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**Parent topic:** Federal Acquisition Regulation

## **25.000 Scope of part.**

(a) This part provides policies and procedures for-

(1) *Acquisition of foreign supplies, services, and construction materials*; and

(2) Contracts performed outside the *United States*.

(b) It implements 41 U.S.C. chapter 83, Buy American; trade agreements; and other laws and regulations.

## **25.001 General.**

(a) 41 U.S.C. chapter 83, Buy American-

(1) Restricts the purchase of *supplies*, that are not *domestic end products*, for use within the *United States*. A *foreign end product* may be purchased if the *contracting officer* determines that the price of the lowest *domestic offer* is unreasonable or if another exception applies (see subpart 25.1); and

(2) Requires, with some exceptions, the use of only *domestic construction materials* in contracts for *construction* in the *United States* (see subpart 25.2).

(b) The restrictions in the Buy American statute are not applicable in *acquisitions* subject to certain trade agreements (see [subpart 25.4](#)). In these *acquisitions*, *end products* and *construction materials* from certain countries receive nondiscriminatory treatment in evaluation with *domestic offers*. Generally, the dollar value of the *acquisition* determines which of the trade agreements applies. Exceptions to the applicability of the trade agreements are described in [subpart 25.4](#).

(c) The test to determine the country of origin for an *end product* under the Buy American statute (see the various country "*end product*" definitions in [25.003](#)) is different from the test to determine the country of origin for an *end product* under the trade agreements, or the criteria for the representation on *end products* manufactured outside the *United States* (see [52.225-18](#)).

(1) The Buy American statute uses a two-part test to define a "*domestic end product*" or "*domestic construction material*" (manufactured in the *United States* and a domestic content test). The domestic content test has been waived for *acquisition* of commercially available off-the-shelf (COTS) items, except a product that consists wholly or *predominantly of iron or steel or a combination of both* (excluding COTS *fasteners*) (see [25.101\(a\)](#) and [25.201\(b\)](#)).

(2) Under the trade agreements, the test to determine country of origin is "substantial transformation" (*i.e.*, transforming an article into a new and different article of commerce, with a name, character, or use distinct from the original article).

(3) For the representation at [52.225-18](#), the only criterion is whether the place of manufacture of an *end product* is in the *United States* or outside the *United States*, without regard to the origin of the *components*.

(4) When using funds appropriated under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5), the definition of "*domestic manufactured construction material*" requires manufacture in the *United States* but does not include a requirement with regard to the origin of the *components*. If the *construction material* consists wholly or predominantly of iron or *steel*, the iron or *steel must* be produced in the *United States*.

## 25.002 Applicability of subparts.

The following table shows the applicability of the subparts. [subpart 25.5](#) provides comprehensive procedures for *offer* evaluation and examples.

| Subpart                                    | Supplies For Use |              | Construction |              | Services Performed |              |
|--|------------------|--------------|--------------|--------------|--------------------|--------------|
|  | Inside U.S.      | Outside U.S. | Inside U.S.  | Outside U.S. | Inside U.S.        | Outside U.S. |
| <a href="#">25.1</a> Buy American-Supplies | X                | -            | -            | -            | -                  | -            |

| <b>Subpart</b>   | <b>Supplies For Use</b> |                     | <b>Construction</b> |                     | <b>Services Performed</b> |                     |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|
|  | <b>Inside U.S.</b>      | <b>Outside U.S.</b> | <b>Inside U.S.</b>  | <b>Outside U.S.</b> | <b>Inside U.S.</b>        | <b>Outside U.S.</b> |
| <u>25.2</u> Buy American-<br><i>Construction Materials</i>   | -                       | -                   | X                   | -                   | -                         | -                   |
| <u>25.3</u> Contracts Performed Outside the <i>United States</i>                                       | -                       | X                   | -                   | X                   | -                         | X                   |
| <u>25.4</u> Trade Agreements   | X                       | X                   | X                   | X                   | X                         | X                   |
| <u>25.5</u> Evaluating <i>Foreign Offers-Supply Contracts</i>  | X                       | X                   | -                   | -                   | -                         | -                   |
| <u>25.6</u> American Recovery and Reinvestment Act-Buy American statute- <i>Construction Materials</i> |                         |                     | X                   |                     |                           |                     |
| <u>25.7</u> Prohibited Sources   | X                       | X                   | X                   | X                   | X                         | X                   |
| <u>25.8</u> Other International Agreements and Coordination  | X                       | X                   | -                   | X                   | -                         | X                   |
| <u>25.9</u> Customs and Duties   | X                       | -                   | -                   | -                   | -                         | -                   |
| <u>25.10</u> Additional Foreign Acquisition Regulations  | X                       | X                   | X                   | X                   | X                         | X                   |
| <u>25.11</u> Solicitation Provisions and <i>Contract Clauses</i>                                       | X                       | X                   | X                   | X                   | X                         | X                   |

## 25.003 Definitions.

As used in this part—

*Caribbean Basin country* means any of the following countries: Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bonaire, British Virgin Islands, Curacao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saba, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sint Eustatius, Sint Maarten, or Trinidad and Tobago.

*Caribbean Basin country end product*—

(1) Means an article that—

(i)

(A) Is wholly the growth, product, or manufacture of a *Caribbean Basin country*; or

(B) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a *Caribbean Basin country* into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed; and

(ii) Is not excluded from duty-free treatment for Caribbean countries under 19 U.S.C. 2703(b).

(A) For this reason, the following articles are not *Caribbean Basin country end products*:

(1) Tuna, prepared or preserved in any manner in airtight containers.

(2) Petroleum, or any product derived from petroleum.

(3) Watches and watch parts (including cases, bracelets, and straps) of whatever type including, but not limited to, mechanical, quartz digital, or quartz analog, if such watches or watch parts contain any material that is the product of any country to which the Harmonized Tariff Schedule of the *United States* (HTSUS) column 2 rates of duty apply (i.e., Afghanistan, Cuba, Laos, North Korea, and Vietnam).

(4) Certain of the following: textiles and apparel articles; footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel; or handloomed, handmade, and folklore articles.

(B) Access to the HTSUS to determine duty-free status of articles of the types listed in paragraph (1)(ii)(A)(4) of this definition is available via the Internet at <https://usitc.gov/tata/hts/index.htm>. In particular, see the following:

(1) General Note 3(c), *Products Eligible for Special Tariff treatment*.

(2) General Note 17, *Products of Countries Designated as Beneficiary Countries under the United States- Caribbean Basin Trade Partnership Act of 2000*.

(3) Section XXII, Chapter 98, Subchapter II, Articles Exported and Returned, Advanced or Improved Abroad, U.S. Note 7(b).

(4) Section XXII, Chapter 98, Subchapter XX, Goods Eligible for Special Tariff Benefits under the

*United States-Caribbean Basin Trade Partnership Act*; and

(2) Refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the *acquisition*, includes services (except transportation services) incidental to the article, provided that the value of those incidental services does not exceed that of the article itself.

*Civil aircraft and related articles* means-

(1) All aircraft other than aircraft to be purchased for use by the Department of Defense or the U.S. Coast Guard;

(2) The engines (and parts and *components* for incorporation into the engines) of these aircraft;

(3) Any other parts, *components*, and subassemblies for incorporation into the aircraft; and

(4) Any ground flight simulators, and parts and *components* of these simulators, for use with respect to the aircraft, whether to be used as original or replacement equipment in the manufacture, repair, maintenance, rebuilding, modification, or conversion of the aircraft and without regard to whether the aircraft or articles receive duty-free treatment under section 601(a)(2) of the Trade Agreements Act.

*Component* means an article, material, or supply incorporated directly into an *end product* or *construction material*.

*Construction material* means an article, material, or supply brought to the *construction* site by a contractor or subcontractor for incorporation into the *building or work*. The term also includes an item brought to the site preassembled from articles, materials, or *supplies*. However, *emergency* life safety systems, such as *emergency* lighting, fire alarm, and audio evacuation systems, that are discrete systems incorporated into a public *building or work* and that are produced as complete systems, are evaluated as a single and distinct *construction material* regardless of when or how the individual parts or *components* of those systems are delivered to the *construction* site. Materials purchased directly by the Government are *supplies*, not *construction material*.

*Cost of components* means-

(1) For *components* purchased by the contractor, the *acquisition* cost, including transportation costs to the place of incorporation into the *end product* or *construction material* (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or

(2) For *components* manufactured by the contractor, all costs associated with the manufacture of the *component*, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. *Cost of components* does not include any costs associated with the manufacture of the *end product*.

*Critical component* means a *component* that is mined, produced, or manufactured in the *United States* and deemed critical to the U.S. supply chain. The list of critical *components* is at [25.105](#).

*Critical item* means a *domestic construction material* or *domestic end product* that is deemed critical to the U.S. supply chain. The list of *critical items* is at [25.105](#).

*Designated country* means any of the following countries:



(1) A *World Trade Organization Government Procurement Agreement (WTO GPA) country* (Armenia, Aruba, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Montenegro, Netherlands, New Zealand, North Macedonia, Norway, Poland, Portugal, Romania, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan (known in the World Trade Organization as "the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)"), Ukraine, or United Kingdom);

(2) A *Free Trade Agreement (FTA) country* (Australia, Bahrain, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Korea (Republic of), Mexico, Morocco, Nicaragua, Oman, Panama, Peru, or Singapore);

(3) A *least developed country* (Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, or Zambia); or

(4) A *Caribbean Basin country* (Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bonaire, British Virgin Islands, Curacao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saba, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sint Eustatius, Sint Maarten, or Trinidad and Tobago).

*Designated country end product* means a *WTO GPA country end product*, an *FTA country end product*, a *least developed country end product*, or a *Caribbean Basin country end product*.

*Domestic construction material* means-

(1) For use in subparts other than 25.6—

(i) For *construction material* that does not consist wholly or *predominantly of iron or steel or a combination of both*—

(A) An unmanufactured *construction material* mined or produced in the *United States*; or

(B) A *construction material* manufactured in the *United States*, if-

(1) The cost of the *components* mined, produced, or manufactured in the *United States* exceeds 60 percent of the cost of all its *components*, except that the percentage will be 65 percent for items delivered in calendar years 2024 through 2028 and 75 percent for items delivered starting in calendar year 2029 (unless an *alternate* percentage is established for a contract in accordance with FAR 25.201(c)). *Components* of unknown origin are treated as foreign; or

(2) The *construction material* is a *commercially available off-the-shelf (COTS) item*; or

(ii) For *construction material* that consists wholly or *predominantly of iron or steel or a combination of both*, a *construction material* manufactured in the *United States* if the cost of *foreign iron and steel* constitutes less than 5 percent of the cost of all the *components* used in such *construction material*. The cost of *foreign iron and steel* includes but is not limited to the cost of foreign iron or *steel mill products* (such as bar, billet, slab, wire, plate, or sheet), castings, or forgings utilized in the manufacture of the *construction material* and a good faith estimate of the cost of all foreign iron or

*steel components* excluding COTS *fasteners*. Iron or *steel components* of unknown origin are treated as foreign. If the *construction material* contains multiple *components*, the cost of all the materials used in such *construction material* is calculated in accordance with the definition of “*cost of components*” in this section; or

(3) For use in subpart 25.6, see the definition in 25.601.

*Domestic end product* means-

(1) For an *end product* that does not consist wholly or *predominantly of iron or steel or a combination of both*—

(i) An unmanufactured *end product* mined or produced in the *United States*;

(ii) An *end product* manufactured in the *United States*, if-

(A) The cost of its *components* mined, produced, or manufactured in the *United States* exceeds 60 percent of the cost of all its *components*, except that the percentage will be 65 percent for items delivered in calendar years 2024 through 2028 and 75 percent for items delivered starting in calendar year 2029 (unless an *alternate* percentage is established for a contract in accordance with FAR 25.101(d)). *Components* of unknown origin are treated as foreign. *Scrap* generated, collected, and prepared for processing in the *United States* is considered domestic; or

(B) The *end product* is a COTS item; or

(2) For an *end product* that consists wholly or *predominantly of iron or steel or a combination of both*, an *end product* manufactured in the *United States*, if the cost of *foreign iron and steel* constitutes less than 5 percent of the cost of all the *components* used in the *end product*. The cost of *foreign iron and steel* includes but is not limited to the cost of foreign iron or *steel mill products* (such as bar, billet, slab, wire, plate, or sheet), castings, or forgings utilized in the manufacture of the *end product* and a good faith estimate of the cost of all foreign iron or *steel components* excluding COTS *fasteners*. Iron or *steel components* of unknown origin are treated as foreign. If the *end product* contains multiple *components*, the cost of all the materials used in such *end product* is calculated in accordance with the definition of “*cost of components*” in this section.

*Domestic offer* means an *offer* of a *domestic end product*. When the *solicitation* specifies that award will be made on a group of *line items*, a *domestic offer* means an *offer* where the proposed price of the *domestic end products* exceeds 50 percent of the total proposed price of the group.

*Eligible offer* means an *offer* of an *eligible product*. When the *solicitation* specifies that award will be made on a group of *line items*, an *eligible offer* means a *foreign offer* where the combined proposed price of the *eligible products* and the *domestic end products* exceeds 50 percent of the total proposed price of the group.

*Eligible product* means a *foreign end product*, *construction material*, or service that, due to applicability of a trade agreement to a particular *acquisition*, is not subject to discriminatory treatment.

*End product* means those articles, materials, and *supplies* to be acquired for public use.

*Fastener* means a hardware device that mechanically joins or affixes two or more objects together. Examples of *fasteners* are nuts, bolts, pins, rivets, nails, clips, and screws.

*Foreign construction material* means a *construction material* other than a *domestic construction material*.

*Foreign contractor* means a contractor or subcontractor organized or existing under the laws of a country other than the *United States*.

*Foreign end product* means an *end product* other than a *domestic end product*.

*Foreign iron and steel* means iron or *steel products* not produced in the *United States*. Produced in the *United States* means that all manufacturing processes of the iron or *steel must* take place in the *United States*, from the initial melting stage through the application of coatings, except metallurgical processes involving refinement of *steel* additives. The origin of the elements of the iron or *steel* is not relevant to the determination of whether it is domestic or foreign.

*Foreign offer* means any *offer* other than a *domestic offer*.

*Free Trade Agreement country* means Australia, Bahrain, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Korea (Republic of), Mexico, Morocco, Nicaragua, Oman, Panama, Peru, or Singapore.

*Free Trade Agreement country end product* means an article that-

- (1) Is wholly the growth, product, or manufacture of a Free Trade Agreement (FTA) country; or
- (2) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in an FTA country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the *end product*, includes services (except transportation services) incidental to the article, provided that the value of those incidental services does not exceed that of the article itself.

*Israeli end product* means an article that-

- (1) Is wholly the growth, product, or manufacture of Israel; or
- (2) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in Israel into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.

*Least developed country* means any of the following countries: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, or Zambia.

*Least developed country end product* means an article that-

- (1) Is wholly the growth, product, or manufacture of a *least developed country*; or
- (2) In the case of an article that consists in whole or in part of materials from another country, has

been substantially transformed in a *least developed country* into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the *end product*, includes services (except transportation services) incidental to the article, provided that the value of those incidental services does not exceed that of the article itself.

*Noneligible offer* means an *offer* of a *noneligible product*.

*Noneligible product* means a *foreign end product* that is not an *eligible product*.

*Predominantly of iron or steel or a combination of both* means that the cost of the iron and *steel* content exceeds 50 percent of the total cost of all its *components*. The cost of iron and *steel* is the cost of the iron or *steel mill products* (such as bar, billet, slab, wire, plate, or sheet), castings, or forgings utilized in the manufacture of the product and a good faith estimate of the cost of iron or *steel components* excluding COTS *fasteners*.

*Steel* means an alloy that includes at least 50 percent iron, between 0.02 and 2 percent carbon, and *may* include other elements.

*United States* means the 50 States, the District of Columbia, and *outlying areas*.

*U.S.-made end product* means an article that is mined, produced, or manufactured in the *United States* or that is substantially transformed in the *United States* into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.

*World Trade Organization Government Procurement Agreement (WTO GPA) country* means any of the following countries: Armenia, Aruba, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea (Republic of), Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Montenegro, Netherlands, New Zealand, North Macedonia, Norway, Portugal, Romania, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan, Ukraine, or United Kingdom.

*WTO GPA country end product* means an article that-

(1) Is wholly the growth, product, or manufacture of a *WTO GPA* country; or

(2) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in a *WTO GPA* country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the *end product* includes services (except transportation services) incidental to the article, provided that the value of those incidental services does not exceed that of the article itself.

## **Subpart 25.1 - Buy American-Supplies**

## 25.100 Scope of subpart.

(a) This subpart implements-

(1) [41 U.S.C. chapter 83](#), Buy American;

(2) Executive Order 10582, December 17, 1954;

(3) Executive Order 13881, July 15, 2019;

(4) [Executive Order 14005](#), January 25, 2021; and

(5) Waiver of the domestic content test of the Buy American statute for *acquisition* of commercially available off-the-shelf (COTS) items in accordance with [41 U.S.C. 1907](#), but see [25.101\(a\)\(2\)\(ii\)](#).

(b) It applies to *supplies* acquired for use in the *United States*, including *supplies* acquired under contracts set aside for small business concerns, if-

(1) The supply contract exceeds the *micro-purchase threshold*; or

(2) The supply portion of a contract for services that involves the furnishing of *supplies* (e.g., lease) exceeds the *micro-purchase threshold*.

## 25.101 General.

(a) The Buy American statute restricts the purchase of *supplies* that are not *domestic end products*. For manufactured

*end products*, the Buy American statute, [E.O. 13881](#), and [E.O. 14005](#) use a two-part test to define a *domestic end product*.

(1) The article *must* be manufactured in the *United States*; and

(2)

(i) Except for an end product that consists wholly or predominantly of iron or *steel* or a combination of both, the cost of domestic *components shall* exceed 60 percent of the cost of all the *components*, except that the percentage will be 65 percent for items delivered in calendar years 2024 through 2028 and 75 percent for items delivered starting in calendar year 2029. But see paragraph (d) of this section. In accordance with [41 U.S.C. 1907](#), this domestic content test of the Buy American statute has been waived for *acquisitions* of COTS items (see [12.505\(a\)](#)) (but see paragraph (a)(2)(ii) of this section).

(ii) For an *end product* that consists wholly or *predominantly of iron or steel or a combination of both*, the cost of *foreign iron and steel must* constitute less than 5 percent of the cost of all the *components* used in the *end product* (see the definition of "*foreign iron and steel*" at [25.003](#)). The cost of *foreign iron and steel* includes but is not limited to the cost of foreign iron or *steel mill products* (such as bar, billet, slab, wire, plate, or sheet), castings, or forgings utilized in the manufacture of the *end product* and a good faith estimate of the cost of all foreign iron or *steel components* excluding COTS *fasteners*. This domestic content test of the Buy American statute has

not been waived for *acquisitions* of COTS items in this category, except for COTS *fasteners*.

(b) The Buy American statute applies to small business set-asides. A manufactured product of a small business concern is a *U.S.-made end product*, but is not a *domestic end product* unless it meets the domestic content test in paragraph (a)(2) of this section.

(c) Exceptions that allow the purchase of a *foreign end product* are listed at 25.103. The unreasonable cost exception is implemented through the use of an evaluation factor applied to low *foreign offers* that are not *eligible offers*. The evaluation factor is not used to provide a preference for one *foreign offer* over another. Evaluation procedures and examples are provided in subpart 25.5.

(d)

(1) A contract with a period of performance that spans the schedule of domestic content threshold increases specified in paragraph (a)(2)(i) of this section *shall* be required to comply with each increased threshold for the items in the year of delivery, unless the *senior procurement executive* of the *contracting* agency allows for application of an *alternate* domestic content test for that contract under which the domestic content threshold in effect at time of contract award will apply to the entire period of performance for the contract. This authority is not delegable. The senior *procurement executive shall* consult the Office of Management and Budget's Made in America Office before allowing the use of the *alternate* domestic content test.

(2)When a *senior procurement executive* allows for application of an *alternate* domestic content test for a contract—

(i)See 25.1101(a)(1)(ii) or 25.1101(b)(1)(v) for use of the appropriate *Alternate* clause to reflect the domestic content threshold that will apply to the entire period of performance for that contract; and

(ii)Use the fill-in at 52.213-4(b)(1)(xvii)(B) instead of including 52.225-1 Alternate I when using 52.213-4, Terms and Conditions—Simplified Acquisitions (Other Than Commercial Products and Commercial Services).

## **25.102 Policy.**

Except as provided in 25.103, acquire only *domestic end products* for public use inside the *United States*.

## **25.103 Exceptions.**

When one of the following exceptions applies, the *contracting officer* may acquire a *foreign end product* without regard to the restrictions of the Buy American statute:

(a) *Public interest*. The *head of the agency* may make a determination that domestic preference would be inconsistent with the public interest. This exception applies when an agency has an agreement with a foreign government that provides a blanket exception to the Buy American statute.

(b) *Nonavailability*. The Buy American statute does not apply with respect to articles, materials, or *supplies* if articles, materials, or *supplies* of the class or kind to be acquired, either as end items or

*components*, are not mined, produced, or manufactured in the *United States* in sufficient and reasonably available commercial quantities and of a satisfactory quality.

(1) *Class determinations.*

(i) A nonavailability determination has been made for the articles listed in 25.104. This determination does not necessarily mean that there is no domestic source for the listed items, but that domestic sources can only meet 50 percent or less of total U.S. Government and nongovernment demand.

(ii) Before *acquisition* of an article on the list, the procuring agency is responsible to conduct *market research* appropriate to the circumstances, including seeking of domestic sources. This applies to *acquisition* of an article as-

(A) An *end product*; or

(B) A significant *component* (valued at more than 50 percent of the value of all the *components*).

(iii) The determination in paragraph (b)(1)(i) of this section does not apply if the *contracting officer* learns at any time before the time designated for receipt of bids in sealed bidding or final *offers* in negotiation that an article on the list is available domestically in sufficient and reasonably available commercial quantities of a satisfactory quality to meet the requirements of the *solicitation*. The *contracting officer must-*

(A) Ensure that the appropriate Buy American statute provision and clause are included in the *solicitation* (see 25.1101(a), 25.1101(b), or 25.1102);

(B) Specify in the *solicitation* that the article is available domestically and that *offerors* and contractors *may not* treat foreign *components* of the same class or kind as domestic *components*; and

(C) Submit a copy of supporting documentation to the appropriate council identified in 1.201-1, in accordance with agency procedures, for possible removal of the article from the list.

(2) *Individual determinations.*

(i) The head of the *contracting activity may* make a determination that an article, material, or supply is not mined, produced, or manufactured in the *United States* in sufficient and reasonably available commercial quantities of a satisfactory quality. A determination is not required before January 1, 2030, if there is an *offer* for a foreign *end product* that exceeds 55 percent domestic content (see 25.106(b)(2) and 25.106(c)(2)).

(ii) If the *contracting officer* considers that the nonavailability of an article is likely to affect future *acquisitions*, the *contracting officer may* submit a copy of the determination and supporting documentation to the appropriate council identified in 1.201-1, in accordance with agency procedures, for possible addition to the list in 25.104.

(3) A written determination is not required if all of the following conditions are present:

(i) The *acquisition* was conducted through use of *full and open competition*.

(ii) The *acquisition* was synopsisized in accordance with 5.201.

(iii) No *offer* for a *domestic end product* was received.

(c) *Unreasonable cost*. The *contracting officer* may determine that the cost of a *domestic end product* would be unreasonable, in accordance with [25.106](#) and [subpart 25.5](#).

(d) *Resale*. The *contracting officer* may purchase *foreign end products* specifically for commissary resale.

(e) *Information technology that is a commercial product*. The restriction on purchasing *foreign end products* does not apply to the *acquisition* of *information technology* that is a *commercial product*, when using fiscal year 2004 or subsequent fiscal year funds (section 535(a) of Division F, Title V, Consolidated Appropriations Act, 2004, and similar sections in subsequent appropriations acts).

## **25.104 Nonavailable articles.**

(a) The following articles have been determined to be nonavailable in accordance with [25.103\(b\)\(1\)\(i\)](#):

Acetylene, black.

Agar, bulk.

Anise.

Antimony, as metal or oxide.

Asbestos, amosite, chrysotile, and crocidolite.

Bamboo shoots.

Bananas.

Bauxite.

Beef, corned, canned.

Beef extract.

Bephenium hydroxynapthoate.

Bismuth.

Books, trade, text, technical, or scientific; newspapers; pamphlets; magazines; periodicals; printed briefs and films; not printed in the *United States* and for which domestic editions are not available.

Brazil nuts, unroasted

Cadmium, ores and flue dust.

Calcium cyanamide.

Capers.



Cashew nuts.

Castor beans and castor oil.

Chalk, English.

Chestnuts.

Chicle.

Chrome ore or chromite.

Cinchona bark.

Cobalt, in cathodes, rondelles, or other primary ore and metal forms.

Cocoa beans.

Coconut and coconut meat, unsweetened, in shredded, desiccated, or similarly prepared form.

Coffee, raw or green bean.

Colchicine alkaloid, raw.

Copra.

Cork, wood or bark and waste.

Cover glass, microscope slide.

Crane rail (85-pound per foot).

Cryolite, natural.

Dammar gum.

Diamonds, industrial, stones and abrasives.

Emetine, bulk.

Ergot, crude.

Erythrityl tetranitrate.

Fair linen, altar.

Fibers of the following types: abaca, abace, agave, coir, flax, jute, jute burlaps, palmyra, and sisal.

Goat and kidskins.

Goat hair canvas.

Grapefruit sections, canned.

Graphite, natural, crystalline, crucible grade.

Hand file sets (Swiss pattern).

Handsewing needles.

Hemp yarn.

Hog bristles for brushes.

Hyoscine, bulk.

Ipecac, root.

Iodine, crude.

Kaurigum.

Lac.

Leather, sheepskin, hair type.

Lavender oil.

Manganese.

Menthol, natural bulk.

Mica.

Microprocessor chips (brought onto a Government *construction* site as separate units for incorporation into building systems during *construction* or repair and alteration of real property).

Modacrylic fiber.

Nickel, primary, in ingots, pigs, shots, cathodes, or similar forms; nickel oxide and nickel salts.

Nitroguanidine (also known as picrite).

Nux vomica, crude.

Oiticica oil.

Olive oil.

Olives (green), pitted or unpitted, or stuffed, in bulk.

Opium, crude.

Oranges, mandarin, canned.

Petroleum, crude oil, unfinished oils, and finished *products*.

Pine needle oil.

Pineapple, canned.

Platinum and related group metals, refined, as sponge, powder, ingots, or cast bars.

Pyrethrum flowers.

Quartz crystals.

Quebracho.

Quinidine.

Quinine.

Rabbit fur felt.

Radium salts, source and special nuclear materials.

Rosettes.

Rubber, crude and latex.

Rutile.

Santonin, crude.

Secretin.

Shellac.

Silk, raw and unmanufactured.

Spare and replacement parts for equipment of foreign manufacture, and for which domestic parts are not available.

Spices and herbs, in bulk.

Sugars, raw.

Swords and scabbards.

Talc, block, steatite.

Tantalum.

Tapioca flour and cassava.

Tartar, crude; tartaric acid and cream of tartar in bulk.

Tea in bulk.

Thread, metallic (gold).

Thyme oil.

Tin in bars, blocks, and pigs.

Triprolidine hydrochloride.

Tungsten.

Vanilla beans.

Venom, cobra.

Water chestnuts.

Wax, carnauba.

Wire glass.

Woods; logs, veneer, and lumber of the following species: Alaskan yellow cedar, angelique, balsa, ekki, greenheart, lignum vitae, mahogany, and teak.

Yarn, 50 Denier rayon.

Yeast, active dry and instant active dry.

(b) This list will be published in the *Federal Register* for public comment no less frequently than once every five years. Unsolicited recommendations for deletions from this list *may* be submitted at any time and *should* provide sufficient data and rationale to permit evaluation (see [1.502](#)).

### **25.105 Critical components and critical items.**

(a) The following is a list of articles that have been determined to be a critical *component* or *critical item* and their respective preference factor(s).

(1)-(2) [Reserved]

(b) The list of articles and preference factors in paragraph (a) of this section will be published in the **Federal Register** for public comment no less frequently than once every 4 years. Unsolicited recommendations for deletions from this list *may* be submitted at any time and *should* provide sufficient data and rationale to permit evaluation ( see [1.502](#)).

(c) For determining reasonableness of cost for *domestic end products* that contain critical *components* or are *critical items* ( see [25.106\(c\)](#)).

### **25.106 Determining reasonableness of cost.**

(a) The *contracting officer-*

(1) *Must* use the evaluation factors in paragraphs (b) and (c) of this section unless the *head of the agency* makes a written determination that the use of higher factors is more appropriate. If the determination applies to all agency *acquisitions*, the agency evaluation factors *must* be published in agency regulations; and

(2) *Must* not apply evaluation factors to *offers* of *eligible products* if the *acquisition* is subject to a trade agreement under [subpart 25.4](#).

(b) *For end products that are not critical items and do not contain critical components.*

(1)

(i) If there is a *domestic offer* that is not the *low offer*, and the restrictions of the Buy American statute apply to the *low offer*, the *contracting officer must* determine the reasonableness of the cost of the *domestic offer* by adding to the price of the *low offer*, inclusive of duty—

(A) 20 percent, if the lowest *domestic offer* is from a large business concern; or

(B) 30 percent, if the lowest *domestic offer* is from a small business concern. The *contracting officer must* use this factor, or another factor established in agency regulations, in small business set-asides if the *low offer* is from a small business concern offering the product of a small business concern that is not a *domestic end product* (see [subpart 19.5](#)).

(ii) The price of the *domestic offer* is reasonable if it does not exceed the evaluated price of the *low offer* after addition of the appropriate evaluation factor in accordance with paragraph (a) or (b)(1)(i) of this section. See evaluation procedures at [subpart 25.5](#).

(2)

(i) For *end products* that are not COTS items and do not consist wholly or predominantly of iron or *steel* or a combination of both, if the procedures in paragraph (b)(1)(i) of this section result in an unreasonable cost determination for the *domestic offer* or there is no *domestic offer* received, and the *low offer* is for a *foreign end product* that does not exceed 55 percent domestic content, the *contracting officer shall*—

(A) Treat the lowest *offer* of a *foreign end product* that is manufactured in the United States and exceeds 55 percent domestic content as a *domestic offer*; and

(B) Determine the reasonableness of the cost of this *offer* by applying the evaluation factors listed in paragraph (b)(1)(i) of this section to the *low offer*.

(ii) The price of the lowest *offer* of a *foreign end product* that exceeds 55 percent domestic content is reasonable if it does not exceed the evaluated price of the *low offer* after addition of the appropriate evaluation factor in accordance with paragraph (a) or (b)(1)(i) of this section. See evaluation procedures at [subpart 25.5](#).

(iii) The procedures in this paragraph (b)(2) will no longer apply as of January 1, 2030.

(c) *For end products that are critical items or contain critical components.*

(1)

(i) If there is a *domestic offer* that is not the *low offer*, and the restrictions of the Buy American statute apply to the *low offer*, the *contracting officer shall* determine the reasonableness of the cost of the *domestic offer* by adding to the price of the *low offer*, inclusive of duty—

(A) 20 percent, plus the additional preference factor identified for the *critical item* or *end product* containing *critical components* listed at section [25.105](#), if the lowest *domestic offer* is from a large business concern; or

(B) 30 percent, plus the additional preference factor identified for the *critical item* or *end product* containing critical *components* listed at section [25.105](#), if the lowest *domestic offer* is from a small business concern. The *contracting officer shall* use this factor, or another factor established in agency regulations, in small business set-asides if the low *offer* is from a small business concern offering the product of a small business concern that is not a *domestic end product* (see [subpart 19.5](#)).

(ii) The price of the *domestic offer* is reasonable if it does not exceed the evaluated price of the low *offer* after addition of the appropriate evaluation factor in accordance with paragraph (a) or (b) of this section. See evaluation procedures at [subpart 25.5](#).

(2)

(i) For *end products* that are not COTS items and do not consist wholly or predominantly of iron or *steel* or a combination of both, if the procedures in paragraph (c)(1)(ii) of this section result in an unreasonable cost determination for the *domestic offer* or there is no *domestic offer* received, and the low *offer* is for a *foreign end product* that does not exceed 55 percent domestic content, the *contracting officer shall*—

(A) Treat the lowest *offer* of a *foreign end product* that is manufactured in the United States and exceeds 55 percent domestic content as a *domestic offer*; and

(B) Determine the reasonableness of the cost of this *offer* by applying the evaluation factors listed in paragraph (c)(1) of this section to the low *offer*.

(ii) The price of the lowest *offer* of a *foreign end product* that exceeds 55 percent domestic content is reasonable if it does not exceed the evaluated price of the low *offer* after addition of the appropriate evaluation factor in accordance with paragraph (a) or (b) of this section. See evaluation procedures at [subpart 25.5](#).

(iii) The procedures in this paragraph (c)(2) will no longer apply as of January 1, 2030.

## **Subpart 25.2 - Buy American-Construction Materials**

### **25.200 Scope of subpart.**

(a) This subpart implements-

(1) [41 U.S.C. chapter 83](#), Buy American;

(2) Executive Order 10582, December 17, 1954;

(3) Executive Order 13881, July 15, 2019;

(4) [Executive Order 14005](#), January 25, 2021; and

(5) Waiver of the domestic content test of the Buy American statute for *acquisitions* of commercially available off-the-shelf (COTS) items in accordance with [41 U.S.C. 1907](#), but see [25.201\(b\)\(2\)\(ii\)](#).

(b) It applies to contracts for the *construction*, alteration, or repair of any public building or public

work in the *United States*.

(c) When using funds appropriated or otherwise provided by the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) for *construction*, see [subpart 25.6](#).

## **25.201 Policy.**

(a) Except as provided in [25.202](#), use only *domestic construction materials* in *construction* contracts performed in the *United States*.

(b) The Buy American statute restricts the purchase of *construction materials* that are not domestic *construction materials*. For manufactured *construction materials*, the Buy American statute, [E.O. 13881](#), and [E.O. 14005](#) use a two-part test to define *domestic construction materials*.

(1) The article *must* be manufactured in the *United States*; and

(2)

(i) Except for *construction material* that consists wholly or predominantly of iron or *steel* or a combination of both, the cost of domestic *components must* exceed 60 percent of the cost of all the *components*, except that the percentage will be 65 percent for items delivered in calendar years 2024 through 2028 and 75 percent for items delivered starting in calendar year 2029, but see paragraph (c) of this section. In accordance with [41 U.S.C. 1907](#), this domestic content test of the Buy American statute has been waived for *acquisitions* of COTS items (see [12.505\(a\)](#)).

(ii) For *construction material* that consists wholly or predominantly of iron or *steel* or a combination of both, the cost of *foreign iron and steel must* constitute less than 5 percent of the cost of all the *components* used in such *construction material* (see the definition of "foreign iron and *steel*" at [25.003](#)). The cost of foreign iron and *steel* includes but is not limited to the cost of foreign iron or *steel mill products* (such as bar, billet, slab, wire, plate, or sheet), castings, or forgings utilized in the manufacture of the *construction material* and a good faith estimate of the cost of all foreign iron or *steel components* excluding COTS *fasteners*. This domestic content test of the Buy American statute has not been waived for *acquisitions* of COTS items in this category, except for COTS *fasteners*.

(c)

(1) A contract with a period of performance that spans the schedule of domestic content threshold increases specified in paragraph (b)(2)(i) of this section *shall* be required to comply with each increased threshold for the items in the year of delivery, unless the *senior procurement executive* of the *contracting* agency allows for application of an *alternate* domestic content test for that contract under which the domestic content threshold in effect at time of contract award will apply to the entire period of performance for the contract. This authority is not delegable. The *senior procurement executive shall* consult the Office of Management and Budget's Made in America Office before allowing the use of the *alternate* domestic content test.

(2) When a *senior procurement executive* allows for application of an *alternate* domestic content test for a contract, see [25.1102\(a\)\(3\)](#) or (c)(4) for use of the appropriate *Alternate* clause to reflect the domestic content threshold that will apply to the entire period of performance for that contract.

## **25.202 Exceptions.**

(a) When one of the following exceptions applies, the *contracting officer* may allow the contractor to acquire *foreign construction materials* without regard to the restrictions of the Buy American statute:

(1) *Impracticable or inconsistent with public interest.* The *head of the agency* may determine that application of the restrictions of the Buy American statute to a particular *construction material* would be impracticable or would be inconsistent with the public interest. The public interest exception applies when an agency has an agreement with a foreign government that provides a blanket exception to the Buy American statute.

(2) *Nonavailability.* The head of the *contracting activity* may determine that a particular *construction material* is not mined, produced, or manufactured in the *United States* in sufficient and reasonably available commercial quantities of a satisfactory quality. The determinations of nonavailability of the articles listed at [25.104\(a\)](#) and the procedures at [25.103\(b\)\(1\)](#) also apply if any of those articles are acquired as *construction materials*. A determination is not required before January 1, 2030, if there is an *offer* for a *foreign construction material* that exceeds 55 percent domestic content (see [25.204\(b\)\(1\)\(ii\)](#) and [25.204\(b\)\(2\)\(ii\)](#)).

(3) *Unreasonable cost.* The *contracting officer* concludes that the cost of *domestic construction material* is unreasonable in accordance with [25.204](#).

(4) *Information technology that is a commercial product.* The restriction on purchasing *foreign construction material* does not apply to the *acquisition* of *information technology* that is a *commercial product*, when using Fiscal Year 2004 or subsequent fiscal year funds (section 535(a) of Division F, Title V, Consolidated Appropriations Act, 2004, and similar sections in subsequent appropriations acts).

(b) *Determination and findings.* When a determination is made for any of the reasons stated in this section that certain *foreign construction materials* may be used, the *contracting officer* must list the excepted materials in the contract. The agency *must* make the findings justifying the exception available for public *inspection*.

(c) *Acquisitions under trade agreements.* For *construction* contracts with an estimated *acquisition* value of \$6,708,000 or more, see [subpart 25.4](#).

## **25.203 Preaward determinations.**

(a) For any *acquisition*, an *offeror* may request from the *contracting officer* a determination concerning the inapplicability of the Buy American statute for specifically identified *construction materials*. The time for submitting the request is specified in the *solicitation* in paragraph (b) of either [52.225-10](#) or [52.225-12](#), whichever applies. The information and supporting data that *must* be included in the request are also specified in the *solicitation* in paragraphs (c) and (d) of either [52.225-9](#) or [52.225-11](#), whichever applies.

(b) Before award, the *contracting officer* must evaluate all requests based on the information provided and *may* supplement this information with other readily available information.



## 25.204 Evaluating offers of foreign construction material.

(a) *Offerors* proposing to use *foreign construction material* other than that listed by the Government in the applicable clause at [52.225-9](#), paragraph (b)(2), or [52.225-11](#), paragraph (b)(3), or covered by the *WTO GPA* or a Free Trade Agreement (paragraph (b)(2) of [52.225-11](#)), *must* provide the information required by paragraphs (c) and (d) of the respective clauses.

(b)

(1) *For construction material that is not a critical item and does not contain critical components.*

(i) Unless the *head of the agency* specifies a higher percentage, the *contracting officer* shall add to the offered price 20 percent of the cost of any *foreign construction material* proposed for exception from the requirements of the Buy American statute based on the unreasonable cost of *domestic construction materials*. In the case of a tie, the *contracting officer* shall give preference to an *offer* that does not include *foreign construction material* excepted at the request of the *offeror* on the basis of unreasonable cost.

(ii) For *construction material* that is not a COTS item and does not consist wholly or predominantly of iron or *steel* or a combination of both, if the procedures in paragraph (b)(1)(i) of this section result in an unreasonable cost determination for the *domestic construction material offer* or there is no *domestic construction material offer* received, and the low *offer* is for *foreign construction material* that does not exceed 55 percent domestic content, the *contracting officer* shall—

(A) Treat the lowest *offer* of *foreign construction material* that is manufactured in the *United States* and exceeds 55 percent domestic content as a *domestic offer*; and

(B) Determine the reasonableness of the cost of this *offer* by applying the evaluation factor listed in paragraph (b)(1)(i) to the low *offer*.

(iii) The procedures in paragraph (b)(1)(ii) of this section will no longer apply as of January 1, 2030.

(2) *For construction material that is a critical item or contains critical components.*

(i) The *contracting officer* shall add to the offered price 20 percent, plus the additional preference factor identified for the *critical item* or *construction material* containing *critical components* listed at section [25.105](#), of the cost of any *foreign construction material* proposed for exception from the requirements of the Buy American statute based on the unreasonable cost of *domestic construction materials*. In the case of a tie, the *contracting officer* shall give preference to an *offer* that does not include *foreign construction material* excepted at the request of the *offeror* on the basis of unreasonable cost. See [25.105](#) for the list of *critical components* and *critical items*.

(ii) For *construction material* that is not a COTS item and does not consist wholly or predominantly of iron or *steel* or a combination of both, if the procedures in paragraph (b)(2)(i) of this section result in an unreasonable cost determination for the *domestic construction material offer* or there is no *domestic construction material offer* received, and the low *offer* is for *foreign construction material* that does not exceed 55 percent domestic content, the *contracting officer* shall—

(A) Treat the lowest *offer* of *foreign construction material* that is manufactured in the *United States* and exceeds 55 percent domestic content as a *domestic offer*; and

(B) Determine the reasonableness of the cost of this *offer* by applying the evaluation factors listed in

this paragraph (b)(2) to the low *offer*.

(iii) The procedures in paragraph (b)(2)(ii) of this section will no longer apply as of January 1, 2030.

(c) *Offerors* also may submit *alternate offers* based on use of equivalent *domestic construction material* to avoid possible rejection of the entire *offer* if the Government determines that an exception permitting use of a particular *foreign construction material* does not apply.

(d) If the *contracting officer* awards a contract to an *offeror* that proposed *foreign construction material* not listed in the applicable clause in the *solicitation* (paragraph (b)(2) of [52.225-9](#), or paragraph (b)(3) of [52.225-11](#)), the *contracting officer* must add the excepted materials to the list in the *contract clause*.

## **25.205 Postaward determinations.**

(a) If a contractor requests a determination regarding the inapplicability of the Buy American statute after contract award, the contractor *must* explain why it could not request the determination before contract award or why the need for such determination otherwise was not reasonably foreseeable. If the *contracting officer* concludes that the contractor *should* have made the request before contract award, the *contracting officer* may deny the request.

(b) The *contracting officer* must base evaluation of any request for a determination regarding the inapplicability of the Buy American statute made after contract award on information required by paragraphs (c) and (d) of the applicable clause at [52.225-9](#) or [52.225-11](#) and/or other readily available information.

(c) If a determination, under [25.202\(a\)](#), is made after contract award that an exception to the Buy American statute applies, the *contracting officer* must negotiate adequate consideration and modify the contract to allow use of the *foreign construction material*. When the basis for the exception is the unreasonable price of a *domestic construction material*, adequate consideration is at least the differential established in [25.202\(a\)](#) or in accordance with agency procedures.

## **25.206 Noncompliance.**

The *contracting officer* must-

(a) Review allegations of Buy American statute violations;

(b) Unless fraud is suspected, notify the contractor of the apparent unauthorized use of *foreign construction material* and request a reply, to include proposed corrective action; and

(c) If the review reveals that a contractor or subcontractor has used *foreign construction material* without authorization, take appropriate action, including one or more of the following:

(1) Process a determination concerning the inapplicability of the Buy American statute in accordance with [25.205](#).

(2) Consider requiring the removal and replacement of the unauthorized *foreign construction material*.

(3) If removal and replacement of *foreign construction material* incorporated in a *building or work* would be impracticable, cause undue delay, or otherwise be detrimental to the interests of the Government, the *contracting officer* may determine *in writing* that the *foreign construction material* need not be removed and replaced. A determination to retain *foreign construction material* does not constitute a determination that an exception to the Buy American statute applies, and this *should* be stated in the determination. Further, a determination to retain *foreign construction material* does not affect the Government's right to suspend or debar a contractor, subcontractor, or supplier for violation of the Buy American statute, or to exercise other contractual rights and remedies, such as reducing the contract price or terminating the contract for default.

(4) If the noncompliance is sufficiently serious, consider exercising appropriate contractual remedies, such as terminating the contract for default. Also consider preparing and forwarding a report to the agency suspending or debarring official in accordance with subpart 9.4. If the noncompliance appears to be fraudulent, refer the matter to other appropriate agency officials, such as the officer responsible for criminal investigation.

## **Subpart 25.3 - Contracts Performed Outside the United States**

### **25.301 Contractor personnel in a designated operational area or supporting a diplomatic or consular mission outside the United States.**

#### **25.301-1 Scope.**

(a) This section applies to contracts requiring contractor personnel to perform outside the *United States*-

(1) In a *designated operational area* during-

(i) Contingency operations;

(ii) Humanitarian or peacekeeping operations; or

(iii) Other military operations or military exercises, when designated by the *combatant commander*;  
or

(2) When supporting a diplomatic or consular mission-

(i) That has been designated by the Department of State as a danger pay post (see <https://aoprals.state.gov/>); or

(ii) That the *contracting officer* determines is a post at which application of the clause at FAR 52.225-19, Contractor Personnel in a *Designated Operational Area* or Supporting a Diplomatic or Consular Mission outside the *United States*, is appropriate.

(b) Any of the types of operations listed in paragraph (a)(1) of this section *may* include stability operations such as-

(1) Establishment or maintenance of a safe and secure environment; or

(2) Provision of *emergency* infrastructure reconstruction, humanitarian relief, or essential governmental services (until feasible to transition to local government).

(c) This section does not apply to *personal services contracts* (see FAR [37.104](#)), unless specified otherwise in agency procedures.

### **25.301-2 Government support.**

(a) Generally, contractors are responsible for providing their own logistical and security support, including logistical and security support for their employees. The agency *shall* provide logistical or security support only when the appropriate agency official, in accordance with agency guidance, determines that-

(1) Such Government support is available and is needed to ensure continuation of essential contractor services; and

(2) The contractor cannot obtain adequate support from other sources at a reasonable cost.

(b) The *contracting officer shall* specify in the contract, and in the *solicitation* if possible, the exact support to be provided, and whether this support is provided on a reimbursable basis, citing the authority for the reimbursement.

### **25.301-3 Weapons.**

The *contracting officer shall* follow agency procedures and the weapons policy established by the *combatant commander* or the *chief of mission* when authorizing contractor personnel to carry weapons (see paragraph (i) of the clause at [52.225-19](#), Contractor Personnel in a *Designated Operational Area* or *Supporting a Diplomatic or Consular Mission* outside the *United States*).

### **25.301-4 Contract clause.**

Insert the clause at [52.225-19](#), Contractor Personnel in a *Designated Operational Area* or *Supporting a Diplomatic or Consular Mission* outside the *United States*, in *solicitations* and contracts, other than personal service contracts with individuals, that will require contractor personnel to perform outside the United States—

(a) In a *designated operational area* during-

(1) Contingency operations;

(2) Humanitarian or peacekeeping operations; or

(3) Other military operations or military exercises, when designated by the combatant commander;  
or

(b) When supporting a diplomatic or consular mission-

(1) That has been designated by the Department of State as a danger pay post (see

<https://aoprals.state.gov/>); or

(2) That the *contracting officer* determines is a post at which application of the clause FAR [52.225-19](#), Contractor Personnel in a *Designated Operational Area* or Supporting a Diplomatic or Consular Mission outside the *United States*, is appropriate.

## **25.302 Contractors performing private security functions outside the United States.**

### **25.302-1 Scope.**

This section prescribes policy for implementing section 862 of the *National Defense Authorization Act* (NDAA) for Fiscal Year (FY) 2008 (Pub. L. 110-181), as amended by section 853 of the NDAA for FY 2009 (Pub. L. 110-417), and sections 831 and 832 of the NDAA for FY 2011 (Pub. L. 111-383) (see 10 U.S.C. Subtitle A, Part V, Subpart G Note).

### **25.302-2 Definitions.**

As used in this section-

*Area of combat operations* means an area of operations designated as such by the Secretary of Defense when enhanced coordination of contractors performing private security functions working for Government agencies is required.

*Other significant military operations* means activities, other than combat operations, as part of a *contingency operation* outside the *United States* that is carried out by *United States Armed Forces* in an uncontrolled or unpredictable high-threat environment where personnel performing security functions *may* be called upon to use deadly force (see [25.302-3\(a\)\(2\)](#)).

*Private security functions* means activities engaged in by a contractor, as follows-

- (1) Guarding of personnel, facilities, designated sites, or property of a *Federal agency*, the contractor or subcontractor, or a third party; or
- (2) Any other activity for which personnel are required to carry weapons in the performance of their duties in accordance with the terms of the contract.

### **25.302-3 Applicability.**

(a) This section applies to contracts that require performance outside the *United States*-

- (1) In an *area of combat operations* as designated by the Secretary of Defense; or
  - (2) In an area of *other significant military operations* as designated by the Secretary of Defense, and only upon agreement of the Secretary of Defense and the Secretary of State.
- (b) These designations can be found at

[http://www.acq.osd.mil/dpap/pacc/cc/designated\\_areas\\_of\\_other\\_significant\\_military\\_operations.html](http://www.acq.osd.mil/dpap/pacc/cc/designated_areas_of_other_significant_military_operations.html)  
and [http://www.acq.osd.mil/dpap/pacc/cc/designated\\_areas\\_of\\_combat\\_operations.html](http://www.acq.osd.mil/dpap/pacc/cc/designated_areas_of_combat_operations.html).

(c) When the applicability requirements of this subsection are met, contractors and subcontractors *must* comply with 32 CFR part 159, whether the contract is for the performance of private security functions as a primary deliverable or the provision of private security functions is ancillary to the stated deliverables.

(d) The requirements of section 25.302 *shall* not apply to-

(1) Contracts entered into by elements of the intelligence community in support of intelligence activities; or

(2) Temporary arrangements entered into on a non-DoD contract for the performance of private security functions by individual indigenous personnel not affiliated with a local or expatriate security company. These temporary arrangements *must* still comply with local law.

#### **25.302-4 Policy.**

(a) *General.*

(1) The policy, responsibilities, procedures, accountability, training, equipping, and conduct of personnel performing private security functions in designated areas are addressed at 32 CFR part 159, entitled "Private Security Contractors Operating in *Contingency Operations*". Contractor responsibilities include ensuring that employees are aware of, and comply with, relevant orders, directives, and instructions; keeping appropriate personnel records; accounting for weapons; registering and identifying armored vehicles, helicopters, and other military vehicles; and reporting specified incidents in which personnel performing private security functions under a contract are involved.

(2) In addition, contractors are required to fully cooperate with any Government-authorized investigation into incidents reported pursuant to paragraph (c)(3) of the clause at 52.225-26, Contractors Performing Private Security Functions Outside the *United States*, by providing access to employees performing private security functions and relevant information in the possession of the contractor regarding the incident concerned.

(b) *Implementing guidance.* In accordance with 32 CFR part 159-

(1) Geographic *combatant commanders* will provide DoD contractors performing private security functions with guidance and procedures for the operational environment in their area of responsibility; and

(2) In a designated *area of combat operations*, or areas of *other significant military operations*, as designated by the Secretary of Defense and only upon agreement of the Secretary of Defense and the Secretary of State, the relevant *Chief of Mission* will provide implementing instructions for non-DoD contractors performing private security functions and their personnel consistent with the standards set forth by the geographic *combatant commander*. In accordance with 32 CFR 159.4(c), the *Chief of Mission* has the *option* of instructing non-DoD contractors performing private security functions and their personnel to follow the guidance and procedures of the geographic *combatant commander* and/or a sub-unified commander or joint force commander where specifically authorized

by the *combatant commander* to do so and notice of that authorization is provided to non-DoD agencies.

### **25.302-5 Remedies.**

(a) In addition to other remedies available to the Government-

(1) The *contracting officer may* direct the contractor, at its own expense, to remove and replace any contractor or subcontractor personnel performing private security functions who fail to comply with or violate applicable requirements. Such action *may* be taken at the Government's discretion without prejudice to its rights under any other contract provision, e.g., *termination for default*;

(2) The *contracting officer shall* include the contractor's failure to comply with the requirements of this section in appropriate databases of *past performance* and consider any such failure in any responsibility determination or evaluation of *past performance*; and

(3) In the case of award-fee contracts, the *contracting officer shall* consider a contractor's failure to comply with the requirements of this subsection in the evaluation of the contractor's performance during the relevant evaluation period, and *may* treat such failure as a basis for reducing or denying award fees for such period or for recovering all or part of award fees previously paid for such period.

(b) If the performance failures are severe, prolonged, or repeated, the *contracting officer shall* refer the matter to the appropriate suspending and debarring official.

### **25.302-6 Contract clause.**

(a) Use the clause at [52.225-26](#), Contractors Performing Private Security Functions Outside the *United States*, in *solicitations* and contracts for performance outside the *United States* in an area of-

(1) Combat operations, as designated by the Secretary of Defense; or

(2) *Other significant military operations*, as designated by the Secretary of Defense and only upon agreement of the Secretary of Defense and the Secretary of State.

(b) The clause is not required to be used for-

(1) Contracts entered into by elements of the intelligence community in support of intelligence activities; or

(2) Temporary arrangements entered into by non-DoD contractors for the performance of private security functions by individual indigenous personnel not affiliated with a local or expatriate security company.

## **Subpart 25.4 - Trade Agreements**

### **25.400 Scope of subpart.**

(a) This subpart provides policies and procedures applicable to *acquisitions* that are covered by-

(1) The World Trade Organization Government *Procurement* Agreement (*WTO GPA*), as approved by Congress in the Uruguay Round Agreements Act (Public Law 103-465);

(2) Free Trade Agreements (FTA), consisting of-

(i) USMCA (*United States-Mexico-Canada Agreement*, as approved by Congress in the *United States-Mexico-Canada Agreement Implementation Act* (Government *Procurement* Agreement applicable only to the *United States* and Mexico) (Pub. L. 116-113) (19 U.S.C. chapter 29 (sections 4501-4732));

(ii) Chile FTA (the *United States-Chile Free Trade Agreement*, as approved by Congress in the *United States-Chile Free Trade Agreement Implementation Act of 1993* (Pub. L. 108-77) (19 U.S.C. 3805 note));

(iii) Singapore FTA (the *United States-Singapore Free Trade Agreement*, as approved by Congress in the *United States-Singapore Free Trade Agreement Implementation Act* (Pub. L. 108-78) (19 U.S.C. 3805 note));

(iv) Australia FTA (the *United States-Australia Free Trade Agreement*, as approved by Congress in the *United States-Australia Free Trade Agreement Implementation Act* (Pub. L. 108-286) (19 U.S.C. 3805 note));

(v) Morocco FTA (The *United States-Morocco Free Trade Agreement*, as approved by Congress in the *United States-Morocco Free Trade Agreement Implementation Act* (Pub. L. 108-302) (19 U.S.C. 3805 note));

(vi) CAFTA-DR (The *Dominican Republic-Central America-United States Free Trade Agreement*, as approved by Congress in the *Dominican Republic-Central America-United States Free Trade Agreement Implementation Act* (Pub. L. 109-53) (19 U.S.C. 4001 note));

(vii) Bahrain FTA (the *United States-Bahrain Free Trade Agreement*, as approved by Congress in the *United States-Bahrain Free Trade Agreement Implementation Act* (Pub. L. 109-169) (19 U.S.C. 3805 note));

(viii) Oman FTA (the *United States-Oman Free Trade Agreement*, as approved by Congress in the *United States-Oman Free Trade Agreement Implementation Act* (Pub. L. 109-283) (19 U.S.C. 3805 note));

(ix) Peru FTA (the *United States-Peru Trade Promotion Agreement*, as approved by Congress in the *United States-Peru Trade Promotion Agreement Implementation Act* (Pub. L. 110-138) (19 U.S.C. 3805 note));

(x) Korea FTA (the *United States-Korea Free Trade Agreement Implementation Act* (Pub. L. 112-41) (19 U.S.C. 3805));

(xi) Colombia FTA (the *United States-Colombia Trade Promotion Agreement Implementation Act* (Pub. L. 112-42) (19 U.S.C. 3805 note)); and

(xii) Panama FTA (the *United States-Panama Trade Promotion Agreement Implementation Act* (Pub. L. 112-43) (19 U.S.C. 3805 note));

(3) The *least developed country* designation made by the U.S. Trade Representative, pursuant to the



Trade Agreements Act ([19 U.S.C. 2511\(b\)\(4\)](#)), in *acquisitions* covered by the *WTO GPA*;

(4) The Caribbean Basin Trade Initiative (CBTI) (determination of the U.S. Trade Representative that *end products* or *construction material* granted duty-free entry from countries designated as beneficiaries under the Caribbean Basin Economic Recovery Act ([19 U.S.C. 2701](#), *et seq.*), with the exception of Panama, *must* be treated as *eligible products* in *acquisitions* covered by the *WTO GPA*);

(5) The Israeli Trade Act (the U.S.-Israel Free Trade Area Agreement, as approved by Congress in the *United States-Israel Free Trade Area Implementation Act of 1985* ([19 U.S.C. 2112](#) note)); or

(6) The Agreement on Trade in Civil Aircraft (U.S. Trade Representative waiver of the Buy American statute for signatories of the Agreement on Trade in Civil Aircraft, as implemented in the Trade Agreements Act of 1979 ([19 U.S.C. 2513](#))).

(b) For application of the trade agreements that are unique to individual agencies, see agency regulations.

## **25.401 Exceptions.**

(a) This subpart does not apply to-

(1) *Acquisitions* set aside for small businesses;

(2) *Acquisitions* of arms, ammunition, or war materials, or purchases indispensable for national security or for *national defense* purposes;

(3) *Acquisitions* of *end products* for resale;

(4) *Acquisitions* from Federal Prison Industries, Inc., under [subpart 8.6](#), and *acquisitions* under [subpart 8.7](#), *Acquisition* from Nonprofit Agencies Employing People Who Are Blind or Severely Disabled;

(5) Other *acquisitions* not using *full and open competition*, if authorized by [subpart 6.2](#) or [6.3](#), when the limitation of competition would preclude use of the procedures of this subpart; or *sole source acquisitions* justified in accordance with [13.501\(a\)](#); and

(6) Goods and services specifically excluded under individual trade agreements, such as exceptions negotiated by the U.S. Trade Representative for particular agencies. See the agency supplementary regulations.

(b) In the World Trade Organization Government *Procurement* Agreement (*WTO GPA*) and each FTA, there is a U.S. schedule that lists services that are excluded from that agreement in *acquisitions* by the *United States*. *Acquisitions* of the following services are excluded from coverage by the U.S. schedule of the *WTO GPA* or an FTA as indicated in this table:

|     | The Service<br>(Federal Service Codes from<br>the Federal <i>Procurement</i><br>Data System Product/Service<br>Code Manual are indicated in<br>paren-theses for some<br>services.)   | WTO<br>GPA<br>and<br>KOREA<br>FTA | Bahrain<br>FTA,<br>CAFTA-DR,<br>Chile FTA,<br>Columbia<br>FTA,<br>USMCA,<br>Oman FTA,<br>Panama<br>FTA, and<br>Peru FTA | Singapore<br>FTA | Australia<br>and<br>Morocco<br>FTA |
|-----|--|-----------------------------------|---|------------------|------------------------------------|
| (1) | All services purchased in<br>support of military services<br>overseas.   | X                                 | X   | X                | X                                  |
| (2) | (i) Automatic data processing<br>(ADP) telecommunications<br>and transmission services<br>(D304), except enhanced<br>( <i>i.e.</i> , value-added)<br>telecommunications services.  | X                                 | X   |                  |                                    |
|     | (ii) ADP teleprocessing and<br>timesharing services (D305),<br>telecommunications network<br>management services<br>(D316), automated news<br>services, data services or<br>other information services<br>(D317), and other ADP and<br>telecommunications services<br>(D399).  | X                                 | X   |                  |                                    |
|     | (iii) Basic<br>telecommunications network<br>services ( <i>i.e.</i> , voice<br>telephone services, packet-<br>switched data transmission<br>services, circuit-switched<br>data transmission services,<br>telex services, facsimile<br>services, and private leased<br>circuit services, but not<br>information services, as<br>defined in 47 U.S.C.153(24)). | *                                 | *   | X                | X                                  |
| (3) | Dredging.  | X                                 | X   | X                | X                                  |

|     |  |    |   |    |   |
|-----|--|----|---|----|---|
| (4) | (i) Operation and management contracts of certain Government or privately owned facilities used for Government purposes, including <i>Federally Funded Research and Development Centers</i> .  | X  |   | X  |   |
|     | (ii) Operation of all Department of Defense, Department of Energy, or the National Aeronautics and Space Administration facilities; and all Government-owned research and development facilities or Government-owned environmental laboratories. | ** | X | ** | X |
| (5) | Research and development.  | X  | X | X  | X |
| (6) | Transportation services (including launching services, but not including travel agent services).   | X  | X | X  | X |
| (7) | Utility services.  | X  | X | X  | X |
| (8) | Maintenance, repair, modification, rebuilding and installation of equipment related to ships (J019).   |    | X |    | X |
| (9) | Nonnuclear ship repair (J998).   |    | X |    | X |

\* Note1. *Acquisitions* of the services listed at (2)(iii) of this table are a subset of the excluded services at (2)(i) and (ii), and are therefore not covered under the *WTO GPA*.

\*\* Note2. *Acquisitions* of the services listed at (4)(ii) of this table are a subset of the excluded services at (4)(i), and are therefore not covered under the *WTO GPA*.

## 25.402 General.

(a)

(1) The Trade Agreements Act ([19 U.S.C.2501](#), *et seq.*) provides the authority for the President to waive the Buy American statute and other discriminatory provisions for *eligible products* from countries that have signed an international trade agreement with the *United States*, or that meet certain other criteria, such as being a *least developed country*. The President has delegated this waiver authority to the U.S. Trade Representative. In *acquisitions* covered by the *WTO GPA*, Free Trade Agreements, or the Israeli Trade Act, the U.S. Trade Representative has waived the Buy American statute and other discriminatory provisions for *eligible products*. *Offers of eligible products* receive equal consideration with *domestic offers*.

(2) The *contracting officer shall* determine the origin of services by the country in which the firm providing the services is established. See [subpart 25.5](#) for evaluation procedures for supply contracts covered by trade agreements.

(b) The value of the *acquisition* is a determining factor in the applicability of trade agreements. Most of these dollar thresholds are subject to revision by the U.S. Trade Representative approximately every 2 years. The various thresholds are summarized as follows:

Table 1 to Paragraph (b)

| Trade Agreement  | Supply Contract<br>(equal to or<br>exceeding) | Service Contract<br>(equal to or<br>exceeding) | <i>Construction</i><br>Contract (equal to or<br>exceeding) |
|--|---|--|--|
| <i>WTO GPA</i>   | \$174,000                                     | \$174,000                                      | \$6,708,000  |
| FTAs   |   |  |  |
| Australia FTA  | 102,280                                       | 102,280  | 6,708,000  |
| Bahrain FTA  | 174,000                                       | 174,000  | 13,296,489   |
| CAFTA-DR (Costa Rica,<br>Dominican Republic, El<br>Salvador, Guatemala,<br>Honduras, and<br>Nicaragua) | 102,280                                       | 102,280  | 6,708,000  |
| Chile FTA  | 102,280                                       | 102,280  | 6,708,000  |
| Colombia FTA   | 102,280                                       | 102,280  | 6,708,000  |
| Korea FTA  | 100,000                                       | 100,000  | 6,708,000  |
| Morocco FTA  | 174,000                                       | 174,000  | 6,708,000  |
| USMCA  |   |  |  |

|                   |         |         |            |
|-------------------|---------|---------|------------|
| -Mexico           | 102,280 | 102,280 | 13,296,489 |
| Oman FTA          | 174,000 | 174,000 | 13,296,489 |
| Panama FTA        | 174,000 | 174,000 | 6,708,000  |
| Peru FTA          | 174,000 | 174,000 | 6,708,000  |
| Singapore FTA     | 102,280 | 102,280 | 6,708,000  |
| Israeli Trade Act | 50,000  | -       | -          |

## **25.403 World Trade Organization Government Procurement Agreement and Free Trade Agreements.**

(a) *Eligible products* from *WTO GPA* and *FTA* countries are entitled to the nondiscriminatory treatment specified in [25.402\(a\)\(1\)](#). The *WTO GPA* and *FTAs* specify *procurement* procedures designed to ensure fairness (see [25.408](#)).

(b) *Thresholds*.

(1) To determine whether the *acquisition* of *products* by lease, rental, or lease-purchase contract (including lease-to-ownership, or lease-with-option-to purchase) is covered by the *WTO GPA* or an *FTA*, calculate the estimated *acquisition* value as follows:

(i) If a fixed-term contract of 12 months or less is contemplated, use the total estimated value of the *acquisition*.

(ii) If a fixed-term contract of more than 12 months is contemplated, use the total estimated value of the *acquisition* plus the estimated *residual value* of the leased equipment at the conclusion of the contemplated term of the contract.

(iii) If an indefinite-term contract is contemplated, use the estimated monthly payment multiplied by the total number of months that ordering would be possible under the proposed contract, *i.e.*, the initial ordering period plus any optional ordering periods.

(iv) If there is any doubt as to the contemplated term of the contract, use the estimated monthly payment multiplied by 48.

(2) The estimated value includes the value of all *options*.

(3) If, in any 12-month period, recurring or multiple awards for the same type of product or *products* are anticipated, use the total estimated value of these projected awards to determine whether the *WTO GPA* or an *FTA* applies. Do not divide any *acquisition* with the intent of reducing the estimated value of the *acquisition* below the dollar threshold of the *WTO GPA* or an *FTA*.

(c) *Purchase restriction.*

(1) Under the Trade Agreements Act (19 U.S.C. 2512), in *acquisitions* covered by the *WTO GPA*, acquire only U.S.-made or *designated country end products* or U.S. or *designated country services*, unless *offers* for such *end products* or services are either not received or are insufficient to fulfill the requirements. This purchase restriction does not apply below the *WTO GPA* threshold for *supplies* and services, even if the *acquisition* is covered by an FTA.

(2) This restriction does not apply to purchases of *supplies* by the Department of Defense from a country with which it has entered into a reciprocal agreement, as provided in departmental regulations.

#### **25.404 Least developed countries.**

For *acquisitions* covered by the *WTO GPA*, *least developed country end products*, *construction material*, and services *must* be treated as *eligible products*.

#### **25.405 Caribbean Basin Trade Initiative.**

Under the Caribbean Basin Trade Initiative, the *United States* Trade Representative has determined that, for *acquisitions* covered by the *WTO GPA*, *Caribbean Basin country end products*, *construction material*, and services *must* be treated as *eligible products*. In accordance with Section 201 (a)(3) of the Dominican Republic-Central America-*United States* Free Trade Implementation Act (Pub. L. 109-53) (19 U.S.C. 4031), when the CAFTA-DR agreement enters into force with respect to a country, that country is no longer designated as a beneficiary country for purposes of the Caribbean Basin Economic Recovery Act, and is therefore no longer included in the definition of "*Caribbean Basin country*" for purposes of the Caribbean Basin Trade Initiative.

#### **25.406 Israeli Trade Act.**

*Acquisitions* of *supplies* by most agencies are covered by the Israeli Trade Act, if the estimated value of the *acquisition* is \$50,000 or more but does not exceed the *WTO GPA* threshold for *supplies* (see 25.402(b)). Agencies other than the Department of Defense, the Department of Energy, the Department of Transportation, the Bureau of Reclamation of the Department of the Interior, the Federal Housing Finance Board, and the Office of Thrift Supervision *must* evaluate *offers* of *Israeli end products* without regard to the restrictions of the Buy American statute. The Israeli Trade Act does not prohibit the purchase of other *foreign end products*.

#### **25.407 Agreement on Trade in Civil Aircraft.**

Under the authority of Section 303 of the Trade Agreements Act, the U.S. Trade Representative has waived the Buy American statute for *civil aircraft and related articles* that meet the substantial transformation test of the Trade Agreements Act, from countries that are parties to the Agreement on Trade in Civil Aircraft. Those countries are Albania, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Macao China, Malta, Montenegro, the

Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan (Chinese Taipei), and the United Kingdom.

## **25.408 Procedures.**

(a) If the *WTO GPA* or an *FTA* applies (see [25.401](#)), the *contracting officer must-*

(1) Comply with the requirements of [5.203](#), Publicizing and response time;

(2) Comply with the requirements of [5.207](#), Preparation and transmittal of synopses;

(3) Not include technical requirements in *solicitations* solely to preclude the *acquisition of eligible products*;

(4) Specify in *solicitations* that *offerors must* submit *offers* in the English language and in U.S. dollars (see [52.214-34](#), Submission of *Offers* in the English Language, and [52.214-35](#), Submission of *Offers* in U.S. Currency, or paragraph (c)(5) of [52.215-1](#), Instruction to *Offerors-Competitive Acquisitions*); and

(5) Provide unsuccessful *offerors* from *WTO GPA* or *FTA* countries notice in accordance with [14.409-1](#) or [15.503](#).

(b) See [subpart 25.5](#) for evaluation procedures and examples.

## **Subpart 25.5 - Evaluating Foreign Offers-Supply Contracts**

### **25.501 General.**

The *contracting officer-*

(a) *Must* apply the evaluation procedures of this subpart to each *line item* of an *offer* unless either the *offer* or the *solicitation* specifies evaluation on a group basis (see [25.503](#));

(b) *May* rely on the *offeror's* certification of *end product* origin when evaluating a *foreign offer*;

(c) *Must* identify and reject *offers* of *end products* that are prohibited in accordance with [subpart 25.7](#); and

(d) When trade agreements are involved, *must not* use the Buy American statute evaluation factors prescribed in this subpart to provide a preference for one *foreign offer* over another *foreign offer*.

### **25.502 Application.**

(a) Unless otherwise specified in agency regulations, perform the following steps in the order presented:

(1) Eliminate all *offers* or *offerors* that are unacceptable for reasons other than price; *e.g.*,

nonresponsive, debarred or suspended, or a prohibited source (see [subpart 25.7](#)).

(2) Rank the remaining *offers* by price.

(3) If the *solicitation* specifies award on the basis of factors in addition to cost or price, apply the evaluation factors as specified in this section and use the evaluated cost or price in determining the *offer* that represents the *best value* to the Government.

(b) For *acquisitions* covered by the WTO GPA (see [subpart 25.4](#))-

(1) Consider only *offers* of U.S.-made or *designated country end products*, unless no *offers* of such *end products* were received;

(2) If the agency gives the same consideration given *eligible offers* to *offers* of U.S.-made *end products* that are not *domestic end products*, award on the low *offer*. Otherwise, evaluate in accordance with agency procedures; and

(3) If there were no *offers* of U.S.-made or *designated country end products*, make a nonavailability determination (see [25.103\(b\)\(2\)](#)) and award on the low *offer* (see [25.403\(c\)](#)).

(c) For *acquisitions* not covered by the WTO GPA, but subject to the Buy American statute (an FTA or the Israeli Trade Act also *may* apply), the following applies:

(1) If the low *offer* is a *domestic offer* or an *eligible offer* under an FTA or the Israeli Trade Act, award on that *offer*.

(2) If the low *offer* is a *noneligible offer* and there were no *domestic offers* (see [25.103\(b\)\(3\)](#)), award on the low *offer*. The procedures at [25.106\(b\)\(2\)](#) and [25.106\(c\)\(2\)](#) do not apply.

(3) If the low *offer* is a *noneligible offer* and there is an *eligible offer* that is lower than the lowest *domestic offer*, award on the low *offer*. The procedures at [25.106\(b\)\(2\)](#) and [25.106\(c\)\(2\)](#) do not apply.

(4) Otherwise, apply the appropriate evaluation factor provided in [25.106](#) to the low *offer*. The procedures at [25.106\(b\)\(2\)](#) and [25.106\(c\)\(2\)](#) do not apply.

(i) If the evaluated price of the low *offer* remains less than the lowest *domestic offer*, award on the low *offer*.

(ii) If the price of the lowest *domestic offer* is less than the evaluated price of the low *offer*, award on the lowest *domestic offer*.

(d) *Ties*.

(1) If application of an evaluation factor results in a tie between a *domestic offer* and a *foreign offer*, award on the *domestic offer*.

(2) If no evaluation preference was applied (*i.e.*, *offers* afforded nondiscriminatory treatment under the Buy American statute), resolve ties between domestic and *foreign offers* by a witnessed drawing of lots by an impartial individual.

(3) Resolve ties between *foreign offers* from small business concerns (under the Buy American statute, a small business offering a manufactured article that does not meet the definition of



"domestic end product" is a foreign offer) or foreign offers from a small business concern and a large business concern in accordance with [14.408-6\(a\)](#).

### **25.503 Group offers.**

(a) If the *solicitation* or an *offer* specifies that award can be made only on a group of *line items* or on all *line items* contained in the *solicitation* or *offer*, reject the *offer*-

(1) If any part of the award would consist of prohibited *end products* (see [subpart 25.7](#)); or

(2) If the *acquisition* is covered by the *WTO GPA* and any part of the *offer* consists of items restricted in accordance with [25.403\(c\)](#).

(b) If an *offer* restricts award to a group of *line items* or to all *line items* contained in the *offer*, determine for each *line item* whether to apply an evaluation factor (see [25.504-4](#), Example 1).

(1) First, evaluate *offers* that do not specify an award restriction on a *line item* basis in accordance with [25.502](#), determining a tentative award pattern by selecting for each *line item* the *offer* with the lowest evaluated price.

(2) Evaluate an *offer* that specifies an award restriction against the offered prices of the tentative award pattern, applying the appropriate evaluation factor on a *line item* basis.

(3) Compute the total evaluated price for the tentative award pattern and the *offer* that specified an award restriction.

(4) Unless the total evaluated price of the *offer* that specified an award restriction is less than the total evaluated price of the tentative award pattern, award based on the tentative award pattern.

(c) If the *solicitation* specifies that award will be made only on a group of *line items* or all *line items* contained in the *solicitation*, determine the category of *end products* on the basis of each *line item*, but determine whether to apply an evaluation factor on the basis of the group of items (see [25.504-4](#), Example 2).

(1) If the proposed price of *domestic end products* exceeds 50 percent of the total proposed price of the group, evaluate the entire group as a *domestic offer*. Evaluate all other groups as *foreign offers*.

(2) For *foreign offers*, if the proposed price of *domestic end products* and *eligible products* exceeds 50 percent of the total proposed price of the group, evaluate the entire group as an *eligible offer*.

(3) Apply the evaluation factor to the entire group in accordance with [25.502](#).

(d) If no trade agreement applies to a *solicitation* and the *solicitation* specifies that award will be made only on a group of *line items* or all *line items* contained in the *solicitation*, determine the category of *end products* ( *i.e.*, domestic or foreign) on the basis of each *line item*, but determine whether to apply an evaluation factor on the basis of the group of items ( see [25.504-4\(c\)](#), Example 3).

(1) If the proposed price of domestic end *products* exceeds 50 percent of the total proposed price of the group, evaluate the entire group as a *domestic offer*. Evaluate all other groups as *foreign offers*.

(2) Apply the evaluation factor to the entire group in accordance with [25.502](#), except where

25.502(c)(4) applies and the evaluated price of the low *offer* remains less than the lowest *domestic offer*. Where the evaluated price of the low *offer* remains less than the lowest *domestic offer*, treat as a *domestic offer* any group where the proposed price of *end products* with a domestic content of at least 55 percent exceeds 50 percent of the total proposed price of the group.

(3) Apply the evaluation factor to the entire group in accordance with 25.502(c)(4).

## **25.504 Evaluation examples.**

The following examples illustrate the application of the evaluation procedures in 25.502 and 25.503. The examples assume that the *contracting officer* has eliminated all *offers* that are unacceptable for reasons other than price or a trade agreement (see 25.502(a)(1)). The evaluation factor *may* change as provided in agency regulations.

### **25.504-1 Buy American statute.**

(a)

(1) *Example 1.*

|                |          |   |
|----------------|----------|---|
| <i>Offer A</i> | \$16,000 | <i>Domestic end product, small business</i>                 |
| <i>Offer B</i> | \$15,700 | <i>Domestic end product, small business</i>                 |
| <i>Offer C</i> | \$10,100 | U.S.-made <i>end product</i> (not domestic), small business |

(2) *Analysis:* This *acquisition* is for *end products* for use in the *United States* and is set aside for small business concerns. The Buy American statute applies. Since the *acquisition* value is less than \$50,000 and the *acquisition* is set aside, none of the trade agreements apply. Perform the steps in 25.502(a). *Offer C* is of 50 percent domestic content, therefore *Offer C* is evaluated as a *foreign end product*, because it is the product of a small business but is not a *domestic end product* ( see 25.502(c)(4)). Since *Offer B* is a *domestic offer*, apply the 30 percent factor to *Offer C* ( see 25.106(b)(2)). The resulting evaluated price of \$13,130 remains lower than *Offer B*. The cost of *Offer B* is therefore unreasonable ( see 25.106(b)(1)(ii)). The 25.106(b)(2) procedures do not apply. Award on *Offer C* at \$10,100 ( see 25.502(c)(4)(i)).

(b)

(1) *Example 2.*

|                |          |   |
|----------------|----------|---|
| <i>Offer A</i> | \$11,000 | <i>Domestic end product, small business</i> |
| <i>Offer B</i> | \$10,700 | <i>Domestic end product, small business</i> |

Offer C      \$10,200      *U.S.-made end product* (not domestic), small business

(2) *Analysis*: This *acquisition* is for *end products* for use in the *United States* and is set aside for small business concerns. The Buy American statute applies. Perform the steps in [25.502\(a\)](#). Offer C is evaluated as a *foreign end product* because it is the product of a small business but is not a *domestic end product* (see [25.502\(c\)\(4\)](#)). After applying the 30 percent factor, the evaluated price of Offer C is \$13,260. Award on Offer B at \$10,700 (see [25.502\(c\)\(4\)\(ii\)](#)).

(c)

(1) *Example 3*.

Offer A      \$14,000      *Domestic end product* (complies with the required domestic content), small business.

Offer B      12,500      *U.S.-made end product* (not domestic, exceeds 55% domestic content), small business.

Offer C      10,100      *U.S.-made end product* (not domestic, with less than 55% domestic content), small business.

(2) *Analysis*. This *acquisition* is for *end products* for use in the *United States* and is set aside for small business concerns. The Buy American statute applies. Since the *acquisition* value is less than \$50,000 and the *acquisition* is set aside, none of the trade agreements apply. Perform the steps in [25.502\(a\)](#). Offers B and C are initially evaluated as *foreign end products*, because they are the *products* of small businesses but are not *domestic end products* ( see [25.502\(c\)\(4\)](#)). Offer C is the low offer. After applying the 30 percent factor, the evaluated price of Offer C is \$13,130. The resulting evaluated price of \$13,130 remains lower than Offer A. The cost of Offer A is therefore unreasonable. Offer B is then treated as a *domestic offer*, because it is for a *U.S.-made end product* that exceeds 55 percent domestic content ( see [25.106\(b\)\(2\)](#)). Offer B is determined reasonable because it is lower than the \$13,130 evaluated price of Offer C. Award on Offer B at \$12,500.

## **25.504-2 WTO GPA/Caribbean Basin Trade Initiative/FTAs.**

*Example 1*.

Offer A      \$304,000      *U.S.-made end product* (not domestic)

Offer B      \$303,000      *U.S.-made end product* (domestic), small business

Offer C      \$300,000      *Eligible product*

Offer D      \$295,000      *Noneligible product* (not U.S.-made)

*Analysis:* Eliminate *Offer D* because the *acquisition* is covered by the *WTO GPA* and there is an *offer* of a U.S.-made or an *eligible product* (see [25.502\(b\)\(1\)](#)). If the agency gives the same consideration given *eligible offers* to *offers of U.S.-made end products* that are not *domestic offers*, it is unnecessary to determine if *U.S.-made end products* are domestic (large or small business). No further analysis is necessary. Award on the low remaining *offer, Offer C* (see [25.502\(b\)\(2\)](#)).

### **25.504-3 FTA/Israeli Trade Act.**

(a) *Example 1.*

*Offer A*     \$105,000     *Domestic end product, small business*

*Offer B*     \$100,000     *Eligible product*

*Analysis:* Since the low *offer* is an *eligible offer*, award on the low *offer* (see [25.502\(c\)\(1\)](#)).

(b) *Example 2.*

*Offer A*     \$105,000     *Eligible product*

*Offer B*     \$103,000     *Noneligible product*

*Analysis:* Since the *acquisition* is not covered by the *WTO GPA*, the *contracting officer* can consider the *noneligible offer*. Since no *domestic offer* was received, make a nonavailability determination and award on *Offer B* (see [25.502\(c\)\(2\)](#)).

(c) *Example 3.*

*Offer A*     \$105,000     *Domestic end product, large business*

*Offer B*     \$103,000     *Eligible product*

*Offer C*     \$100,000     *Noneligible product*

*Analysis:* Since the *acquisition* is not covered by the *WTO GPA*, the *contracting officer* can consider the *noneligible offer*. Because the *eligible offer (Offer B)* is lower than the *domestic offer (Offer A)*, no evaluation factor applies to the low *offer (Offer C)*. Award on the low *offer* (see [25.502\(c\)\(3\)](#)).

### **25.504-4 Group award basis.**

(a) *Example 1.*

**OFFERS**

| Item | A   |   |                 | B   |   |                 | C   |   |                 |
|------|-----|---|-----------------|-----|---|-----------------|-----|---|-----------------|
| 1    | DO  | = | \$55,000        | EL  | = | \$56,000        | NEL | = | \$50,000        |
| 2    | NEL | = | \$13,000        | EL  | = | \$10,000        | EL  | = | \$13,000        |
| 3    | NEL | = | \$11,500        | DO  | = | \$12,000        | DO  | = | \$10,000        |
| 4    | NEL | = | \$24,000        | EL  | = | \$28,000        | NEL | = | \$22,000        |
| 5    | DO  | = | <u>\$18,000</u> | NEL | = | <u>\$10,000</u> | DO  | = | <u>\$14,000</u> |
|      |     |   | \$121,500       |     |   | \$116,000       |     |   | \$109,000       |

Key:

DO = Domestic end product

EL = Eligible product

NEL = Noneligible product

*Problem:* Offeror C specifies all-or-none award. Assume all offerors are large businesses. The acquisition is not covered by the WTO GPA.

*Analysis:* (see [25.503](#))

*STEP 1:* Evaluate Offers A & B before considering Offer C and determine which offer has the lowest evaluated cost for each line item (the tentative award pattern):

*Item 1:* Low offer A is domestic; select A.

*Item 2:* Low offer B is eligible; do not apply factor; select B.

*Item 3:* Low offer A is noneligible and Offer B is a domestic offer. Apply a 20 percent factor to Offer A. The evaluated price of Offer A is higher than Offer B; select B.

*Item 4:* Low offer A is noneligible. Since neither offer is a domestic offer, no evaluation factor applies; select A.

*Item 5:* Low offer B is noneligible; apply a 20 percent factor to Offer B. Offer A is still higher than Offer B; select B.

STEP 2: Evaluate Offer C against the tentative award pattern for Offers A and B:

**OFFERS**

| Item  | Low Offer | Tentative Award Pattern from A and B |   |                 | C    |   |                 |
|-------|-----------|--------------------------------------|---|-----------------|------|---|-----------------|
| 1     | A         | DO                                   | = | \$ 55,000       | *NEL | = | \$60,000        |
| 2     | B         | EL                                   | = | \$10,000        | EL   | = | \$13,000        |
| 3     | B         | DO                                   | = | \$12,000        | DO   | = | \$10,000        |
| 4     | A         | NEL                                  | = | \$24,000        | NEL  | = | \$22,000        |
| 5     | B         | *NEL                                 | = | <u>\$12,000</u> | DO   | = | <u>\$14,000</u> |
| TOTAL |           |                                      |   | \$113,000       |      |   | \$119,000       |

\*Offer + 20 percent.

On a *line item* basis, apply a factor to any *noneligible offer* if the other *offer* for that *line item* is domestic.

For Item 1, apply a factor to Offer C because Offer A is domestic and the *acquisition* was not covered by the *WTO GPA*. The evaluated price of Offer C, Item 1, becomes \$60,000 (\$50,000 plus 20 percent). Apply a factor to Offer B, Item 5, because it is a *noneligible product* and Offer C is domestic. The evaluated price of Offer B is \$12,000 (\$10,000 plus 20 percent). Evaluate the remaining items without applying a factor.

STEP 3: The tentative unrestricted award pattern from Offers A and B is lower than the evaluated price of Offer C. Award the combination of Offers A and B. Note that if Offer C had not specified all-or-none award, award would be made on Offer C for *line items* 3 and 4, totaling an award of \$32,000.

(b) Example 2.

**OFFERS**

| Item | A   |   | B        |     | C |          |     |   |          |
|------|-----|---|----------|-----|---|----------|-----|---|----------|
| 1    | DO  | = | \$50,000 | EL  | = | \$50,500 | NEL | = | \$50,000 |
| 2    | NEL | = | \$10,300 | NEL | = | \$10,000 | EL  | = | \$10,200 |

**OFFERS**

| Item  | A        |   |                 | B        |   |                 | C        |   |                 |
|-------|----------|---|-----------------|----------|---|-----------------|----------|---|-----------------|
| 3     | EL       | = | \$20,400        | EL       | = | \$21,000        | NEL      | = | \$20,200        |
| 4     | DO       | = | <u>\$10,500</u> | DO       | = | <u>\$10,300</u> | DO       | = | <u>\$10,400</u> |
| TOTAL | \$91,200 |   |                 | \$91,800 |   |                 | \$90,800 |   |                 |

*Problem:* The solicitation specifies award on a group basis. Assume the Buy American statute applies and the acquisition cannot be set aside for small business concerns. All offerors are large businesses.

*Analysis:* (see [25.503\(c\)](#))

STEP 1: Determine which of the offers are domestic (see [25.503\(c\)\(1\)](#)):

|   | Domestic [percent]  | Determination |
|---|---|---------------|
| A | \$50,000 (Offer A1) + \$10,500 (Offer A4) = \$60,500<br>\$60,500/\$91,200 (Offer A Total) = 66.3% | Domestic      |
| B | \$10,300 (Offer B4) /\$91,800 (Offer B Total) \$ = 11.2%  | Foreign       |
| C | \$10,400 (Offer C4) /\$90,800 (Offer C Total) = 11.5%   | Foreign       |

STEP 2: Determine whether foreign offers are eligible or noneligible offers (see [25.503\(c\)\(2\)](#)):

|   | Domestic + Eligible [percent]   | Determination |
|---|---|---------------|
| A | N/A (Both Domestic)   | Domestic      |
| B | \$50,500 (Offer B1) + \$21,000 (Offer B3) + \$10,300 (Offer B4)=<br>\$81,800.<br>\$81,800 /\$91,800 (Offer B Total) = 89.1% | Eligible      |
| C | \$10,200 (Offer C2) + \$10,400 (Offer C4) = \$20,600.<br>\$20,600/\$90,800 (Offer C Total) = 22.7%                          | Noneligible   |

STEP 3: Determine whether to apply an evaluation factor (see [25.503\(c\)\(3\)](#)). The low offer (Offer C) is a foreign offer. There is no eligible offer lower than the domestic offer. Therefore, apply the factor

to the low offer. Addition of the 20 percent factor (use 30 percent if Offer A is a small business) to Offer C yields an evaluated price of \$108,960 (\$90,800 + 20 percent). Award on Offer A (see 25.502(c)(4)(ii)). Note that, if Offer A were greater than Offer B, an evaluation factor would not be applied, and award would be on Offer C (see 25.502(c)(3)).

(c) Example 3.

**OFFERS**

| Item  |           | A        |          | B         |   | C         |
|-------|-----------|----------|----------|-----------|---|-----------|
| 1     | DO        | =        | \$17,800 | FO (>55%) | = | \$11,200  |
|       |           |          |          |           |   |           |
| 2     | FO (>55%) | =        | \$9,000  | FO (>55%) | = | \$10,200  |
|       |           |          |          |           |   |           |
| 3     | FO (>55%) | =        | \$11,200 | FO (>55%) | = | \$11,000  |
|       |           |          |          |           |   |           |
| 4     | DO        | =        | \$10,000 | DO        | = | \$6,400   |
|       |           |          |          |           |   |           |
| Total |           | \$48,000 |          | \$45,500  |   | \$38,800. |

Key:

DO = Domestic end product (complies with the required domestic content).

FO > 55% = Foreign end product with domestic content exceeding 55%.

FO < 55% = Foreign end product with domestic content of 55% or less.

Problem: The solicitation specifies award on a group basis. Assume only the Buy American statute applies ( i.e., no trade agreements apply) and the acquisition cannot be set aside for small business concerns. All offerors are large businesses.

Analysis: (see 25.503(d))

STEP 1: Determine which of the offers are domestic (see 25.503(d)(1)).

|   | Domestic [percent]  | Determination |
|---|---|---------------|
| A | \$17,800 (Offer A1) + \$10,000 (Offer A4) = \$27,800<br>\$27,800/\$48,000 (Offer A Total) = 58% | Domestic      |



- B     \$9,000 (*Offer B4*)/\$45,500 (*Offer B Total*) = 19.8%     Foreign
- C     \$10,200 (*Offer C2*)/\$38,800 (*Offer C Total*) = 26.3%     Foreign

*STEP 2:* Determine which *offer*, domestic or foreign, is the low *offer*. If the low *offer* is a *foreign offer*, apply the evaluation factor (see 25.503(d)(2)). The low *offer* (*Offer C*) is a *foreign offer*. Therefore, apply the factor to the low *offer*. Addition of the 20 percent factor (use 30 percent if *Offer A* is a small business) to *Offer C* yields an evaluated price of \$46,560 (\$38,800 + 20 percent). *Offer C* remains the low *offer*.

*STEP 3:* Determine if there is a *foreign offer* that could be treated as a *domestic offer* (see 25.106(b)(2) and 25.503(d)(2)).

|   | Amount of domestic content (percent)   | Determination               |
|---|--|-----------------------------|
| A | N/A  | N/A                         |
| B | <p>\$9,000 (<i>Offer B4</i>)/\$45,500 (<i>Offer B Total</i>) = 19.8% is domestic<br/> AND<br/> \$16,000 (<i>Offer B1</i>) + \$8,500 (<i>Offer B2</i>) + \$12,000 (<i>Offer B3</i>) = \$36,500<br/> \$36,500/\$45,500 (<i>Offer B Total</i>) = 80.2% can be treated as domestic<br/> 19.8% + 80.2% = 100% is domestic or can be treated as domestic</p> | Can be treated as domestic. |
| C | \$10,200 ( <i>Offer C2</i> )/\$38,800 ( <i>Offer C Total</i> ) = 26.3% is domestic   | Noneligible                 |

*STEP 4:* If there is a *foreign offer* that could be treated as a *domestic offer*, compare the evaluated price of the low *offer* to the price of the *offer* treated as domestic ( see 25.503(d)(3)). *Offer B* can be treated as a *domestic offer* (\$45,500). The evaluated price of the low *offer* (*Offer C*) is \$46,560. Award on *Offer B*.

## **Subpart 25.6 - American Recovery and Reinvestment Act-Buy American statute-Construction Materials**

### **25.600 Scope of subpart.**

This subpart implements section 1605 in Division A of the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) with regard to *manufactured construction material* and the 41 U.S.C. chapter 83, Buy American (referred to in this subpart as the Buy American statute) with

regard to *unmanufactured construction material*. It applies to *construction* projects that use funds appropriated or otherwise provided by the Recovery Act.

## **25.601 Definitions.**

As used in this subpart-

*Domestic construction material* means the following:

(1) An *unmanufactured construction material* mined or produced in the *United States*. (The Buy American statute applies.)

(2) A *manufactured construction material* that is manufactured in the *United States* and, if the *construction material* consists wholly or predominantly of iron or *steel*, the iron or *steel* was produced in the *United States*. (Section 1605 of the Recovery Act applies.)

*Foreign construction material* means a *construction material* other than a *domestic construction material*.

*Manufactured construction material* means any *construction material* that is not *unmanufactured construction material*.

*Public building or public work* means a *building or work*, the *construction*, prosecution, completion, or repair of which is carried on directly or indirectly by authority of, or with funds of, a *Federal agency* to serve the interest of the general public regardless of whether title thereof is in a *Federal agency* (see [22.401](#)). These buildings and works *may* include, without limitation, bridges, dams, plants, highways, parkways, streets, subways, tunnels, sewers, mains, power lines, pumping stations, heavy generators, railways, airports, terminals, docks, piers, wharves, ways, lighthouses, buoys, jetties, breakwaters, levees, and canals, and the *construction*, alteration, maintenance, or repair of such buildings and works.

*Recovery Act designated country* means a World Trade Organization Government Procurement Agreement country, a *Free Trade Agreement country*, or a *least developed country*.

*Unmanufactured construction material* means raw material brought to the *construction* site for incorporation into the *building or work* that has not been-

(1) Processed into a specific form and shape; or

(2) Combined with other raw material to create a material that has different properties than the properties of the individual raw materials.

## **25.602 Policy.**

### **25.602-1 Section 1605 of the Recovery Act.**

Except as provided in [25.603](#)-

(a) None of the funds appropriated or otherwise made available by the Recovery Act *may* be used for a project for the *construction*, alteration, maintenance, or repair of a *public building or public work* unless the *public building or public work* is located in the *United States* and-

(1) All of the iron, *steel*, and manufactured goods used as *construction material* in the project are produced or manufactured in the *United States*.

(i) All *manufactured construction material* must be manufactured in the *United States*.

(ii) *Iron or steel components*.

(A) Iron or *steel components* of *construction material* consisting wholly or predominantly of iron or *steel* must be produced in the *United States*. This does not restrict the origin of the elements of the iron or *steel*, but requires that all manufacturing processes of the iron or *steel* must take place in the *United States*, except metallurgical processes involving refinement of *steel* additives.

(B) The requirement in paragraph (a)(1)(ii)(A) of this section does not apply to iron or *steel components* or subcomponents in *construction material* that does not consist wholly or predominantly of iron or *steel*.

(iii) *All other components*. There is no restriction on the origin or place of production or manufacture of *components* or subcomponents that do not consist of iron or *steel*.

(iv) *Examples*.

(A) If a *steel* guardrail consists predominantly of *steel*, even though coated with aluminum, then the *steel* would be subject to the section 1605 restriction requiring that all stages of production of the *steel* occur in the *United States*, in addition to the requirement to manufacture the guardrail in the *United States*. There would be no restrictions on the other *components* of the guardrail.

(B) If a wooden window frame is delivered to the site as a single *construction material*, there is no restriction on any of the *components*, including the *steel* lock on the window frame; or

(2) If trade agreements apply, the *manufactured construction material* shall either comply with the requirements of paragraph (a)(1) of this subsection, or be wholly the product of or be substantially transformed in a *Recovery Act designated country*;

(b) Manufactured materials purchased directly by the Government and delivered to the site for incorporation into the project shall meet the same domestic source requirements as specified for *manufactured construction material* in paragraphs (a)(1) and (a)(2) of this section; and

(c) A project *may* include several contracts, a single contract, or one or more *line items* on a contract.

## **25.602-2 Buy American statute**

Except as provided in 25.603, use only *unmanufactured construction material* mined or produced in the *United States*, as required by the Buy American statute or, if trade agreements apply, *unmanufactured construction material* mined or produced in a *designated country* may also be used.

## 25.603 Exceptions.

(a)

(1) When one of the following exceptions applies, the *contracting officer* may allow the contractor to incorporate foreign *manufactured construction materials* without regard to the restrictions of section 1605 of the Recovery Act or foreign *unmanufactured construction material* without regard to the restrictions of the Buy American statute:

(i) *Nonavailability*. The *head of the contracting activity* may determine that a particular *construction material* is not mined, produced, or manufactured in the *United States* in sufficient and reasonably available commercial quantities of a satisfactory quality. The determinations of nonavailability of the articles listed at [25.104\(a\)](#) and the procedures at [25.103\(b\)\(1\)](#) also apply if any of those articles are acquired as *construction materials*.

(ii) *Unreasonable cost*. The *contracting officer* concludes that the cost of *domestic construction material* is unreasonable in accordance with [25.605](#).

(iii) *Inconsistent with public interest*. The *head of the agency* may determine that application of the restrictions of section 1605 of the Recovery Act to a particular *manufactured construction material*, or the restrictions of the Buy American statute to a particular *unmanufactured construction material* would be inconsistent with the public interest.

(2) In addition, the *head of the agency* may determine that application of the Buy American statute to a particular *unmanufactured construction material* would be impracticable.

(b) *Determinations*. When a determination is made, for any of the reasons stated in this section, that certain *foreign construction materials* may be used-

(1) The *contracting officer* shall list the excepted materials in the contract; and

(2) For determinations with regard to the inapplicability of section 1605 of the Recovery Act, unless the *construction material* has already been determined to be domestically nonavailable (see list at [25.104](#)), the *head of the agency* shall provide a notice to the Federal Register within three business days after the determination is made, with a copy to the Administrator for Federal *Procurement* Policy and to the Recovery Accountability and Transparency Board. The notice shall include-

(i) The title "Buy American Exception under the American Recovery and Reinvestment Act of 2009";

(ii) The dollar value and brief description of the project; and

(iii) A detailed justification as to why the restriction is being waived.

(c) *Acquisitions under trade agreements*.

(1) For *construction* contracts with an estimated *acquisition* value of \$6,708,000 or more, also see subpart [25.4](#). *Offers* proposing the use of *construction material* from a *designated country* shall receive equal consideration with *offers* proposing the use of *domestic construction material*.

(2) For purposes of applying section 1605 of the Recovery Act to evaluation of *manufactured construction material*, *designated countries* do not include the *Caribbean Basin Countries*.

## **25.604 Preaward determination concerning the inapplicability of section 1605 of the Recovery Act or the Buy American statute.**

(a) For any *acquisition*, an *offeror* may request from the *contracting officer* a determination concerning the inapplicability of section 1605 of the Recovery Act or the Buy American statute for specifically identified *construction materials*. The time for submitting the request is specified in the *solicitation* in paragraph (b) of either [52.225-22](#) or [52.225-24](#), whichever applies. The information and supporting data that *must* be included in the request are also specified in the *solicitation* in paragraphs (c) and (d) of either [52.225-21](#) or [52.225-23](#), whichever applies.

(b) Before award, the *contracting officer* *must* evaluate all requests based on the information provided and *may* supplement this information with other readily available information.

(c) Determination based on unreasonable cost of *domestic construction material*.

(1) *Manufactured construction material*. The *contracting officer* *must* compare the offered price of the contract using foreign *manufactured construction material* (i.e., any *construction material* not manufactured in the *United States*, or *construction material* consisting predominantly of iron or *steel* and the iron or *steel* is not produced in the *United States*) to the estimated price if all domestic *manufactured construction material* were used. If use of domestic *manufactured construction material* would increase the overall offered price of the contract by more than 25 percent, then the *contracting officer* *shall* determine that the cost of the domestic *manufactured construction material* is unreasonable

(2) *Unmanufactured construction material*. The *contracting officer* *must* compare the cost of each foreign *unmanufactured construction material* to the cost of domestic *unmanufactured construction material*. If the cost of the domestic *unmanufactured construction material* exceeds the cost of the foreign *unmanufactured construction material* by more than 20 percent, then the *contracting officer* *shall* determine that the cost of the domestic *unmanufactured construction material* is unreasonable.

## **25.605 Evaluating offers of foreign construction material.**

(a) If the *contracting officer* has determined that an exception applies because the cost of certain *domestic construction material* is unreasonable, in accordance with section [25.604](#), then the *contracting officer* *shall* apply evaluation factors to the *offer* incorporating the use of such *foreign construction material* as follows:

(1) Use an evaluation factor of 25 percent, applied to the total offered price of the contract, if foreign *manufactured construction material* is incorporated in the *offer* based on an exception for unreasonable cost of comparable *domestic construction material* requested by the *offeror*.

(2) In addition, use an evaluation factor of 20 percent applied to the cost of foreign *unmanufactured construction material* incorporated in the *offer* based on an exception for unreasonable cost of comparable domestic *unmanufactured construction material* requested by the *offeror*.

(3) Total evaluated price = offered price + (.25 x offered price, if (a)(1) applies) + (.20 x cost of foreign *unmanufactured construction material*, if (a)(2) applies).

(b) If the *solicitation* specifies award on the basis of factors in addition to cost or price, apply the evaluation factors as specified in paragraph (a) of this section and use the evaluated price in

determining the *offer* that represents the *best value* to the Government

(c) Unless paragraph (b) applies, if two or more *offers* are equal in price, the *contracting officer* must give preference to an *offer* that does not include *foreign construction material* excepted at the request of the *offeror* on the basis of unreasonable cost.

(d) *Offerors* also may submit *alternate offers* based on use of equivalent *domestic construction material* to avoid possible rejection of the entire *offer* if the Government determines that an exception permitting use of a particular *foreign construction material* does not apply.

(e) If the *contracting officer* awards a contract to an *offeror* that proposed *foreign construction material* not listed in the applicable clause in the *solicitation* (paragraph (b)(3) of [52.225-21](#), or paragraph (b)(3) of [52.225-23](#)), the *contracting officer* must add the excepted materials to the list in the *contract clause*.

## **25.606 Postaward determinations.**

(a) If a contractor requests a determination regarding the inapplicability of section 1605 of the Recovery Act or the Buy American statute after contract award, the contractor *must* explain why it could not request the determination before contract award or why the need for such determination otherwise was not reasonably foreseeable. If the *contracting officer* concludes that the contractor *should* have made the request before contract award, the *contracting officer* may deny the request.

(b) The *contracting officer* must base evaluation of any request for a determination regarding the inapplicability of section 1605 of the Recovery Act or the Buy American statute made after contract award on information required by paragraphs (c) and (d) of the applicable clause at [52.225-21](#) or [52.225-23](#) and/or other readily available information.

(c) If a determination, under [25.603\(a\)](#), is made after contract award that an exception to section 1605 of the Recovery Act or to the Buy American statute applies, the *contracting officer* must negotiate adequate consideration and modify the contract to allow use of the *foreign construction material*. When the basis for the exception is the unreasonable cost of a *domestic construction material*, adequate consideration is at least the differential established in [25.605\(a\)](#).

## **25.607 Noncompliance.**

The *contracting officer* must-

(a) Review allegations of violations of section 1605 of the Recovery Act or Buy American statute;

(b) Unless fraud is suspected, notify the contractor of the apparent unauthorized use of *foreign construction material* and request a reply, to include proposed corrective action; and

(c) If the review reveals that a contractor or subcontractor has used *foreign construction material* without authorization, take appropriate action, including one or more of the following:

(1) Process a determination concerning the inapplicability of section 1605 of the Recovery Act or the Buy American statute in accordance with [25.606](#).

(2) Consider requiring the removal and replacement of the unauthorized *foreign construction*

*material.*

(3) If removal and replacement of *foreign construction material* incorporated in a *building or work* would be impracticable, cause undue delay, or otherwise be detrimental to the interests of the Government, the *contracting officer may determine in writing* that the *foreign construction material* need not be removed and replaced. A determination to retain *foreign construction material* does not constitute a determination that an exception to section 1605 of the Recovery Act or the Buy American statute applies, and this *should* be stated in the determination. Further, a determination to retain *foreign construction material* does not affect the Government's right to suspend or debar a contractor, subcontractor, or supplier for violation of section 1605 of the Recovery Act or the Buy American statute, or to exercise other contractual rights and remedies, such as reducing the contract price or terminating the contract for default.

(4) If the noncompliance is sufficiently serious, consider exercising appropriate contractual remedies, such as terminating the contract for default. Also consider preparing and forwarding a report to the agency suspending or debaring official in accordance with subpart 9.4. If the noncompliance appears to be fraudulent, refer the matter to other appropriate agency officials, such as the agency's inspector general or the officer responsible for criminal investigation.

## **Subpart 25.7 - Prohibited Sources**

### **25.700 Scope of subpart.**

This subpart implements-

(a) Economic sanctions administered by the Office of Foreign Assets Control (OFAC) in the Department of the Treasury prohibiting transactions involving certain countries, entities, and individuals;

(b) The Sudan Accountability and Divestment Act of 2007 (Pub. L. 110-174) ( [50 U.S.C. 1701](#) note);

(c) The Iran Sanctions Act of 1996 (Iran Sanctions Act) (Pub. L. 104-172; [50 U.S.C. 1701](#) note), including amendments by the Iran Freedom Support Act (Pub. L. 109-293), section 102 of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Pub. L. 111-195), and Titles II and III of the Iran Threat Reduction and Syria Human Rights Act of 2012 (Pub. L. 112-158); and

(d) Prohibition against *contracting* with entities that export sensitive technologies to Iran ([22 U.S.C. 8515](#)).

### **25.701 Restrictions administered by the Department of the Treasury on acquisitions of supplies or services from prohibited sources.**

(a) Except as authorized by OFAC, agencies and their contractors and subcontractors *must* not acquire any *supplies* or services if any proclamation, Executive order, or statute administered by OFAC, or if OFAC's implementing regulations at 31 CFR Chapter V, would prohibit such a transaction by a person subject to the jurisdiction of the *United States*.

(b) Except as authorized by OFAC, most transactions involving Cuba, Iran, and Sudan are prohibited, as are most imports from Burma or North Korea into the *United States* or its *outlying areas*. In addition, lists of entities and individuals subject to economic sanctions are included in OFAC's List of Specially Designated Nationals and Blocked Persons at <https://ofac.treasury.gov/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists>. More information about these restrictions, as well as updates, is available in OFAC's regulations at 31 CFR Chapter V and/or on OFAC's website at <https://ofac.treasury.gov/>.

(c) Refer questions concerning the restrictions in paragraphs (a) or (b) of this section to the Department of the Treasury Office of Foreign Assets Control Washington, DC 20220 (Telephone (202) 622-2490).

## **25.702 Prohibition on contracting with entities that conduct restricted business operations in Sudan.**

### **25.702-1 Definitions.**

As used in this section-

*Appropriate Congressional committees* means-

- (1) The Committee on Banking, Housing, and Urban Affairs, The Committee on Foreign Relations, and the Select Committee on Intelligence of the Senate; and
- (2) The Committee on Financial Services, the Committee on Foreign Relations, and the Permanent Select Committee on Intelligence of the House of Representatives.

*Business operations* means engaging in commerce in any form, including by acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, *products*, services, *personal property*, real property, or any other apparatus of business or commerce.

*Marginalized populations of Sudan* means-

- (1) Adversely affected groups in regions authorized to receive assistance under section 8(c) of the Darfur Peace and Accountability Act (Pub. L. 109-344) ([50 U.S.C. 1701](#) note); and
- (2) Marginalized areas in Northern Sudan described in section 4(9) of such Act.

*Restricted business operations*-

- (1) Means, except as provided in paragraph (2) of this definition, *business operations* in Sudan that include power production activities, mineral extraction activities, oil-related activities, or the production of military equipment, as those terms are defined in the Sudan Accountability and Divestment Act of 2007 (Pub. L. 110-174).
- (2) Does not include *business operations* that the person (as that term is defined in Section 2 of the Sudan Accountability and Divestment Act of 2007) conducting the business can demonstrate-
  - (i) Are conducted under contract directly and exclusively with the regional government of southern



Sudan;

(ii) Are conducted pursuant to specific authorization from the Office of Foreign Assets Control in the Department of the Treasury, or are expressly exempted under Federal law from the requirement to be conducted under such authorization;

(iii) Consist of providing goods or services to *marginalized populations of Sudan*;

(iv) Consist of providing goods or services to an internationally recognized peacekeeping force or humanitarian organization;

(v) Consist of providing goods or services that are used only to promote health or education; or

(vi) Have been voluntarily suspended.

### **25.702-2 Certification.**

As required by the Sudan Accountability and Divestment Act of 2007 (Pub. L. 110-174), each *offeror* must certify that it does not conduct *restricted business operations* in Sudan.

### **25.702-3 Remedies.**

Upon the determination of a false certification under subsection 25.702-2-

(a) The *contracting officer* may terminate the contract;

(b) The suspending official *may* suspend the contractor in accordance with the procedures in subpart 9.4; and

(c) The debarring official *may* debar the contractor for a period not to exceed 3 years in accordance with the procedures in subpart 9.4.

### **25.702-4 Waiver.**

(a) The President *may* waive the requirement of subsection 25.702-2 on a case-by-case basis if the President determines and certifies *in writing* to the *appropriate congressional committees* that it is in the national interest to do so.

(b) An agency seeking waiver of the requirement *shall* submit the request to the Administrator of the Office of Federal *Procurement* Policy (OFPP), allowing sufficient time for review and approval. Upon receipt of the waiver request, OFPP *shall* consult with the President's National Security Council, Office of African Affairs, and the Department of State Sudan Office and Sanctions Office to assess foreign policy aspects of making a national interest recommendation.

(c) Agencies *may* request a waiver on an individual or class basis; however, waivers are not indefinite and can be cancelled if warranted.

(1) A class waiver *may* be requested only when the class of *supplies* is not available from any other source and it is in the national interest.

(2) Prior to submitting the waiver request, the request *must* be reviewed and cleared by the *agency head*.

(3) All waiver requests *must* include the following information:

(i) Agency name, complete mailing address, and point of contact name, telephone number, and email address;

(ii) *Offeror's* name, complete mailing address, and point of contact name, telephone number, and email address;

(iii) Description/nature of product or service;

(iv) The total cost and length of the contract;

(v) Justification, with *market research* demonstrating that no other *offeror* can provide the product or service and stating why the product or service *must* be procured from this *offeror*, as well as why it is in the national interest for the President to waive the prohibition on *contracting* with this *offeror* that conducts *restricted business operations* in Sudan, including consideration of foreign policy aspects identified in consultation(s) pursuant to 25.702-4(b);

(vi) Documentation regarding the *offeror's past performance* and integrity (see the Contractor Performance Assessment Reporting System (CPARS) including the Federal Awardee Performance Information and Integrity System at <https://www.cpars.gov> and any other relevant information);

(vii) Information regarding the *offeror's* relationship or connection with other firms that conduct prohibited *business operations* in Sudan; and

(viii) Any humanitarian efforts engaged in by the *offeror*, the human rights impact of doing business with the *offeror* for which the waiver is requested, and the extent of the *offeror's business operations* in Sudan.

(d) The consultation in 25.702-4(b) and the information in 25.702-4(c)(3) will be considered in determining whether to recommend that the President waive the requirement of subsection 25.702-2. In accordance with section 6(c) of the Sudan Accountability and Divestment Act of 2007, OFPP will semiannually submit a report to Congress, on April 15 th and October 15 th, on the waivers granted.

## **25.703 Prohibition on contracting with entities that engage in certain activities or transactions relating to Iran.**

### **25.703-1 Definitions.**

As used in this section-

*Person-*

(1) Means-

(i) A natural *person*;

(ii) A corporation, business association, partnership, society, trust, financial institution, insurer, underwriter, guarantor, and any other business organization, any other nongovernmental entity, organization, or group, and any governmental entity operating as a business enterprise; and

(iii) Any successor to any entity described in paragraph (1)(ii) of this definition; and

(2) Does not include a government or governmental entity that is not operating as a business enterprise.

*Sensitive technology-*

(1) Means hardware, software, telecommunications equipment, or any other technology that is to be used specifically-

(i) To restrict the free flow of unbiased information in Iran; or

(ii) To disrupt, monitor, or otherwise restrict speech of the people of Iran; and

(2) Does not include information or informational materials the export of which the President does not have the authority to regulate or prohibit pursuant to section 203(b)(3) of the International Emergency Economic Powers Act ( 50 U.S.C. 1702(b)(3)).

**25.703-2 Iran Sanctions Act.**

(a) *Certification.*

(1) *Certification relating to activities described in section 5 of the Iran Sanctions Act.* As required by section 6(b)(1)(A) of the Iran Sanctions Act (50 U.S.C. 1701 note), unless an exception applies in accordance with paragraph (c) of this subsection, or a waiver is granted in accordance with 25.703-4, each *offeror must* certify that the *offeror*, and any *person* owned or controlled by the *offeror*, does not engage in any activity for which sanctions *may* be imposed under section 5 of the Iran Sanctions Act. Such activities, which are described in detail in section 5 of the Iran Sanctions Act, relate to the energy sector of Iran and development by Iran of weapons of mass destruction or other military capabilities.

(2) *Certification relating to transactions with Iran's Revolutionary Guard Corps.* As required by section 6(b)(1)(B) of the Iran Sanctions Act (50 U.S.C. 1701 note), unless an exception applies in accordance with paragraph (c) of this subsection, or a waiver is granted in accordance with 25.703-4, each *offeror must* certify that the *offeror*, and any *person* owned or controlled by the *offeror*, does not knowingly engage in any significant transaction (*i.e.*, a transaction that exceeds \$10,000, with Iran's Revolutionary Guard Corps or any of its officials, agents, or *affiliates*, the property and interests in property of which are blocked pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.))(see OFAC's Specially Designated Nationals and Blocked *Persons* List at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>).

(b) *Remedies.* Upon the determination of a false certification under paragraph (a) of this section, the agency *shall* take one or more of the following actions:

(1) The *contracting officer* terminates the contract in accordance with procedures in part 49, or for

*commercial products and commercial services*, see [12.403](#).

(2) The suspending official suspends the contractor in accordance with the procedures in subpart [9.4](#).

(3) The debarring official debars the contractor for a period of at least two years in accordance with the procedures in subpart [9.4](#).

(c) *Exception for trade agreements*. The certification requirements of paragraph (a) of this subsection do not apply if the *acquisition* is subject to trade agreements and the *offeror* certifies that all the offered *products* are *designated country end products* or *designated country construction material* (see subpart [25.4](#)).

### **25.703-3 Prohibition on contracting with entities that export sensitive technology to Iran.**

(a) The head of an *executive agency* may not enter into or extend a contract for the *procurement* of goods or services with a *person* that exports certain *sensitive technology* to Iran, as determined by the President, and has an active exclusion in the *System for Award Management* at <http://www.sam.gov> (22 U.S.C. 8515).

(b) Each *offeror* must represent that it does not export any *sensitive technology* to the government of Iran or any entities or individuals owned or controlled by, or acting on behalf or at the direction of, the government of Iran.

(c) *Exception for trade agreements*. The representation requirement of paragraph (b) of this subsection does not apply if the *acquisition* is subject to trade agreements and the *offeror* certifies that all the offered *products* are *designated country end products* or *designated country construction material* (see subpart [25.4](#)).

### **25.703-4 Waiver.**

(a) An agency or contractor seeking a waiver of the requirements of [25.703-2](#) or [25.703-3](#), consistent with section 6(b)(5) of the Iran Sanctions Act or 22 U.S.C. 8551(b), respectively, and the Presidential Memorandum of September 23, 2010 (75 FR 67025), shall submit the request to the Office of Federal *Procurement* Policy, allowing sufficient time for review and approval.

(b) Agencies may request a waiver on an individual or class basis; however, waivers are not indefinite and can be cancelled, if warranted.

(1) A class waiver may be requested only when the class of *supplies* or equipment is not available from any other source and it is in the national interest.

(2) Prior to submitting the waiver request, the request must be reviewed and cleared by the *agency head*.

(c) In general, all waiver requests should include the following information:

(1) Agency name, complete mailing address, and point of contact name, telephone number, and e-mail address.

(2) *Offeror's* name, complete mailing address, and point of contact name, telephone number, and e-mail address.

(3) Description/nature of product or service.

(4) The total cost and length of the contract.

(5) Justification, with *market research* demonstrating that no other *offeror* can provide the product or service and stating why the product or service *must* be procured from this *offeror*.

(i) If the *offeror* exports *sensitive technology* to the government of Iran or any entities or individuals owned or controlled by, or acting on behalf or at the direction of, the government of Iran, provide rationale why it is in the national interest for the President to waive the prohibition on *contracting* with this *offeror*, as required by 22 U.S.C. 8551(b).

(ii) If the *offeror* conducts activities for which sanctions *may* be imposed under section 5 of the Iran Sanctions Act or engages in any transaction that exceeds the threshold at 25.703-2(a)(2) with Iran's Revolutionary Guard Corps or any of its officials, agents, or *affiliates*, the property and interests in property of which are blocked pursuant to the International *Emergency Economic Powers Act*, provide rationale why it is essential to the national security interests of the *United States* for the President to waive the prohibition on *contracting* with this *offeror*, as required by section 6(b)(5) of the Iran Sanctions Act.

(6) Documentation regarding the *offeror's past performance* and integrity (see the Contractor Performance Assessment Reporting System (CPARS) and the Federal Awardee Performance Information and Integrity System at <https://www.cpars.gov>, and any other relevant information).

(7) Information regarding the *offeror's* relationship or connection with other firms that-

(i) Export *sensitive technology* to the government of Iran or any entities or individuals owned or controlled by, or acting on behalf or at the direction of, the government of Iran;

(ii) Conduct activities for which sanctions *may* be imposed under section 5 of the Iran Sanctions Act; or

(iii) Conduct any transaction that exceeds the threshold at 25.703-2(a)(2) with Iran's Revolutionary Guard Corps or any of its officials, agents, or *affiliates*, the property and interests in property of which are blocked pursuant to the International *Emergency Economic Powers Act*.

(8) Describe-

(i) The *sensitive technology* and the entity or individual to which it was exported (i.e., the government of Iran or an entity or individual owned or controlled by, or acting on behalf or at the direction of, the government of Iran);

(ii) The activities in which the *offeror* is engaged for which sanctions *may* be imposed under section 5 of the Iran Sanctions Act; or

(iii) The transactions that exceed the threshold at 25.703-2(a)(2) with Iran's Revolutionary Guard Corps or any of its officials, agents, or *affiliates*, the property and interests in property of which are blocked pursuant to the International *Emergency Economic Powers Act*.

## **Subpart 25.8 - Other International Agreements and Coordination**

### **25.801 General.**

Treaties and agreements between the *United States* and foreign governments affect the evaluation of *offers* from foreign entities and the performance of contracts in foreign countries.

### **25.802 Procedures.**

(a) When placing contracts with contractors located outside the *United States*, for performance outside the *United States*, *contracting officers must-*

(1) Determine the existence and applicability of any international agreements and ensure compliance with these agreements; and

(2) Conduct the necessary advance *acquisition planning* and coordination between the appropriate U.S. *executive agencies* and foreign interests as required by these agreements.

(b) The Department of State publishes many international agreements in the "*United States Treaties and Other International Agreements*" series. Copies of this publication normally are available in overseas legal offices and U.S. diplomatic missions.

(c) *Contracting officers must* award all contracts with Taiwanese firms or organizations through the American Institute of Taiwan (AIT). AIT is under contract to the Department of State.

## **Subpart 25.9 - Customs and Duties**

### **25.900 Scope of subpart.**

This subpart provides policies and procedures for exempting from import duties certain *supplies* purchased under Government contracts.

### **25.901 Policy.**

*United States* laws impose duties on foreign *supplies* imported into the *customs territory of the United States*. Certain exemptions from these duties are available to Government agencies. Agencies *must* use these exemptions when the anticipated savings to appropriated funds will outweigh the administrative costs associated with processing required documentation.

### **25.902 Procedures.**

For regulations governing importations and duties, see the Customs Regulations issued by the U.S.

Customs Service, Department of the Treasury (19 CFR Chapter 1). Except as provided elsewhere in the Customs Regulations (see 19 CFR 10.100), all *shipments* of imported *supplies* purchased under Government contracts are subject to the usual Customs entry and examination requirements. Unless the agency obtains an exemption (see [25.903](#)), those *shipments* are also subject to duty.

### **25.903 Exempted supplies.**

(a) Subchapters VIII and X of Chapter 98 of the Harmonized Tariff Schedule of the *United States* (19 U.S.C. 1202) list *supplies* for which exemptions from duty *may* be obtained when imported into the *customs territory of the United States* under a Government contract. For certain of these *supplies*, the *contracting* agency *must* certify to the Commissioner of Customs that they are for the purpose stated in the Harmonized Tariff Schedule (see 19 CFR 10.102-104, 10.114, and 10.121 and 15 CFR Part 301 for requirements and formats).

(b) *Supplies* (excluding equipment) for Government-operated vessels or aircraft *may* be withdrawn from any customs-bonded warehouse, from continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone, free of duty and internal revenue tax as provided in 19 U.S.C. 1309 and 1317. The *contracting activity* *must* cite this authority on the appropriate customs form when making purchases (see 19 CFR 10.59 - 10.65).

## **Subpart 25.10 - Additional Foreign Acquisition Regulations**

### **25.1001 Waiver of right to examination of records.**

(a) *Policy*. The clause at [52.215-2](#), Audit and Records-Negotiation, prescribed at [15.209\(b\)](#), and paragraph (d) of the clause at [52.212-5](#), Contract Terms and Conditions Required to Implement Statutes or Executive Orders-*Commercial Products* and *Commercial Services*, prescribed at [12.301\(b\)\(4\)](#), implement [10 U.S.C. 3841](#) and 41 U.S.C. 4706. The basic clauses authorize examination of records by the Comptroller General.

(1) Insert the appropriate basic clause, whenever possible, in negotiated contracts with *foreign contractors*.

(2) The *contracting officer* *may* use [52.215-2](#) with its *Alternate III* or [52.212-5](#) with its *Alternate I* after-

(i) Exhausting all reasonable efforts to include the basic clause;

(ii) Considering factors such as *alternate* sources of supply, additional cost, and time of delivery; and

(iii) The *head of the agency* has executed a determination and findings in accordance with paragraph (b) of this section, with the concurrence of the Comptroller General. However, concurrence of the Comptroller General is not required if the contractor is a foreign government or agency thereof or is precluded by the laws of the country involved from making its records available for examination.

(b) *Determination and findings*. The determination and findings *must*-

(1) Identify the contract and its purpose, and identify if the contract is with a *foreign contractor* or

with a foreign government or an agency of a foreign government;

(2) Describe the efforts to include the basic clause;

(3) State the reasons for the contractor's refusal to include the basic clause;

(4) Describe the price and availability of the *supplies* or services from the *United States* and other sources; and

(5) Determine that it will best serve the interest of the *United States* to use the appropriate *alternate* clause in paragraph (a)(2) of this section.

### **25.1002 Use of foreign currency.**

(a) Unless an international agreement or the *WTO GPA* (see [25.408\(a\)\(4\)](#)) requires a specific currency, *contracting officers* must determine whether *solicitations* for contracts to be entered into and performed outside the *United States* will require submission of *offers* in U.S. currency or a specified foreign currency. In unusual circumstances, the *contracting officer* may permit submission of *offers* in other than a specified currency.

(b) To ensure a fair evaluation of *offers*, *solicitations* generally *should* require all *offers* to be priced in the same currency. However, if the *solicitation* permits submission of *offers* in other than a specified currency, the *contracting officer* must convert the offered prices to U.S. currency for evaluation purposes. The *contracting officer* must use the current market exchange rate from a commonly used source in effect as follows:

(1) For *acquisitions* conducted using sealed bidding procedures, on the date of bid opening.

(2) For *acquisitions* conducted using negotiation procedures-

(i) On the date specified for receipt of *offers*, if award is based on initial *offers*; otherwise

(ii) On the date specified for receipt of final proposal revisions.

(c) If a contract is priced in foreign currency, the agency *must* ensure that adequate funds are available to cover currency fluctuations to avoid a violation of the Anti-Deficiency Act (31 U.S.C. 1341, 1342, 1511-1519).

### **25.1003 Tax on certain foreign procurements.**

See [29.204](#) for the imposition of the tax on certain foreign *procurements* pursuant to the James Zadroga 9/11 Health and Compensation Act of 2010 ([Pub. L. 111-347](#)), [26 U.S.C. 5000 C](#), and its implementing regulations at 26 CFR 1.5000C-1 through 1.5000C-7.

## **Subpart 25.11 - Solicitation Provisions and Contract Clauses**



## 25.1101 Acquisition of supplies.

The following provisions and clauses apply to the *acquisition of supplies* and the *acquisition of services* involving the furnishing of *supplies*.

- (a)
  - (1)
    - (i) Insert the clause at 52.225-1, Buy American-Supplies, in *solicitations* and contracts with a value exceeding the *micro-purchase threshold* but not exceeding \$50,000; and in *solicitations* and contracts with a value exceeding \$50,000, if none of the clauses prescribed in paragraphs (b) and (c) of this section apply, except if-
      - (A) The *solicitation* is restricted to *domestic end products* in accordance with subpart 6.3;
      - (B) The *acquisition* is for *supplies* for use within the *United States* and an exception to the Buy American statute applies (e.g., nonavailability, public interest, or *information technology* that is a *commercial product*); or
      - (C) The *acquisition* is for *supplies* for use outside the *United States*.
        - (ii) The *contracting officer* shall use the clause with its *Alternate I* to reflect the domestic content threshold that will apply to the entire period of performance, when the *senior procurement executive* allows for application of an *alternate* domestic content test for the contract in accordance with 25.101(d). For contracts that the *contracting officer* estimates will be awarded in calendar year 2022 or 2023, the *contracting officer* shall insert "60" in paragraph (1)(ii)(A) of the definition of "*domestic end product*." For contracts that the *contracting officer* estimates will be awarded in calendar year 2024, 2025, 2026, 2027, or 2028, the *contracting officer* shall insert "65". For contracts that the *contracting officer* estimates will be awarded after calendar year 2028 the *contracting officer* shall insert "75".
    - (2) Insert the provision at 52.225-2, Buy American Certificate, in *solicitations* containing the clause at 52.225-1.
- (b)
  - (1)
    - (i) Insert the clause at 52.225-3, Buy American-Free Trade Agreements-Israeli Trade Act, in *solicitations* and contracts if-
      - (A) The *acquisition* is for *supplies*, or for services involving the furnishing of *supplies*, for use within the *United States*, and the *acquisition* value is \$50,000; or more, but is less than \$174,000;
      - (B) The *acquisition* is not for *information technology* that is a *commercial product*, using fiscal year 2004 or subsequent fiscal year funds; and
      - (C) No exception in 25.401 applies. For *acquisitions* of agencies not subject to the Israeli Trade Act (see 25.406), see agency regulations.

(ii) If the *acquisition* value is \$50,000 or more but is less than \$100,000, use the clause with its *Alternate II*.

(iii) If the *acquisition* value is \$100,000 or more but is less than \$102,280, use the clause with its *Alternate III*.

(iv) The *contracting officer shall* use the clause with its *Alternate IV* to reflect the domestic content threshold that will apply to the entire period of performance, when the *senior procurement executive* allows for application of an *alternate* domestic content test for the contract in accordance with 25.102(d). For contracts that the *contracting officer* estimates will be awarded in calendar year 2022 or 2023, the *contracting officer shall* insert "60" in paragraph (1)(ii)(A) of the definition of "*domestic end product*." For contracts that the *contracting officer* estimates will be awarded in calendar year 2024, 2025, 2026, 2027, or 2028, the *contracting officer shall* insert "65". For contracts that the *contracting officer* estimates will be awarded after calendar year 2028 the *contracting officer shall* insert "75".

(2)

(i) Insert the provision at 52.225-4, Buy American-Free Trade Agreements-Israeli Trade Act Certificate, in *solicitations* containing the clause at 52.225-3.

(ii) If the *acquisition* value is \$50,000 or more but is less than \$100,000, use the provision with its *Alternate II*.

(iii) If the *acquisition* value is \$100,000 or more, but is less than \$102,280, use the provision with its *Alternate III*.

(c)

(1) Insert the clause at 52.225-5, Trade Agreements, in *solicitations* and contracts valued at \$174,000 or more, if the *acquisition* is covered by the *WTO GPA* (see subpart 25.4) and the agency has determined that the restrictions of the Buy American statute are not applicable to *U.S.-made end products*. If the agency has not made such a determination, the *contracting officer must* follow agency procedures.

(2) Insert the provision at 52.225-6, Trade Agreements Certificate, in *solicitations* containing the clause at 52.225-5.

(d) Insert the provision at 52.225-7, Waiver of Buy American Statute for *Civil Aircraft and Related Articles*, in *solicitations* for *civil aircraft and related articles* (see 25.407), if the *acquisition* value is less than \$174,000.

(e) Insert the clause at 52.225-8, Duty-Free Entry, in *solicitations* and contracts for *supplies* that may be imported into the *United States* and for which duty-free entry may be obtained in accordance with 25.903(a), if the value of the *acquisition*-

(1) Exceeds the *simplified acquisition threshold*; or

(2) Does not exceed the *simplified acquisition threshold*, but the savings from waiving the duty is anticipated to be more than the administrative cost of waiving the duty. When used for *acquisitions* that do not exceed the *simplified acquisition threshold*, the *contracting officer may* modify

paragraphs (c)(1) and (j)(2) of the clause to reduce the dollar figure.

(f) Insert the provision at 52.225-18, Place of Manufacture, in *solicitations* that are predominantly for the *acquisition of manufactured end products (i.e., the estimated value of the manufactured end products exceeds the estimated value of other items to be acquired as a result of the solicitation)*.

## **25.1102 Acquisition of construction.**

When using funds other than those appropriated under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act), follow the prescriptions in paragraphs (a) through (d) of this section. Otherwise, follow the prescription in paragraph (e).

(a) Insert the clause at 52.225-9, Buy American-*Construction Materials*, in *solicitations* and contracts for *construction* that is performed in the United States valued at less than \$6,708,000.

(1) List in paragraph (b)(2) of the clause all *foreign construction material* excepted from the requirements of the Buy American statute.

(2) If the *head of the agency* determines that a higher percentage is appropriate, substitute the higher evaluation percentage in paragraph (b)(3)(i) of the clause.

(3) The *contracting officer shall* use the clause with its *Alternate I* to reflect the domestic content threshold that will apply to the entire period of performance, when the *senior procurement executive* allows for application of an *alternate* domestic content test for the contract in accordance with 25.201(c). For contracts that the *contracting officer* estimates will be awarded in calendar year 2022 or 2023, the *contracting officer shall* insert "60" in paragraph (1)(ii)(A) of the definition of "*domestic construction material*." For contracts that the *contracting officer* estimates will be awarded in calendar year 2024, 2025, 2026, 2027, or 2028, the *contracting officer shall* insert "65". For contracts that the *contracting officer* estimates will be awarded after calendar year 2028 the *contracting officer shall* insert "75".

(b)

(1) Insert the provision at 52.225-10, Notice of Buy American Requirement-*Construction Materials*, in *solicitations* containing the clause at 52.225-9.

(2) If insufficient time is available to process a determination regarding the inapplicability of the Buy American statute before receipt of *offers*, use the provision with its *Alternate I*.

(c) Insert the clause at 52.225-11, Buy American-*Construction Materials* under Trade Agreements, in *solicitations* and contracts for *construction* that is performed in the *United States* valued at \$6,708,000 or more.

(1) List in paragraph (b)(3) of the clause all *foreign construction material* excepted from the requirements of the Buy American statute, other than *designated country construction material*.

(2) If the *head of the agency* determines that a higher percentage is appropriate, substitute the higher evaluation percentage in paragraph (b)(4)(i) of the clause.

(3) For *acquisitions* valued at \$6,708,000 or more, but less than \$13,296,489, use the clause with its *Alternate I*. List in paragraph (b)(3) of the clause all *foreign construction material* excepted from the

requirements of the Buy American statute, unless the excepted foreign *construction* material is from a *designated country* other than Bahrain, Mexico, and Oman.

(4) The *contracting officer* shall use the clause with its *Alternate II* to reflect the domestic content threshold that will apply to the entire period of performance, when the *senior procurement executive* allows for application of an *alternate* domestic content test for the contract in accordance with 25.201(c). For contracts that the *contracting officer* estimates will be awarded in calendar year 2022 or 2023, the *contracting officer* shall insert “60” in paragraph (1)(ii)(A) of the definition of “*domestic construction material*.” For contracts that the *contracting officer* estimates will be awarded in calendar year 2024, 2025, 2026, 2027, or 2028, the *contracting officer* shall insert “65”. For contracts that the *contracting officer* estimates will be awarded after calendar year 2028 the *contracting officer* shall insert “75”.

(d)

(1) Insert the provision at 52.225-12, Notice of Buy American Requirement-*Construction Materials* under Trade Agreements, in *solicitations* containing the clause at 52.225-11.

(2) If insufficient time is available to process a determination regarding the inapplicability of the Buy American statute before receipt of *offers*, use the provision with its *Alternate I*.

(3) For *acquisitions* valued at \$6,708,000 or more, but less than \$13,296,489, use the provision with its *Alternate II*.

(e)

(1) When using funds appropriated under the Recovery Act for *construction*, use provisions and clauses 52.225-21, 52.225-22, 52.225-23, or 52.225-24 (with appropriate *Alternates*) in lieu of the provisions and clauses 52.225-9, 52.225-10, 52.225-11, or 52.225-12 (with appropriate *Alternates*), respectively, that would be applicable as prescribed in paragraphs (a) through (d) of this section if Recovery Act funds were not used.

(2) If these Recovery Act provisions and clauses are only applicable to a project consisting of certain *line items* in the contract, identify in the schedule the *line items* to which the provisions and clauses apply.

(3) When using clause 52.225-23, list *foreign construction material* in paragraph (b)(3) of the clause as follows:

(i) *Basic clause*. List all *foreign construction materials* excepted from the Buy American statute or section 1605 of the Recovery Act, other than manufactured *construction material* from a Recovery Act *designated country* or unmanufactured *construction material* from a *designated country*.

(ii) *Alternate I*. List in paragraph (b)(3) of the clause all *foreign construction material* excepted from the Buy American statute or section 1605 of the Recovery Act, other than-

(A) Manufactured *construction material* from a Recovery Act *designated country* other than Bahrain, Mexico, or Oman; or

(B) Unmanufactured *construction material* from a *designated country* other than Bahrain, Mexico, or Oman.

## **25.1103 Other provisions and clauses.**

(a) *Restrictions on certain foreign purchases.* Insert the clause at [52.225-13](#), Restrictions on Certain Foreign Purchases, in *solicitations* and contracts, unless an exception applies.

(b) *Translations.* Insert the clause at [52.225-14](#), Inconsistency Between English Version and Translation of Contract, in *solicitations* and contracts if anticipating translation into another language.

(c) *Foreign currency offers.* Insert the provision at [52.225-17](#), Evaluation of Foreign Currency Offers, in *solicitations* that permit the use of other than a specified currency. Insert in the provision the source of the rate to be used in the evaluation of *offers*.

(d) The *contracting officer shall* include in each *solicitation* for the *acquisition* of other than *commercial products* or *commercial services* the provision at [52.225-20](#), Prohibition on Conducting Restricted Business Operations in Sudan—Certification.

(e) The *contracting officer shall* include in all *solicitations* the provision at [52.225-25](#), Prohibition on Contracting with Entities Engaging in Certain Activities or Transactions Relating to Iran-Representation and Certifications.