

698 038 240 4401

ISN-16665

PD-AAP-807

A.I.D. Project Number 698-0388.2
Appropriation Symbol
72-1191021.5
Allotment Symbol
945-61-698-00-69-91
Obligation Number
6197300

PROJECT
GRANT AGREEMENT
BETWEEN THE
REPUBLIC OF SIERRA LEONE
AND THE
UNITED STATES OF AMERICA
FOR
WOMEN IN DEVELOPMENT, GARA
CLOTH INDUSTRY

Dated: MAY 24, 1979

Table of Contents

Project Grant Agreement

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1. Definition of Project	1
Article 3: Financing	2
SECTION 3.1. The Grant	2
SECTION 3.2. Grantee Resources for the Project	2
SECTION 3.3. Project Assistance Completion Date	2
Article 4: Conditions Precedent to Disbursement	3
SECTION 4.1. First Disbursement	3
SECTION 4.2. Notification	4
SECTION 4.3. Terminal Dates for Conditions Precedent	4
Article 5: Special Covenants	4
SECTION 5.1. Project Evaluation	4
SECTION 5.2. Financial Viability Plan	4
SECTION 5.3. Counterpart Personnel	5
Article 6: Procurement Source	5
SECTION 6.1. Foreign Exchange Costs	5
SECTION 6.2. Local Currency Costs	5
SECTION 6.3. Motor Vehicle	6
Article 7: Disbursement	6
SECTION 7.1. Disbursement for Foreign Exchange Costs	6
SECTION 7.2. Disbursement for Local Currency Costs	7
SECTION 7.3. Other Forms of Disbursement	8
SECTION 7.4. Rate of Exchange	8
Article 8: Miscellaneous	9
SECTION 8.1. Communications	9
SECTION 8.2. Representatives	9
SECTION 8.3. Standard Provisions Annex	10

Table of Contents (continued)

Annex 1: Project Description

Annex 2: Project Budget

Annex 3: Project Grant Standard Provisions

11
A.I.D. Project No. 698-0388.2

Project Grant Agreement

Dated: *MAY 24, 1979*

Between

the Republic of Sierra Leone ("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 1, will consist of joint assistance by the Parties to further the growth and development of the indigenous gara cloth and handicraft industry in Sierra Leone. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the definition of the Project in this Section 2.1 and of the financing described in Sections 3.1 and 3.2, elements of the amplified description stated in Annex 1 and of the budget stated in Annex 2 may be modified by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

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 Two Hundred and Five Thousand United States ("U.S.") Dollars (\$205,000) ("Grant") during the two year life of the Project.

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 the Grantee for the Project will be not less than the equivalent of U.S. \$68,500, including costs borne on an "in-kind" basis and income derived from product sales.

SECTION 3.3. Project Assistance Completion Date.

(a) The Project Assistance Completion Date ("PACD"), which is June 30, 1981, 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

Article 3: Financing (continued)

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, 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 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.

Article 4: Conditions Precedent to Disbursement (continued)

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

SECTION 4.3. Terminal Dates for Conditions Precedent.

If the conditions specified in Section 4.1 have not been met within 90 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 the Grantee.

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. Financial Viability Plan. Within one year from the beginning of the Project relevant components of the Grantee, together with the Arts and Crafts Cooperative, will prepare a plan for the financial viability of the gara cloth and handicraft industry at the termination of the Project. Such a plan will include a projection of gross sales against

Article 5: Special Covenants (continued)

anticipated expenses, with an indication of the point in time when the Cooperative will begin to generate a profit.

SECTION 5.3. Counterpart Personnel. The Grantee will cause to be provided an appropriate number of qualified counterpart personnel for the Project, as agreed jointly by the Parties, and will ensure that these personnel, or qualified substitutes, remain in association with the Project throughout its life.

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 Sierra Leone ("Local Currency Costs"). To the extent provided for under this Agreement, Local Currency Costs may also include the provision of local currency resources

Article 6: Procurement Source (continued)

required for the Project.

SECTION 6.3. Motor Vehicle. Notwithstanding the provisions of Sections 6.1 and 6.2 of this Agreement, disbursements pursuant to Sections 7.1 and 7.2 may be used to finance the costs of one (1) motor vehicle, and spare parts, required for the Project having their source and origin in the Special Free World (Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods).

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 the 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,

Article 7: Disbursement (continued)

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

Article 7: Disbursement (continued)

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.

(c) 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 Sierra Leone 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 Sierra Leone at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Sierra Leone.

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: Registrar of Cooperative Societies
Department of Cooperatives
Ministerial Building
George Street
Freetown, Sierra Leone

Alternate address for cables:

COOPERATION - FREETOWN

To A.I.D.:

Mail Address: A.I.D. Affairs Officer
Embassy of the United States of America
Walpole Street
Freetown, Sierra Leone

Alternate Address for cables:

AMEMBASSY FREETOWN

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 Registrar of Cooperative Societies, and A.I.D. will be represented by the

Article 8: Miscellaneous (continued)

individual holding or acting in the office of A.I.D. Affairs Officer, 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 1 and of the budget in Annex 2. 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 3) is attached to and forms part of this Agreement.

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

REPUBLIC OF SIERRA LEONE

By: _____

Title: Minister

UNITED STATES OF AMERICA

By: _____

Title: Ambassador

ANNEX 1 - PROJECT DESCRIPTION

I. Project Background

In its National Development Plan of 1974/75 - 1978/79 the Government of Sierra Leone assigned priority to fostering the growth and development of indigenous industries. The production of Gara (patterned, hand-dyed fabric) cloth and clothing, country (hand-woven cotton) cloth and clothing, and raffia and leather handicrafts comprise the most labor-intensive of Sierra Leone's traditional industries.

Since the publication of the National Development Plan in 1974, a series of surveys, studies and project papers concerning the textile component of the handicraft industry have appeared. These reports cite five major constraints to the growth and development of the industry:

- the fragmentation of the labor force - many separate groups and segments working independently and competitively;
- the high cost of imported raw materials purchased through middlemen;
- the lack of a continuous flow of goods, orders and sales;
- poor marketing and lack of markets; and
- lack of capital and creditworthiness.

Based on these findings, as well as on its own feasibility studies, A.I.D. sponsored an 18-month Gara Cloth Industry project, beginning in 1976. The project included training, technical assistance and market development.

As a result of the project, the Gara women joined with weavers and other handicraft workers to form a single Arts and Crafts Cooperative, registered under the Department of Cooperatives of the Ministry of Trade and Industry. They also set up an export office workroom, instituted bulk buying of raw materials and established a few local and foreign markets.

However, recommendations based on an evaluation of the project indicated that additional and more direct support and technical assistance for an extended period is critical to insure the long-term growth of the handicraft industry of Sierra Leone. This project represents an extension and expansion of the original program.

References

- Blackburn, Juliette Dobbs African Women in Development Gara Cloth Industry - Sierra Leone, Contract No. AID/atc-c-1291, Reports, Phase IA, IB, IIA, IIB, 1977-1978
- Blydenstein, H. J. "Assistance in Improving and Expanding the Existing Production of Cotton, Gara and Country Cloth in Rural Areas," Republic of Sierra Leone (IS/SIL/74/005/11-02/06) UNIDO, 1975
- Chuta, Enyinna, and Liedholm, Carl "A Progress Report on Research on Rural Small Scale Industry in Sierra Leone," Working Paper No. 4, African Rural Employment Research Network, Department of Agricultural Economics, Michigan State University, East Lansing, Michigan, 1974
- Fofana, A.S. The Sierra Leone Arts and Crafts Cooperative Marketing Society, Report No. 1, 1978

Ganda, John

"The Sierra Leone Arts and Crafts
Cooperative Marketing Center: Some
Impressions," CUSO, 1978

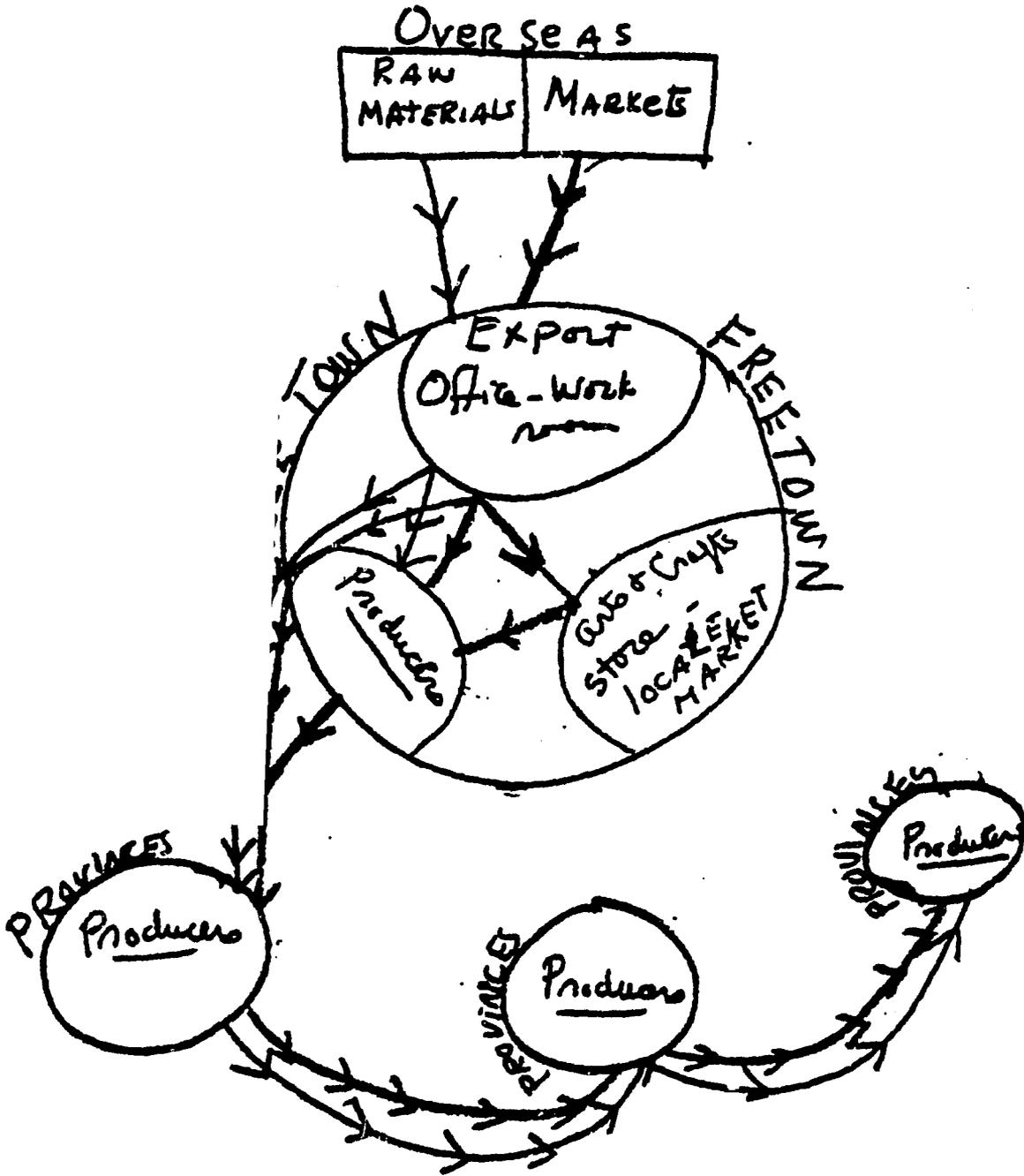
Sierra Leone, Govern-
ment of

National Development Plan 1974/75 -
1978/79, Freetown, Government
Printer, 1974

Wong, Olive

African Women in Development Gara
Cloth Industry - Sierra Leone,
Contract No. AID/atc-c-1191,
Draft Report, Phase III, 1978

Flow of Goods



RAW MATERIALS

Orders

Finished Products

II. Project Purpose and Description

The purpose of the project is to assist in the growth and development of the indigenous cloth and handicraft industry of Sierra Leone through continuing aid and technical assistance. The project focuses on direct and primary assistance to the individual rural and urban producers of cloth and handicrafts. This assistance consists of implementing a regular and continuous flow of goods to and from producers to local and foreign markets. Such a flow of goods includes the direct importation and delivery of raw materials to the individual producers, as well as the pick-up and cash buying of finished products from the producers for delivery to local and foreign markets.

Implementation requires multi-technical advisory assistance, both in-country and abroad; a vehicle and seed capital for the purchase of raw materials; and cash buying of finished products.

With the Cooperative's export-office workroom and arts and crafts store in Freetown as central headquarters, the project will have three interrelated areas of operation:

- overseas buying (raw materials) and selling (orders);
- urban (Freetown) product development and production; and
- rural (provinces) pick-up and delivery, direct technical assistance to craftsmen.

Each of these areas will have its own professional personnel with trainee counterparts, who will receive on-the-job training in all aspects of production and marketing.

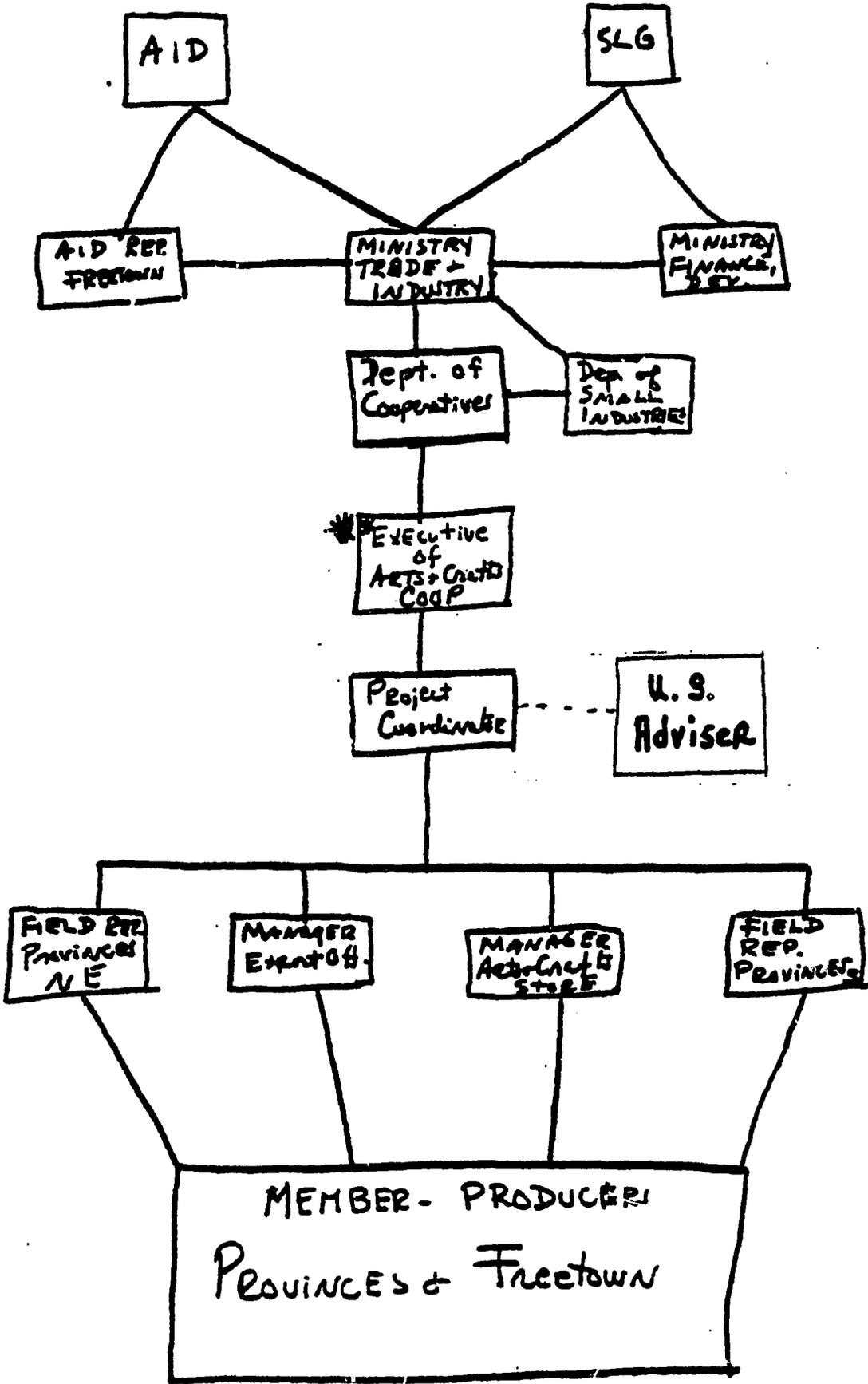
The project will be coordinated by a contract Project Coordinator with a Sierra Leonean counterpart designated by the Department of Cooperatives. Financial auditing and accountability will rest with the Project Coordinator, the Registrar of Cooperatives and A.I.D.

In-kind and cash contributions by the Government of Sierra Leone are specified in the project budget. Cooperation with and financial assistance to the project by other organizations and international agencies will be actively sought.

The project will be carried out over a two year period. The first year entails full A.I.D. financing, while the second year will see the gradual shift of support from A.I.D. to the Sierra Leone Government as the industry becomes more self-sufficient. There will be an evaluation of the progress of the project by both parties at the end of the first year.

At the end of the two year period, it is hoped that the cloth and handicraft industry will not only be self-sufficient but will also have established itself as an important source of income, revenue and pride for the people and Republic of Sierra Leone.

PROJECT ORGANIZATIONAL CHART



The five member-offices of arts + crafts Cooperative responsible

III. Project Implementation

1. Urban Production and Marketing

<u>Personnel</u>	<u>Location</u>	<u>Tasks</u>
U. S. Advisor	Freetown	Provide guidance to the counterpart Project Coordinator in the supervision and coordination of all aspects of the project, including design, production, quality control and marketing.
Driver-Mechanic	Freetown	Drive and maintain vehicle.
Workroom Seamstress	Freetown	Cut, sew, embroider and finish clothing and other sewn articles for local and export market.
Workroom Tailor	Freetown	Exercise quality control and instruct trainee members.
**Export Office Mgr.	Freetown	Receive and allocate raw materials, process orders, conduct correspondence, keep books, and supervise filling of orders.
**Arts and Crafts Store Manager	Freetown	Stock store, order and purchase crafts, process and fill orders, keep books, and supervise sales clerks.

** Already functioning on the job.

2. Rural Production and Marketing

<u>Personnel</u>	<u>Location</u>	<u>Tasks</u>
Project Field Supervisor	Northern and Eastern Provinces	Locate craftspeople Schedule and coordinate vehicle stops Advise craftspeople on product selection and quality control.
Project Field Supervisor	Southern Province	Advise Freetown of raw material and trainee needs Serve as liaison between Freetown and provinces

3. Other

Vehicle: A van equipped to carry loads, negotiate bad roads and carry two passengers

Travel: U. S. Advisor:
Throughout Sierra Leone, in Africa and international as required to negotiate purchase of raw materials and attend workshops, conferences and trade fairs

National Personnel:

Throughout Sierra Leone and abroad to participate in workshops, conferences, trade fairs and visit similar projects

Freetown personnel will travel to provinces alternately to provide technical assistance to craftspeople.

4. On-the-job Training

The following skills will be included in on-the-job training:

Management	Quality Control
Accounting and Bookkeeping	Design and Product Development
Selling	Publicity and Advertising
Sewing	

Cooperative member-producers will be encouraged to work as volunteers in the export office workroom, the arts and crafts store, during up-country travel and as assistants to Field Supervisors in the provinces.

As an important part of on-the-job training, both professional and trainee personnel will also be encouraged to participate in workshops, conferences and trade fairs.

5. Role of Government of Sierra Leone

The project will be administered by the Department of Cooperatives, Ministry of Trade and Industry.

Government Agency

Responsibility

Ministry of Trade and Industry	Negotiation of import-export agreements, licenses, permits, customs clearance, etc.
Department of Cooperatives	Administration of project, supervision of project sites and personnel.
Department of Small Industries	Location of craftspeople, allocation of raw materials, product development and trade fair participation.

6. Possible Role of Other Agencies

The following agencies are already involved in or have expressed interest in various aspects of the project:

Agency

Area of interest

CUSO -	Rent for arts and crafts store through 1979
Canadian Universities	Contribution to seed capital and negotiation
Service Overseas, Freetown	of loan through Oxfam.

<u>Agency</u>	<u>Area of interest</u>
<u>CRS</u> - Catholic Relief Services, Freetown	Contribution to staff salaries at arts and crafts store.
<u>UNIDO</u> - United Nations Industrial Development Organization, Freetown	Short-term technical consultants
<u>FRITA</u> - Fund for Research and Invest- ment for the Development of Africa, Paris	Technical assistance for negotiation of purchase of raw materials and marketing.
National Council of Negro Women, International Division, Washington	Exchange visits to related projects in other parts of Africa, marketing and outlets.
<u>CID</u> - Consultants in Development, Washington	Short-term marketing consultant
<u>OICI</u> - Opportunities Industriali- zation Center International, Bo	Advertising and marketing in United States

ANNEX 2

PROJECT BUDGET

Cost. Category

	<u>First Year</u>	<u>Second Year</u>		<u>TOTAL</u>	
	<u>A.I.D.</u>	<u>A.I.D.</u>	<u>GOSL</u>	<u>A.I.D.</u>	<u>GOSL</u>
Personnel					
U.S. Advisor - 6 mos @ \$125 per day	16,500.	16,500	-	33,000	-
Project Staff -					
Field Supervisor - North, East	3,600	1,800	1,800	5,400	1,800
Field Supervisor - South	3,600	1,800	1,800	5,400	1,800
Driver Mechanic	2,400	1,200	1,200	3,600	1,200
Workroom Seamstress	2,400	1,200	1,200	3,600	1,200
Workroom Tailor	2,400	1,200	1,200	3,600	1,200
Manager's Salary Supplement	2,500	1,250	1,250	3,750	1,250
Total Personnel	33,400	24,950	8,450	58,350	8,450
International Travel	7,700	6,100	1,500	13,800	1,500
Per Diem	14,900	12,000	3,000	26,900	3,000
Local Transportation - Sierra Leone	1,000	500	500	1,500	500
Supplies and Materials					
Vehicle, Insurance and Maintenance	13,000	-	3,000	13,000	3,000
Office rental and supplies	1,100	-	175	1,100	175
Promotion	2,000	-	500	2,000	500
Communications	400	-	250	400	250
Seed Capital					
Fabric	50,000	-	2,500	50,000	2,500
Dyes	10,000	-	500	10,000	500
Solvents	1,000	-	250	1,000	250
Other Raw Materials	2,000	-	500	2,000	500
Inventory	12,000	-	3,000	12,000	3,000
Shipping Costs	5,000	-	2,500	5,000	2,500
Total Supplies and Materials	96,500	-	13,175	96,500	13,175
Miscellaneous					
Day Labor, Insurance, Fees, and Special Equipment	5,000	2,500	2,500	7,500	2,500
TOTAL DIRECT COSTS	<u>158,500</u>	<u>46,050</u>	<u>29,125</u>	<u>204,550</u>	<u>29,125</u>

11

Table of Contents

Project Grant Standard Provisions Annex

	<u>Page</u>
Article A: <u>Project Implementation Letters</u>	1
Article B: <u>General Covenants</u>	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of Project	1
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	2
SECTION B.5. Reports, Records, Inspections, Audits	2
SECTION B.6. Completeness of Information	3
SECTION B.7. Other Payments	3
SECTION B.8. Information and Marking	3
Article C: <u>Procurement Provisions</u>	3
SECTION C.1. Special Rules	3
SECTION C.2. Eligibility Date	4
SECTION C.3. Plans, Specifications, and Contracts	4
SECTION C.4. Reasonable Price	5
SECTION C.5. Notification to Potential Suppliers	5
SECTION C.6. Shipping	5
SECTION C.7. Insurance	6
SECTION C.8. U.S. Government-Owned Excess Property	7
Article D: <u>Termination; Remedies</u>	7
SECTION D.1. Termination	7
SECTION D.2. Refunds	7
SECTION D.3. Nonwaiver of Remedies	8
SECTION D.4. Assignment	8

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 1.

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.

Article B: General Covenants (Continued)

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. (See A.I.D. Handbook 18.)

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, Audits.

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

Article B: General Covenants (Continued)

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;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect or that 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.

Article C: Procurement Provisions (Continued)

(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 C.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;

Article C: Procurement Provisions (Continued)

(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.

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

Article C: Procurement Provisions (Continued)

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.

(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 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

18

Article C: Procurement Provisions (Continued)

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 the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the 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 (60) days after receipt of a request therefor.

Article D: Termination; Remedies (Continued)

(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 refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, 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 with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.