

Implementation Tips for USAID Partners

Sharing Resources and Knowledge Among the Global CSO Community

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Definitions

Restricted Items—Goods or services that cannot be purchased without specific written permission in advance.

Ineligible Items—Goods or services that cannot be purchased under any circumstances.

Commodity—Any item that can be bought or sold, usually a product or raw material (lumber, wheat, coffee, metals, etc.). Note the following limitations:

- Agricultural commodities must be procured from the USA.
- Motor vehicles must be manufactured in the USA.
- Pharmaceuticals must be manufactured and procured in the USA.

References

USAID ADS [Chapter 312](#) Eligibility of Commodities

ADS Chapter 312 includes:

- Motor Vehicle Source/Manufacture Waiver Request Guide
- Motor Vehicle Source/Manufacture Waiver Request Guide
- Template of Approval Request for Agricultural Commodity Financing Under ADS 312
- Pharmaceuticals

[USAID Standard Provisions for U.S.-Based Partners](#)

[USAID Standard Provisions for Non-U.S.-Based Partners](#)

[CFR 200 Subpart E “Cost Principles”](#)

Procurement Restricted and Ineligible Items

Q. What limitations apply to procuring goods and services using U.S. Government (USG) funds?

A. Many conditions surround how USG funds may and may not be spent. These include limitations on:

- particular goods and services;
- where the item was manufactured or procured;
- who you can purchase goods and services from; and
- how you can ship them to your project site.

Restricted items are generally not allowable unless you receive specific written permission (for example, vehicles).

Ineligible items cannot be purchased under any circumstance (for example, military equipment or alcoholic beverages).

The following covers the most common types of restricted and ineligible items. Additional restrictions based on the source and origin of *particular* items, is covered. Consult your Agreement to clarify what specific regulations or restrictions based on the source and origin of particular items apply to you.

Restricted Commodities

The following seven restricted commodities may be purchased with USG funds but require **prior written approval** from the Agreement Officer (AO) who will issue a waiver:

1. agricultural commodities,
2. motor vehicles,
3. pharmaceuticals,
4. pesticides,
5. used equipment,
6. U.S. Government-owned excess property, and
7. fertilizer.

In Your Notice

USAID Cooperative Agreements contain procurement-related requirements under the Standard Provisions. Focus on the sections entitled “Ineligible Goods and Services” and “Restricted Commodities.”

Consequences of Misuse of Funds

The USG reserves the right to refund any amount that is not spent in accordance with the terms and conditions of the award (that is, costs not allowable under the regulations). Be sure to keep records for at least three years after you submit your final report, in case of an audit.

Authority to issue waivers is delegated within USAID. A **waiver** is requested through your AO who will issue written authorization. If you procure the item prior to receiving written authorization, you risk paying for the item yourself. Two types of waivers are:

- **Pharmaceutical waiver**

A waiver provides authority to procure non-US manufactured and purchased items for some types of pharmaceuticals. HIV drugs and test kits are included.

- **Blanket waiver**

Blanket waivers currently include:

- authorization to procure non-US manufactured right-hand-drive motor vehicles;
- authorization to procure non-US manufactured two-wheel and three-wheel motorcycles.

Ineligible Items

The following *cannot* be purchased with USG funds under any circumstances:

- Military equipment—goods or equipment to be used to meet the cooperating country’s military requirements;
- Surveillance equipment—equipment such as microphones, transmitters and recording devices (does not include general use audio-visual equipment, as long as there is a clear purpose and need for that equipment in your program);
- Commodities and services for support of police or other law enforcement activities;
- Abortion equipment and services;
- Luxury goods and gambling equipment, including alcoholic beverages, jewelry or expensive textiles; and
- Weather modification equipment.

Other Types of Restrictions

The above-described restrictions and prohibitions are applicable to most USG global health and development funding and are part of U.S. law and agency regulations. Further guidance is provided in 2 *CFR* 200 Subpart E “Cost Principles,” which details rules for 55 specific goods and services, including when they can and cannot be paid for with USG funds. It is a good idea to scan this list and familiarize yourself with all items relevant to your program.

For More Information

For this or other issues of *Implementation Tips*, please visit www.NGOConnect.net. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening CSOs, networks and CSO support organizations worldwide.

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In addition, further restrictions may be included in your Cooperative Agreement. The best way to keep track of all restricted and prohibited items is to create a table and fill it out based on the agreements and guidance documents applicable to your program. If you receive funding through multiple grants, you may find different limitations on different funding streams. Be sure to note to which agreement each restriction applies.

Use of Private Funds

When private funds are used to procure restricted goods and services, they can contribute to your cost-share requirement. However, private funds used to purchase prohibited items (such as alcohol) cannot be counted toward your cost-share commitment.

However, in some circumstances, it is possible to use cost share creatively to use your funds more efficiently. For example, you may purchase a used non U.S.-manufactured vehicle with private funds and shift your USG funds to other program costs. If this results in significant rebudgeting, you will need to get approval first.

Requirements for Subawards

Almost all procurement limitations apply both to prime and subrecipients on an award. USAID requires that subagreements with procurements over US\$5,000 include certain procurement-related standard provisions.

Review your procurement-related clauses closely to ensure that your staff understand the limitations and that your subrecipients understand them as well.

