

A.I.D. Project No. 492-0331

A.I.D. Grant Agreement No. 79-12

PD-AAI-443

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PROJECT  
GRANT AGREEMENT  
BETWEEN  
REPUBLIC OF THE PHILIPPINES  
and the  
UNITED STATES OF AMERICA  
for  
AGRICULTURAL EDUCATION OUTREACH

Dated: August 27, 1979

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A.I.D. Project No. 492-0331

A.I.D. Grant Agreement No. 79-12

PROJECT GRANT AGREEMENT

Dated August 27, 1979

Between

The Republic of the Philippines ("Grantee")

And

The United States of America, acting through the  
Agency for International Development ("A.I.D.").

Article 1: The Agreement.

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project.

Section 2.1. Definition of Project. The Project, which is further described in Annex I, will address basic rural problems through improving the education, research and extension capabilities of seven agricultural colleges in the Philippines. Annex I, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Section 2.2 Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project programmed for the life of the Project in the amount of \$2,500,000.00 will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D. based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing.

Section 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Six Hundred Thousand United States ("U.S.") Dollars (\$600,000.00) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

Section 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of U.S. \$11,467,000.00, including costs borne on an "in-kind" basis and P.L. 480 resources.

Section 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1983, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

Section 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) A detailed Project implementation plan; and

(c) The evaluation plan referred to in Section 5.1.

Section 4.2. Disbursement for Individual Colleges. Prior to disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for individual agricultural colleges (except for commodities or technical assistance which may ultimately be used in or attributed to individual colleges), the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A detailed implementation plan for that college; and

(b) The first annual work plan for that college.

Section 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

Section 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

(b) If all of the conditions specified in Section 4.2 have not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the undisbursed portion of the Grant, to the extent not irrevocably committed to third parties, relating to the particular college failing to meet the Section 4.2 conditions.

Article 5: Special Covenants.

Section 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) Evaluation of progress toward attainment of the objectives of the Project;

(b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) Assessment of how such information may be used to help overcome such problems; and

(d) Evaluation, to the degree feasible, of the overall development impact of the Project.

Section 5.2. Provision of Annual Work Plans. The Grantee covenants and agrees to provide A.I.D. with annual college work plans (covering the remaining life of the Project) in such detail as may be described in Project Implementation Letters.

Section 5.3. Budget Form 121. The Grantee covenants and agrees to provide A.I.D. with a copy of the Work and Financial Plan (Budget Form 121) submitted to the Ministry of the Budget detailing the resource requirements for the first full operational year of the Project.

Article 6: Procurement Source.

Section 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance.

Section 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source

and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of the Philippines ("Local Currency Costs").

Article 7: Disbursement.

Section 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase; or

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

Section 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into the Republic of the Philippines by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of the Philippines at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of the Philippines.

Article 8: Miscellaneous.

Section 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address: National Economic and Development  
Authority  
P.O. Box 1116, Manila, Philippines

Alternate address for cables: NEDAPHIL

To A.I.D.:

Mail Address: United States Agency for International  
Development  
c/o The American Embassy  
Manila, Philippines

Alternate address for cables: USAID/AMEMB MANILA

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

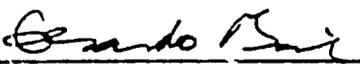
Section 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Director-General, National Economic and Development Authority and A.I.D. will be represented by the individual holding or acting in the office of the Director, United States A.I.D. Mission to the Philippines, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex I. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

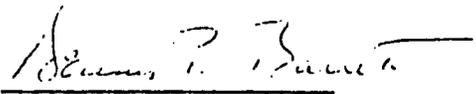
Section 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex II) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

UNITED STATES OF AMERICA

By:   
Gerardo P. Sicat

By:   
Dennis P. Barrett

Title: Minister of Economic Planning  
(Director-General)  
National Economic &  
Development Authority

Title: Acting Director  
U.S. Agency for  
International Development

## ANNEX I - DESCRIPTION OF PROJECT

The Agricultural Education Outreach Project will be implemented over a four-year period at seven rural-based agricultural colleges. The colleges involved will be: Aklan Agricultural College (AAC), Camarines Sur Agricultural College (CSAC), Central Mindanao University (CMU), Don Severino Agricultural College (DSAC), Palawan National Agricultural College (PNAC), Pampanga Agricultural College (PAC), and Western Luzon Agricultural College (WLAC).

The Project has three basic objectives: First, upgrade the capabilities of the seven participating agricultural colleges; Second, improve the ability of these institutions to effectively reach and serve their respective communities; Third, to increase the capability of the colleges to engage in adaptive and applied research, and to conduct trials, demonstrations, and similar activities.

To accomplish these objectives, the Project will concentrate on the following activities:

### Improvement of teaching staff competence.

Teaching staffs will be-upgraded in three ways. Scholarships for Masters training at UPLB, CLSU, or other suitable schools will be granted up to thirty (30) faculty/staff members from the participating colleges. A second activity to upgrade staff competencies will be to provide training to 26 faculty/staff members directly involved in the Project at Third Countries institutions which have strong capabilities in agricultural research and development, and extension programs. The third activity will be the sponsorship of seminars and workshops in appropriate fields for approximately 140 faculty members.

### Upgrading of Training Facilities.

The training facilities of these seven (7) agricultural colleges will be upgraded through improvements in libraries such as provision of approximately 30,000 volumes of books and subscriptions to periodicals in selected agricultural and related fields. Additionally, the Project will finance laboratory equipment and other teaching materials appropriate to the needs of the colleges.

### Expanding of School Facilities

Adequate school facilities are judged to be critical to the success of this Project. It is estimated that fourteen (14) buildings costing a total of \$7 million will be financed and constructed under this Project. These buildings will consist of six multi-purpose buildings, four library buildings, two student dormitories, and two classroom buildings.

### Establishment of Scholarship and Loan Funds.

To reach the most needy students in the influence areas of these seven colleges, the Project will establish and implement a scholarship and loan fund at each of the schools. Strict criteria which will take into account family income and student academic record will be developed to govern the granting of scholarships and low-interest academic loans. Loan repayments will permit the continuation of operation of the fund for a period of time following completion of the Project.

### Establishment of On-Campus Training Centers and Off-Campus Demonstration Laboratories.

At least 42 off-campus (six per college) demonstration laboratories will be established during the life of the Project. These labo-

ratories will be used to assist in the practical training of students. Two laboratories will be established each year at each college during the first three years of this Project.

The seven on-campus multi-purpose training centers will be utilized for the training of: (a) students preparatory to their being fielded in the rural demonstration laboratories for their practicum activities; (b) technicians and trainers; (c) small farmers, rural women, out-of-school youth, and other poor rural inhabitants under continuing or adult education programs initiated or supported by the schools themselves.

Training of small farmers, rural women, out-of-school youth, and other poor rural inhabitants will start in these centers. They will be given orientation on the Project and its potential benefits. They will be trained by the staff of the college with the assistance of the students on citizenship, leadership, cooperation, health and sanitation, nutrition and family planning, home and community living, and on other income generating support-skills activities small scale industries/ cottage industries, and in the management of their own affairs through the formation of rural institutions.

Every semester, a group of about 35 students per school who are in their senior year(s) will be fielded in a pre-determined barangay which will become a demonstration laboratory. With the guidance of a team of instructors/facilitators who will be assigned full-time in these demonstration laboratories in the rural areas, these students

will be divided into several groups depending on their areas of specialization such as: crop science, animal science, social science, food technology and home making, health and sanitation, physical education, village technology, etc. These students, together with the community inhabitants and subject to faculty supervision, will work out a plan of action for a development activity which might address individuals, farms, a particular crop or cropping system, and/or a complete barrio.

Finally, they will implement their plans under the guidance and/or supervision of the team of instructors/facilitators and with the concurrence and cooperation of the host barrio.

During the course of the Project, adult farmers will be assisted to form associations that will cater to their agricultural and social needs. At the same time, they will be introduced to appropriate low-cost agricultural production and practices and technologies and other income generating farm support skills, and training on citizenship, leadership, cooperatives, population control, etc.

Rural women will be instructed in both areas traditional to them such as food preparation, processing and preservation while at the same time being trained in home and community living, health and sanitation, nutrition, family planning and farming practices including farm management.

Out-of-school youth will be given instruction to encourage them to take vocational training or encourage to return to school under the aegis of the Student Scholarship and Loan Fund program of the Project.

Other poor rural inhabitants interested in certain of the above activities or knowledge will be given similar instruction by the students under the guidance and direction of the team of instructors/facilitators assigned to them.

In all of the above, the farm training centers on-campus will provide the ultimate back-up and continuity.

The team of instructors/facilitators to be assigned in the demonstration laboratories and guide students in their practicum activities will be composed of five persons from five disciplines (depending upon circumstances): plant science, animal science, social science, cottage industries or a similar income generating skill. One of the five members of the team will act as chairman.

Coordination with local and regional offices of national ministries, including BAEX, BCOD, BFAR, and others, will be carried out. This will permit on-campus training activities and barangay training centers to augment rather than supplant efforts of these agencies in areas where they are active. Moreover, students may be assigned to the various outreach agencies for practicum activities.

Adaptive research will be undertaken in cooperation with PCARR, NFAC, and other GRP agencies. Research priorities will be on regional needs where project colleges are located and will draw upon the body for technical knowledge coming into being at UPLB, CLSU, and similar institutions as a consequence, in part, of other USAID activities.

Project Administration.

The Agricultural Education Outreach Project will be under the direction and responsibility of the Office of the Minister of Education and Culture, who will be represented on a part-time basis by the Director of Higher Education as Project Director. The Director will be supported by a full-time project manager, who will maintain oversight of the project implementation activities on the seven campuses and be responsible for day-to-day project execution at the national government level. An Advisory Board, chaired by either the Minister or his designee, will be established. The Board will meet once every three months or more frequently if necessary. It is proposed that the composition of the Board will be: one representative each from NEDA, MEC, USAID, MOA, MOB, ACAP, and a representative from the seven colleges. The Project Director will solicit the views of the Board before making major program policies or content decisions.

A technical and clerical staff will report to the Project Manager. An advisor(s) on college program development will be available and will be attached to the office of the Project Manager.

Annex I  
Attachment 1

Table 1  
Estimated Project Cost by Project Component, Annual Dollar Values  
Agricultural Education Outreach Project  
(000)<sup>1/</sup>

Project Component	1979 <sup>2/</sup>	1980	1981	1982	Project Total
Staff Training	-	149	129	85	363
Commodities (Excess Property Rehabilitation or Off-shore Procurement)	-	620	705	229	1554
Student Scholarship and Loan Fund	-	63	209	229	501
Construction	2667	1902	4508	-	9077
Technical Assistance	-	101	47	46	194
Project Management	-	820	674	784	2278
Total	2667	3655	6272	1373	13967 <sup>3/</sup>

<sup>1/</sup> Converted from peso figure at ₱7.5 = US\$1.00.

<sup>2/</sup> Authorized in 1979 GRP budget in anticipation of this project.

<sup>3/</sup> The total amounts may not be exceeded, but line item amounts may be adjusted by up to 15% with the joint agreement of both GRP project manager and the USAID project officer. Adjustments of greater magnitude will require a separate implementation letter approved by USAID and GRP.

Table 2  
Estimated Project Cost of Component and Source of Funds  
(Financial Plan, Dollar Equivalent)  
Agricultural Education Outreach Project  
(000)1/

Project Component	AID GRANT			HOST COUNTRY		Project Total
	Foreign Exchange	Local Currency	AID Total	PL-480 LC Generation	GRP Budget	
Staff Training	171	192	363	-	-	363
Commodities	1368	74	1442	-	146	1588
Student Scholarship and Loan Fund	-	501	501	-	-	501
Instruction	-	-	-	4000	5087 <sup>2/</sup>	9087
Technical Assistance	194	-	194	-	-	194
Project Management	-	-	-	-	2234	2234
<b>Total<sup>5/</sup></b>	<b>1733</b>	<b>767</b>	<b>2500</b>	<b>4000</b>	<b>7467<sup>3/4/</sup></b>	<b>13967</b>

Converted from peso figures at ₱7.5 = US\$1.00.

Includes \$2,320,000 authorized in 1979 GRP budget in anticipation of this project.

Includes \$580,000 authorized in 1979 GRP budget.

Includes \$2,900,000 authorized in 1979 GRP budget in anticipation of this project.

The total amounts may not be exceeded, but line item amounts may be adjusted by up to 15% with the joint agreement of both GRP project manager and the USAID project officer. Adjustments of greater magnitude will require a separate implementation letter approved by USAID and GRP.

Table 3  
Estimated Project Cost by Project Component, Annual Peso Values  
Agricultural Education Outreach Project  
(P000)

Project Component	1979 <sup>1/</sup>	1980	1981	1982	Project Total
Staff Training	-	1123	972	643	2738
Commodities	-	4635	5219	1722	11576
Student Scholarship and Loan Fund	-	474	1565	1722	3761
Construction	20000	14288	33872	-	68160
Technical Assistance	-	759	353	346	1458
Project Management	-	6135	5062	5860	17057
Total <sup>2/</sup>	20000	27414	47043	10293	104750

<sup>1/</sup> Authorized in 1979 GRP budget in anticipation of this project.

<sup>2/</sup> The total amounts may not be exceeded, but line item amounts may be adjusted by up to 15% with the joint agreement of both GRP project manager and the USAID project officer. Adjustments of greater magnitude will require a separate implementation letter by USAID and GRP.

Table 4  
 GRP Annual Pese Counterpart Requirements<sup>1/</sup>  
 Agricultural Education Outreach Project  
 (FOAO)<sup>2/</sup>

Project Component	1979	1980	1980	1981	1981	1982	Project Total		
	Appropriation	Appropriation	PL-480	Appropriation	PL-480	Appropriation	Appropriation	PL-480	Total
Staff Training	-	304	-	621	-	587	1512	-	12
Commodities	-	-	-	522	-	571	1093	-	1093
Scholarship and Loan Fund	-	474	-	1565	-	1721	3760	-	3760
Construction	20000	-	14288	18159	15712	-	38159	30000	68159
Technical Assistance	-	-	-	-	-	-	-	-	-
Project Management	-	6136	-	5062	-	5556	16754	-	16754
<b>Total</b>	<b>20000</b>	<b>6914</b>	<b>14288</b>	<b>25929</b>	<b>15712</b>	<b>8435</b>	<b>61278</b>	<b>30000</b>	<b>978</b>

<sup>1/</sup> Includes planned GRP appropriated budget contribution, PL-480 local currency contribution, and AID grant local currency component costs, except for the AID funds allocated to Excess Property Rehabilitation. In addition to the latter, excludes AID grant funds covering foreign exchange costs.

<sup>2/</sup> The total amounts may not be exceeded but line item amounts may be adjusted by up to 15% with the joint agreement of both GRP project manager and the USAID project officer. Adjustments of greater magnitude will require a separate implementation letter approved by USAID and GRP.

## ANNEX II - PROJECT GRANT STANDARD

### PROVISIONS ANNEX

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

#### Article A: Project Implementation Letters.

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex I.

#### Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

Section B.2. Execution of Project. The Grantee will:

(a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts; and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

Section B.5. Reports, Records, Inspections, Audit. The Grantee will:

(a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records 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 Project toward completion; and

(c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

Section B.6. Completeness of Information The Grantee confirms:

(a) That the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement; and

(b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

Section B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section B.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

Section C.2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation

relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

## Annex II

Section C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

Section C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

## Annex II

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

### Section C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance

## Annex II

will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the project.

### Article D: Termination; Remedies.

Section D.1. Termination. Either party may terminate this Agreement by giving the other Party 30 days written notice. Termination of

this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

Section D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refunds under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, suppliers, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

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

Section D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract which A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

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CONFORMED COPY

A.I.D. Grant No. 79-12

A.I.D. Project No. 492-0331

AMENDMENT NO. 1  
TO  
PROJECT GRANT AGREEMENT  
BETWEEN  
THE REPUBLIC OF THE PHILIPPINES  
and the  
UNITED STATES OF AMERICA  
for  
AGRICULTURAL EDUCATION OUTREACH

Dated: December 4, 1980

AGRICULTURAL EDUCATION OUTREACH PROJECT

AMENDMENT NO. 1 TO PROJECT GRANT  
AGREEMENT NO. 79-12

THIS AMENDMENT NO. 1, entered into as of the 4th day of December 1980, between the REPUBLIC OF THE PHILIPPINES ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."),

WITNESSETH THAT

WHEREAS, the Grantee and A.I.D. entered into Project Grant Agreement No. 79-12 (the "Agreement") on August 27, 1979 to provide \$600,000.00 for the Project;

WHEREAS, the intent was to provide additional A.I.D. financing for the Project subject to the availability of funds and the continuing agreement of the Parties; and

WHEREAS, A.I.D. has allotted an additional grant amount of \$1,609,000.00;

THEREFORE, the Grantee and A.I.D. hereby agree to amend the Agreement as follows:

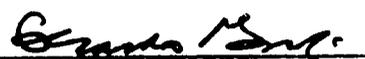
A. Section 3.1. The Grant. The phrase "not to exceed Six Hundred Thousand United States ('U.S.') Dollars (\$600,000.00)" is deleted and the phrase "not to exceed Two Million Two Hundred Nine Thousand United States ('U.S.') Dollars (\$2,209,000.00)" is substituted therefor.

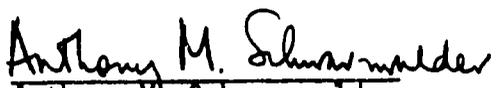
Except as expressly amended herein, the said Agreement shall continue in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Parties to said Agreement, each acting through its duly authorized representative, have caused this Amendment No. 1 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

UNITED STATES OF AMERICA

By:   
Gerardo P. Sicat

By:   
Anthony M. Schwarzwald

Title: Minister of Economic Planning  
(Director-General)  
National Economic &  
Development Authority

Title: Director  
U.S. Agency for  
International Development