

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
FUNDACION HONDURENA DE INVESTIGACION AGRICOLA
ESCUELA AGRICOLA PANAMERICANA
AND
THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

INTEGRATED PEST MANAGEMENT
PROJECT 522-0249-ESF-1

February 29, 1988

MEMORANDUM OF UNDERSTANDING (HEREIN AFTER CALLED "AGREEMENT") BETWEEN THE FUNDACION HONDURENA DE INVESTIGACION AGRICOLA - FHIA ("The Grantee"), ESCUELA AGRICOLA PANAMERICANA - EAP ("The Sub-Grantee") AND THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.), (HEREIN AFTER COLLECTIVELY CALLED THE "PARTIES").

WHEREAS, the Government of Honduras (GOH), FHIA and A.I.D. entered into Project Agreement No. 522-0249 on August 31, 1984 under which they established FHIA to expand and improve the agricultural research system in Honduras and enable it to be more responsive to the needs of farmers;

WHEREAS, A.I.D. and the EAP entered into an Operational Program Grant (OPG) agreement on May 1, 1983 to establish the Honduran Integrated Pest Management (IPM) Project (522-0222) (since terminated) and to stimulate the development and implementation of IPM perspective and practices, both in Honduran teaching institutions and at the field level;

WHEREAS, FHIA and the EAP entered into an agreement on May 1, 1986, subsequently amended, to facilitate and strengthen the ongoing Honduran Integrated Pest Management activity as well as the relationship between the two organizations and that the earlier agreement and its amendment(s) is not effected by this Agreement;

WHEREAS, the 522-0249 Project Agreement establishes that certain local costs under the Project will be financed through local currency and that these local currencies are attributed to counterpart contributions of the Government of Honduras to the Project;

NOW THEREFORE, the Parties hereto agree as follows:

Article I: Purpose

The purpose of this Agreement is to outline the responsibilities of the Parties for the Integrated Pest Management activity and to make available from A.I.D. to the EAP, through FHIA, UP TO FIVE MILLION FOUR HUNDRED AND NINETY-NINE THOUSAND EIGHT HUNDRED LEMPIRAS (L.5,499,800), subject to the availability of funds, to be used for the purposes of financing Lempira expenditures incurred during the five year duration of this activity (described in Attachment I). The funds will be made available on an incremental basis, according to projected needs outlined in a yearly budget to be prepared by EAP and submitted to A.I.D. through FHIA for approval. Resources hereby made available will finance salaries and related benefits, operational costs and investments and other items described in the budget included as Attachment I of this Agreement.

Article II: Duration of the Agreement

The incorporation of the Integrated Pest Management activity into the subject Project will be for a period of not more than two years unless otherwise agreed to by the Parties, effective as of the date of this signed Agreement. At the end of that two year period or any time before as mutually agreed to by the Parties, local currency funds will no longer be assigned by A.I.D. to this activity.

Article III: Relationship Between the Parties

The relationship between the Parties will be such that FHIA will ensure, for A.I.D. that the EAP upholds the responsibilities agreed to and outlined in Article IV. C. below.

Article IV: Responsibilities of the Parties

Unless the Parties otherwise agree to in writing, the Parties commit themselves to the following:

- A. A.I.D. will make available local currency under the Project, subject to the concurrence of the GOH, to fund program activities as described in Attachment I of this M.O.U. AID will oversee and monitor overall project progress.
- B. In general, FHIA will be responsible for providing local currency resources for local costs and dollars for dollar-project expenses to the EAP. FHIA will provide A.I.D. with quarterly progress and financial reports (based on those provided by the EAP and detailed below) and will contract the services of an independent firm to carry out a yearly audit of the project accounts.

More specifically, FHIA agrees to:

1. Assign Required Resources - FHIA will provide the necessary resources for successful accomplishment of the IPM activity. Resources provided by FHIA will also include, but not be limited to local currency and, as necessary, dollars for the undertaking of the IPM activity as outlined in Attachment 1 and as agreed to between FHIA and EAP in their Memorandum of Understanding and its amendment(s).
2. Establish a Separate Bank Account - Within two months after the signing of this Agreement, FHIA will provide evidence to A.I.D. in form and substance satisfactory to A.I.D., that it has established a separate bank account to control receipt and disbursement of all funds, including interest and principal, provided by A.I.D. for the purposes of the IPM activity.
3. Interest Earnings - FHIA will use all interest generated from the program account only for the same purposes as the principal. Interest may also be used, as necessary, to cover costs associated with the contracting of the annual audit of the activity.
4. Refunds - FHIA will refund to A.I.D. the amount of any disbursement which is not supported by valid documentation in accordance with this Agreement or which is not made or used in accordance with this Agreement, or which was for goods and services not used in accordance with this Agreement.

5. Audit - FHIA will ensure that all administration and use of funds described in this Agreement will be subject to audit by A.I.D. and A.I.D.-approved firms on a yearly basis or at any time period that A.I.D. determines reasonable. Up to three percent of the funds provided under this Agreement may be set aside for this purpose.
6. Inspection and Audit - FHIA agrees to furnish A.I.D. such information and reports relating to the activity and to this Agreement as A.I.D. may reasonably request. In addition, FHIA agrees to maintain or cause to be maintained, in accordance with generally accepted accounting principals and practices, adequate records and books relating to the IPM activity and to this Agreement, for not less than three years after completion of the program to permit reviews and audits of the operations of the Agreement by A.I.D. Such records and books will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders and the overall progress of the activity toward completion.

FHIA also agrees to afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the activity, the utilization of goods and services financed by such Party, and books, records and other documents relating to the activity.

7. Procurement Source - For local currency costs, FHIA agrees that disbursements will be used exclusively to finance the cost of goods and services required for the activity having their source and, except as A.I.D. may otherwise agree in writing, their origin in A.I.D. Country Code 000 (United States of America), and countries of the Central American Common Market, including Honduras.

C. In general, EAP will be responsible for the management of local currency and dollar resources and the general implementation of the activity (research, extension and training). EAP will also be responsible for contracting personnel, procurement of resources, maintaining accurate records and reports. EAP will submit to FHIA a quarterly progress report in meeting activity objectives. Each report will summarize activity progress in relation to that planned, any constraints to implementation being experienced, and efforts believed necessary to resolve the problem encountered. EAP will also submit a quarterly financial reports to FHIA no later than 60 days after the end of the quarter. The final financial status report must be submitted within 90 days after the termination of this Agreement.

More specifically, the EAP agrees to:

1. Assign Required Resources - EAP will provide the necessary resources for successful accomplishment of the IPM activity. Resources provided by EAP will also include, but not be limited to those necessary for the accounting, administration, coordination, evaluation and reporting of all activities as outlined in Attachment 1.
2. Establish a Separate Bank Account - Within six weeks after the signing of this Agreement, EAP will provide evidence to FHIA and to A.I.D. in form and substance satisfactory to both, that it has established a separate bank account to control receipt and disbursement of all funds, including interest and principal, provided by A.I.D. for the purposes of the IPM activity.
3. Inspection and Audit - The EAP agrees to furnish FHIA and A.I.D. such information and reports relating to the activity and to this Agreement as A.I.D. may reasonably request. In addition, the EAP agrees to maintain or cause to be maintained, in accordance with generally accepted accounting principals and practices, adequate records and books relating to the IPM activity and to this Agreement, for not less than three years after completion of the program to permit reviews and audits of the operations of the Agreement by A.I.D. Such records and books will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders and the overall progress of the activity toward completion.

The EAP also agrees to afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the activity, the utilization of goods and services financed by such Party, and books, records and other documents relating to the activity.
4. Acquisition of Goods and Services - EAP agrees to be responsible for all necessary administrative and procurement arrangements with the Government of Honduras and other entities regarding the procurement of goods and services. All procurement under the activity, except as A.I.D. may otherwise agree in writing, will have their source and origin in A.I.D. Country Code 000 (United States of America), and countries of the Central American Common Market, including Honduras.
5. Interest Earnings - EAP will use all interest generated from the program account only for the same purposes as the principal. Interest may also be used, as necessary, to cover costs associated with the contracting of the annual audit of the activity.

ARTICLE V: PROCEDURES

The program will be guided by the following procedures:

A. EAP will present a budget outlining required fiscal year funds to FHIA which will pass this budget request to A.I.D.

B. Following review and approval by A.I.D., and subject to notification and availability of funds, A.I.D. will request the Central Bank to make funds available to FHIA through the already established notification process.

C. FHIA will provide EAP directly with the funds required for the specified period. The funds will be deposited in a separate interest bearing commercial account held by EAP for the sole purposes of this activity.

ARTICLE VI: FHIA Operating Expenses

FHIA shall be entitled to be reimbursed by the activity for costs associated with the provision of services. A.I.D. will ensure sufficient funds are provided in the budget amount allocated for this activity to cover these costs which will be provided to FHIA.

ARTICLE VII: TERMS OF THE AGREEMENT

The understanding and responsibilities of the Parties under this Agreement are effective as of the date of this signed Agreement until February 1990. This Agreement may be amended and extended as may be mutually agreed to by all Parties. However, future A.I.D. funds beyond FY'88 will be subject to the results of an independent evaluation of the Integrated Pest Management Activity to be conducted in the summer of 1988, as agreed to by EAP and A.I.D. in 1986 when it was agreed to continue funding the IPM activity.

Expenditures incurred as of October 1, 1987 (beginning of the fiscal year) are eligible to be financed under this Agreement.

ARTICLE VIII: FINAL BALANCE

If, upon termination of this Agreement, funds provided under this activity, including principal and earned interest, have not been exhausted, A.I.D. shall require FHIA and/or EAP to refund such funds as A.I.D. may direct. EAP will refund FHIA which in turn will refund such funds to A.I.D. within thirty (30) days of a written request to do so.

ARTICLE IX: NOTIFICATION

Any notice, requests, document or other communication submitted by any of the Parties to the other under this Agreement will be in writing and will be deemed duly given or sent when delivered to such Party at the following address: To A.I.D.:

Agency for International Development (A.I.D.)
c/o American Embassy
Tegucigalpa, Honduras
Attn: John A. Sanbrailo, Mission Director

To FHIA:

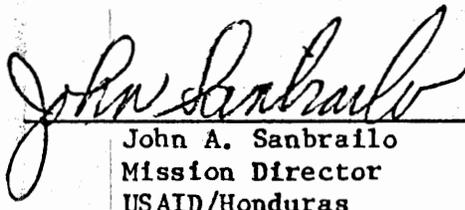
Fundacion Hondureña de Investigacion Agricola (FHIA)
Apartado Postal No. 30
San Pedro Sula, Cortes
Honduras, C.A.
Attn: Fernando Fernandez, Director

To EAP:

Escuela Agricola Panamericana
Apartado 93
Tegucigalpa, D.C.
Honduras, C.A.
Attn: Simon Malo, Director

ARTICLE X: Representatives

IN WITNESS THEREOF, FHIA, EAP AND A.I.D., each acting through its respective duly authorized representative, have caused this Memorandum of Understanding to be signed in their names on the 26th day of February, 1988.


John A. Sanbrailo
Mission Director
USAID/Honduras


Fernando Fernandez
Director
FHIA


Simon Malo
Director
EAP

Attachment 1 - Activity Description
Attachment 2 - Budget
Attachment 3 - FHIA/EAP MOU

BUDGET FOR PROJECT INTEGRATED PEST MANAGEMENT IN HONDURAS: PHASE II
(1986 - 1991)

| ITEM | 1 | 2 | 3 | 4* | 5* | TOTAL US\$ | 1 | 2 | 3 | 4* | 5* | TOTAL LPS. |
|---|-------------------|----------------|----------------|----|----|---------------|-------------------|------------------|------------------|----|----|---------------|
| | (in US\$ in YEAR) | | | | | | (in Lps. in YEAR) | | | | | |
| Personnel: Investigation- Extension | 136,500 | 158,300 | 165,300 | | | | 296,900 | 359,200 | 570,700 | | | |
| Personnel: Communication- Training | - | - | - | | | | 139,300 | 125,400 | 157,700 | | | |
| Investments | 42,000 | 35,200 | 7,000 | | | | 275,000 | 199,000 | 65,000 | | | |
| Operations | <u>122,000</u> | <u>126,000</u> | <u>128,000</u> | | | | <u>188,000</u> | 297,000 | <u>246,000</u> | | | |
| Support for ENA Teaching Program | | | | | | | | 79,300 | | | | |
| Biological Control Center | | | | | | | | 192,000 | | | | |
| Forest Pest Management Study | | | | | | | | 59,000 | | | | |
| Validation and Extension in Yoro | | | | | | | | <u>109,600</u> | | | | |
| FHIA Services | | (555,930) | (523,827) | | | | | | | | | (1,079,750)** |
| TOTAL | 300,500 | 319,500 | 300,300 | | | | 899,200 | 1,420,500 | 1,039,400 | | | |

ANNUAL TOTALS IN LEMPIRAS

| 1 | 2 | 3 | 4* | 5* |
|-----------|-----------|-----------|----|----|
| 1,500,200 | 2,059,500 | 1,940,100 | | |

TOTAL 3 YEARS : 5,499,800

* YEAR 4 AND 5 CONTINGENT UPON EVALUATION RESULTS

** These funds are directed to FHIA, not Zamorano and, therefore, are not considered part of the overall total.