bartered;

(ii) Extent to which any sale or barter of the agricultural commodities provided would displace or interfere with any sales that may otherwise be made;

(iii) The amount of sale proceeds anticipated to be generated from the sale, the value of the goods or services anticipated to be generated from the barter of the agricultural commodities provided, or the amount of program income expected to be generated;

(iv) The steps taken to use, to the extent possible, the private sector in the process of selling commodities;

(v) The specific uses of sale proceeds or program income and a timetable for their expenditure; and

(vi) Procedures for assuring the receipt and deposit of sale proceeds and program income into a separate special account and procedures for the disbursement of the proceeds and program income from such special account.

(6) Distribution methods: (i) A description of the transportation and storage system which will be used to

move the agricultural commodities from the receiving port to the point at which distribution is made to the recipient;

(ii) A description of any reprocessing or repackaging of the commodities that will take place; and

(iii) A logistics plan that demonstrates the adequacy of port, transportation, storage, and warehouse facilities to handle the flow of commodities to recipients without undue spoilage or waste.

(7) Duty free entry: Documentation indicating that any commodities to be distributed to recipients, rather than sold, will be imported and distributed free from all customs, duties, tolls, and taxes.

(8) Economic impact: Information indicating that the commodities can be imported and distributed without a disruptive impact upon production, prices and marketing of the same or like products within the importing country.

(d) Budget proposals shall include funds requested, from either cash or monetization resources, to fund administrative, ITSH, technical and financial assistance costs. Budget proposals shall be submitted in a spreadsheet format.

(e) After submission and approval by FAS, a Program Agreement will be developed. The Program Agreement, which will incorporate the terms and conditions set forth in this part, the commodities provided by FAS, and any packaging, will meet the specifications set forth in such Program Agreement. A Program Agreement may contain special terms or conditions, in addition to or in lieu of, the terms and conditions set forth in the regulations in this part when FAS determines that such special terms or conditions are necessary to effectively carry out the particular Program Agreement. The Plan of Operation, Budget Proposal, and Commodity specifications will be incorporated into the Program Agreement as Attachments.

§ 1599.5 When is a usual marketing requirement included?

(a) A foreign government Cooperating Sponsor shall provide to the Director, PPDED, data showing commercial and non-commercial imports of the

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types of agricultural commodities requested during the prior five years, by country of origin, and an estimate of imports of such commodities during the current year.

(b) FAS may require that a Program Agreement with a foreign government include a "usual marketing requirement" that establishes a specific level of imports for a specified period. The Program Agreement may also include a prohibition on the export of provided commodities, as well as of other similar commodities specified in the Program Agreement.

§ 1599.6 How are costs and advances apportioned?

(a) FAS will bear the costs of the packaging, enrichment, preservation, and fortification of agricultural commodities, and the processing, transportation, handling and other incidental charges incurred in delivering commodities to Cooperating Sponsors. FAS will deliver bulk grain shipments f.o.b. vessel, and shipments of all other commodities f.a.s. vessel or intermodal points. FAS will choose the point of delivery based on lowest cost to FAS.

(b) When the Associate Administrator approves in advance and in writing, FAS may agree to bear all or a portion of reasonable costs associated with:

(1) Transportation from U.S. ports to designated ports or points of entry abroad;

(2) Maritime survey costs;

(3) Transportation from designated ports or points of entry abroad to designated storage and distribution sites, and reasonable storage and distribution costs if the recipient country is a low income, net food-importing country that:

(i) Meets the poverty criteria established by the International Bank for Reconstruction and Development for Civil Works Preference; and

(ii) Has a national government that is committed to or is working toward, through a national action plan, the goals of the World Declaration on Education for All and the Dakar Framework for Action of the World Education Forum; and

(4) The costs of a nongovernmental Cooperating Sponsor:

(i) In the recipient country that enhance the effectiveness of the activities including packaging, enrichment, preservation and fortification of agricultural commodities; and

(ii) For administrative or monitoring expenses specified in the program agreement.

(5) The administrative expenses of any Federal agency implementing or assisting in the implementation of the McGovern-Dole International Food for Education and Child Nutrition Program, including the administrative costs of the Food and Nutrition Service to provide technical advice on the establishment and implementation of programs, including providing field expertise in recipient countries.

(c) FAS will not pay any costs incurred by the Cooperating Sponsor prior to the date of the Program Agreement.

(d) Except as provided in paragraph (b) of this section, the Cooperating Sponsor shall ordinarily bear all costs incurred subsequent to FAS' delivery of commodities at U.S. ports or intermodal points.

(e) A Cooperating Sponsor seeking agreement by FAS to bear the storage and distribution costs identified in paragraph (b)(3) of this section or the costs identified in paragraph (b)(4) of this section shall submit to the Director, PPDED, a Program Operation Budget detailing such costs. If approved, the Program Operation Budget shall become part of the Program Agreement. The non-governmental Cooperating Sponsor may make adjustments between line items of an approved Program Operation Budget up to 10 percent of the total amount of the budget as last approved without any further approval. Adjustments beyond these limits must be specifically approved by the Director, PPDED.

(f) The Cooperating Sponsor may request advance of up to 100 percent of the amount of an approved Program Operating Budget if FAS determines that the Cooperating Sponsor's financial management system meets the requirements of 7 CFR 3019.21. However, FAS will not approve any request for an advance received earlier than 60