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A.I.D. PROJECT NO. 497-0354

PROJECT
GRANT AGREEMENT
BETWEEN
THE REPUBLIC OF INDONESIA
AND THE
UNITED STATES OF AMERICA
FOR
HEALTH SECTOR FINANCING

Loan and Grant Agreements

FM, LMD (if Loan)

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DATED: March 12, 1988

PROJECT GRANT AGREEMENT

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PROJECT GRANT AGREEMENT

Dated: *March 12, 1988*

Between the REPUBLIC OF INDONESIA ("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 consist of various efforts designed to promote the development of institutions and policies needed to ensure the financial sustainability of child survival services in Indonesia. These efforts will include the institution of reforms in the hospital and pharmaceutical sectors in order to reduce the government's financial burden for curative health services and allow greater resources to be allocated to child survival programs; and stimulation of the development of private and public health insurance in Indonesia to help generate additional resources for both preventive and curative health care.

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 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. Subject to the conditions stated in the foregoing sentence, it is anticipated that the total amount of financing provided by A.I.D. for the project will be Fifteen Million United States Dollars (\$15,000,000).

(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 to the Grantee

under the terms of this Agreement not to exceed Six Million One Hundred Thousand United States ("U.S.") Dollars (\$6,100,000) ("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 the Grantee for the Project will be not less than the equivalent of U.S.\$5,220,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is March 31, 1995, 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 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 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.

SECTION 4.2. Additional Disbursement. Prior to the disbursement of any funds under the Grant for the financing of the local currency costs of procurement of goods and services directly by the Grantee, or to the issuance of any commitment documents with respect thereto, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance

satisfactory to A.I.D., evidence that (1) the Project Management Unit (PMU) and Project Implementation Offices (PIO's) have been established, including a description of the positions in each unit, a list of the names of persons assigned on a full-time basis to such positions, and an outline of the general responsibilities of such units with regard to each major component of the project; and (2) a first year's workplan for the PMU and each PIO.

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 in writing.

SECTION 4.4. Terminal Date for Conditions Precedent. If all of the conditions specified in Section 4.1 and 4.2 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 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. Yearly Implementation Plans. The Grantee agrees to develop a yearly detailed implementation plan for the project which will describe the sequence of activities to be undertaken in each fiscal year. Unless otherwise agreed by A.I.D., the implementation plan for each year will be submitted to A.I.D. for review and approval prior to the start of the year covered by the plan.

SECTION 5.3. Consideration of Project Policy Recommendations. In order to make greater resources available for child survival programs, the Ministry of Health and BAPPENAS will take into serious consideration and adopt, as appropriate, the policy recommendations which result from the research and demonstration activities that are central to the Project.

SECTION 5.4. Child Survival Expenditures. The Grantee agrees that, by the end of the Project, it will increase government expenditures for child survival programs by 35 percent in real terms over the IFY 1987 public sector child survival program expenditure level.

SECTION 5.5. Establishment of Health Financing and Policy Analysis Unit. The Grantee covenants to formally establish a Health Financing and Policy Analysis Unit within the Bureau of Planning, Ministry of Health, within one year of the date of signature of the project grant agreement, unless otherwise agreed by A.I.D.

SECTION 5.6. Exemptions from Regulations and Procedures. The Grantee agrees to grant exemptions from existing government regulations and standard procedures to the extent necessary to carry out pilot activities and large scale demonstrations planned under the project.

SECTION 5.7. Funding for Maintenance of Equipment. The Grantee will supply sufficient funds to maintain and supply equipment furnished under 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, with respect to goods, their source and origin, and with respect to services their nationality 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 and 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. Ocean transportation costs will be financed under the Grant only on vessels under the flag registry of the United States, except as A.I.D. may otherwise agree in writing.

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

Article 7: Disbursements

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 on the Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Direct Letters of Commitment for specified amounts directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods and services.

(b) Any banking charges incurred by 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 disbursement may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

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. If funds provided under the Grant are introduced into Indonesia 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 Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

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: Departemen Kesehatan
Jl. H.R. Rasuna Said Kav. X 5, No. 04 s/d 09
Jakarta 12950

To A.I.D.:

Mail Address: U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan 5
Jakarta, Indonesia

Alternate address for telegrams: USAID AMEMB JAKARTA

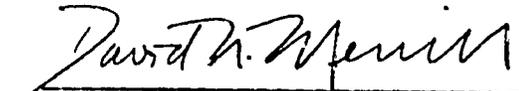
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

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 Minister of Health, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, A.I.D. Mission to Indonesia, 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.

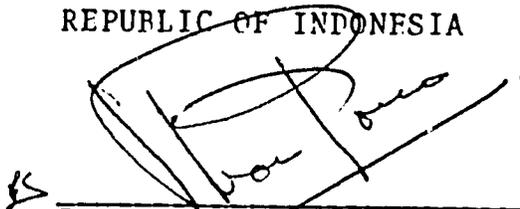
IN WITNESS WHEREOF, the Republic of Indonesia and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA



David N. Merrill
Director
USAID/Indonesia

REPUBLIC OF INDONESIA



Dr. Swardjono Surjaningrat
Minister
Department of Health

AMPLIFIED PROJECT DESCRIPTION
HEALTH SECTOR FINANCING PROJECT

I. PROJECT PURPOSE

The purpose of the Health Sector Financing Project is to develop the institutional and policy context needed to ensure the financial sustainability of child survival programs. The project seeks to identify ways to mobilize more resources for child survival by (1) decreasing the need for public financing for hospital and pharmaceuticals and reallocating those resources to child survival and, (2) mobilizing resources from non-government entities through social financing programs which can relieve the government of its burden for curative care and which can direct more private resources toward child survival programs.

The end-of-project status that will allow the GOI and USAID to measure whether the project has accomplished its purpose will be a 35% increase in total government spending on child survival programs in real terms compared to GOI child survival spending in 1987. The MOH/GOI has designated the Expanded Program for Immunizations, Diarrheal Disease Control, Family Planning, Maternal Child Health, Nutrition and the Control of Acute Respiratory Infections as child survival programs.

The anticipated yearly increases in child survival spending in real terms during the life of the project are presented below:

End of Project Status	Benchmark	
35% real increase in total government spending on child survival compared to total government spending on child survival in 1987	<u>CUMULATIVE REAL INCREASE (%) OVER 1987/88 EXPENDITURES ON CHILD SURVIVAL</u>	
	1988	5% Decrease
	1989	Equal to 1987
	1990	5% Increase
	1991	10% Increase
	1992	15% Increase
	1993	25% Increase
1994	35% Increase	

The percentage increases shown above are estimated using Indonesian fiscal year (IFY) 1987/88 as the baseline year and projecting a 35% increase in real terms over the seven year life of the project. The child survival expenditure figures for IFY 86/87 are the most recent expenditure figures available because IFY 87/88 figures will not become available until after April of 1988. Expenditures in IFY 86/87 for child survival were 50.2 billion Rupiah in real terms using 1983 prices. Assuming past trends continue leads to an estimate of a Rupiah 62.5 billion expenditure figure in nominal terms for IFY 87/88. This figure will be used as a baseline until the actual IFY 87/88 data become available.

This allocative shift will be supported by the following conditions:
(1) fundamental policies will have been adopted with respect to hospitals

which will lead to a decrease in GOI subsidy to public hospitals; (2) policies and procedures governing pharmaceutical procurement, distribution, and use will be in place to improve the therapeutic impact of GOI drug expenditures; (3) viable, self-financing social insurance schemes will be functioning which demonstrate the value of a pluralistic health care financing system; and (4) a data base and analytical capacity needed by MOH policy makers to make rational allocative decisions will be in place.

II. PROJECT OUTPUTS

1. Proliferation of social financing schemes

Social financing is defined as the spreading of risk for incurring out-of-pocket costs for health services, and is generally synonymous with health insurance. The project will explore ways to collectivize revenues and socially finance the demand for health care. This will be accomplished by (1) providing the technical assistance, feasibility studies and other costs associated with initiating or improving a variety of social financing schemes for health and (2) developing the GOI's capacity to stimulate and guide the pluralistic development of social financing schemes which emphasize health maintenance and cost containment.

Project assistance will be directed toward the following areas:

(a) AsKes: The project will assist AsKes to undertake a critical review of its program with a view toward developing improved efficiency measures and reforms in the financing and delivery of services to AsKes beneficiaries. AsKes will actuarially assess its present benefit package and premium structure, explore and evaluate financing and delivery mechanisms, e.g., capitated payment to both public and private providers which incorporate providers into the risk sharing arrangement, to replace the present fee-for-service reimbursement system. These financing arrangements will be pilot tested and evaluated in a circumscribed geographic area.

The project will also assist AsKes to improve the management information system to better monitor service utilization, personnel, inventory and finance; and will provide training for AsKes staff in actuarial analysis, claims processing, financial control, and utilization review. These are essential functions for improving efficient management of the AsKes program. These training programs will be developed with project support, and replicated with AsKes support.

(b) PKTK: This project will begin with a comprehensive review of all PKTK pilot activities in six cities, focusing upon management, cost recovery, benefit packages, premium rates, and marketing and enrollment strategies. This assessment will lead to the design of a model for PKTK which will be used to make program improvements in six cities. This model should contain criteria for developing premium rates and benefit packages; a marketing strategy; design of administration, management, and information systems; and

a training plan. The project will support development costs for replicating this model in six cities, and will evaluate these programs at year 3 of the project. Using its own resources, PKTK will use the resultant model for expansion into the remaining seven cities, which will be completed by the end of this project.

(c) Dana Sehat: The project will attempt to link government health services to community groups by experimenting with pre-paid socially financed health schemes organized through the Dana Sehat. A confederation of Dana Sehat in one subdistrict will be organized into a pooled-risk, prepaid health insurance scheme with primary care provided through local providers and the health center, and secondary care provided by the district hospital.

The confederation of Dana Sehat concept will be tried in 5 subdistricts chosen because of the existence of functioning Dana Sehat, the progressive nature of their health and development programs, and the existence of religious groups or cooperatives that can provide the organizational focus for managing a prepaid health insurance program. The Dana Sehat in these areas will have either geographical focus, or can be organized around units of similar productive enterprise such as farmers, fisherman, etc.

(d) Private Health Insurance Programs: The project will provide a focal point for the development of privately owned and operated health insurance plans by providing information, technical assistance, training

opportunities, and other resources which can be accessed by private groups interested in starting health insurance programs.

A Private Health Insurance Unit which is solely responsible for this task will be developed by the MOH through this project. The unit will actively promote the concept of health insurance and seek to identify groups interested in exploring the development of prepaid health insurance programs. There are four major target groups with whom this unit will interact to stimulate interest. These are: (1) large life insurance companies which have capital and are interested in diversifying into health insurance, (2) groups of providers or hospitals interested in developing group practices which can offer care on a capitated, prepaid basis, (3) industrial companies with large numbers of employees and possibly existing self-financed health programs for their employees who are interested in converting existing health financing structures into a capitated, premium based system which shares risk among management, clients and providers, and (4) organized community groups such as farming or dairy cooperatives which would like to provide health care to their members on a capitated prepaid basis.

The unit will proactively canvass organizations among the target groups to identify those interested in exploring the feasibility of starting a health insurance plan. Interested groups will be able to access the project's resources on a selective basis using criteria of eligibility. The following type of assistance will be made available to them: information about different configurations for capitated prepaid health insurance

programs; development of feasibility studies and business plans; identification of suitable consultants and, where indicated, funding for technical assistance; provision of commodities, particularly for information management; identification of capital requirements; and brokering access to capital. This unit will develop specific criteria to determine which groups would be eligible for project assistance, and the types of assistance which will be provided. Once eligibility has been established, it is anticipated that assistance for feasibility studies will be available for all groups. Other types of assistance will be dependent upon the eligibility criteria which the health insurance unit will establish once the project has commenced.

(e) Development of GOI Capacity to Coordinate and Develop Health

Insurance: The project will assist the GOI to monitor and coordinate health insurance plans to assure that benefit packages quality of care, and internal management, information, and reporting capacities meet minimum standards; and to develop the legislative framework to ensure that government is able to coordinate and influence the shape of health insurance in Indonesia.

The project will support the development of a multidisciplinary board which can oversee and coordinate developments in the health insurance sector according to the principles of DUKM. The MOH is anticipating an evolution in the establishment of the board in three phases: (1) Phase I: formation of a Task Force responsible to the Secretary General in the Ministry of Health. The Task Force will design the organizational structure, staffing,

internal administration and functional operating mechanism for the eventual board. (2) Phase II: formation of an intersectoral coordinating body by Presidential Decree which will function as determined in Phase I. Membership will comprise representatives from the MOH, Bappenas, other government departments and private organizations active in health insurance. This body will serve an interim role as provided by the Presidential Decree in anticipation of a permanent structural body during Phase III. (3) Phase III: formation of a permanent, structural, Health Insurance Coordinating Board which retains the multidisciplinary identity of the Phase II board and which is entrusted, by law, with accrediting and certifying health insurance plans. The project will provide the technical assistance, some training, and other local costs designed to support the activities of the task force as it evolves toward the stage of becoming a permanent Board.

To help develop the enabling legislation for DUKM, the project will provide the MOH with analytical and technical assistance needed to draft this legislation. A preliminary concept paper which describes the legislation has been submitted to the MOH. The project will support the MOH legal team which has been assembled to transform the preliminary concept paper into a legislative proposal for submission to the President and Parliament. Enactment of this legislation will be a prerequisite for the formation of the structural Health Insurance Coordinating Board. While in terms of cost these inputs are small in the overall project budget, they represent important inputs for developing the structural changes which will serve to stimulate the proliferation of health insurance in Indonesia.

2. Hospital Sector Reforms

The second output of this project will be a system for improved management and fundamental structural reforms in government hospitals that will result in greater operational efficiency, increased cost recovery and less government subsidy to government hospitals. This component of the project will initiate the process of identifying modalities to check the inexorable increase in public sector allocations to hospitals by exploring ways to increase efficiencies and recover a greater percentage of costs. The project will also investigate the private sector's potential for relieving the government of some of its burden to provide secondary and tertiary care. The Ministry of Health will explore ways to improve efficiency and cost recovery in public hospitals, and an expanded role for private hospitals, all with the objective of reducing the GOI's subsidy for hospitals, a hallmark of its Repelita V strategy in the hospital sector.

The project will conduct a thorough diagnosis of hospital operations as a precursor to designing any interventions. The subject of this diagnosis will be "secondary care systems" in three provinces, each system consisting of a class B hospital at the provincial level, a private hospital at the provincial level, and a class C and class D hospital at more peripheral administrative levels, all of them linked geographically. The diagnosis will concentrate upon a "secondary care system" rather than individual hospitals because of the interdependence and referral linkages among hospitals in the same geographic area. Inefficiencies in a single hospital may only be apparent when viewed in the context of that hospital's role in the system.

Experienced hospital administrators will be placed as observers/counterparts to hospital management staff in the facilities in each of the three systems for a period sufficient to achieve a genuine understanding of the performance and management/administration problems in these institutions. This diagnosis will be similar to a hospital audit which at a minimum will focus upon the following features of hospital operations:

- o the hospital's organizational structure, responsibilities, and standard operating procedures.
- o a cost accounting analysis which determines the real costs for providing specific services.
- o the hospital's potential to recover costs based upon an economic profile of its client pool.
- o staffing patterns and practices.
- o medical and pharmaceutical services and standards of care.
- o support services such as food services, maintenance, transportation, linen, etc.
- o hospital management systems and managerial capacities.
- o regulations and policies, both from the MOH and the local government, which govern hospital operations.

Following this intensive diagnostic work, the consultant teams along with counterparts from the MOH, will design a program of pragmatic interventions which apply to the "secondary care systems" being studied, and hence may apply to both public and private hospitals. These interventions

will be aimed both at improving efficiency and increasing cost recovery. Once a comprehensive packet of interventions has been designed, these will be pretested, evaluated, and then demonstrated in the three secondary care systems which have been chosen as intervention areas for this project.

The three demonstration areas will be evaluated subsequent to project implementation to observe whether the efficiencies and improved cost recovery have resulted in reduced government subsidy to these hospitals. These findings will be reported through appropriate policy channels for consideration of their long term policy impact.

3. Pharmaceutical Sector Reforms

The third output will be reforms in the way pharmaceuticals are ordered, managed, and prescribed which will result in improved efficiency, greater therapeutic impact for money invested, and more resources available for essential drugs which impact on child survival. The project will conduct a focussed assessment of the pharmaceutical sector which will, at a minimum, cover the following areas:

- o product selection and procurement planning at the provincial and district administrative levels.
- o storage and distribution at the District level, the District Hospitals, and Health Center levels.
- o prescribing and dispensing practices in Hospitals and Health Centers especially their relationship to diagnosis, and conformity with standard treatment protocols.

- o factors influencing the prescribing patterns of providers.
- o factors influencing community expectations for drug prescribing at Hospitals and Health Centers.

These focussed assessments will be designed to identify problems which impede efficient use of the present pharmaceutical budget. Based upon this data the project will formulate and test management, training and communications interventions that will overcome these problems and lead to more rational drug use.

There is no single intervention that can address the constellation of causes that affect rational drug use. The project will design a range of interventions and test and evaluate these on a small scale. Once these interventions have been tested, the most promising will be assembled into comprehensive packages which provide coordinated and mutually reinforcing approaches for overcoming problems in different organizational settings. These packages will be demonstrated in a representative sample of Districts. The composition and timing of demonstration packages will have to be carefully worked out on the basis of experience gained in developing and testing the various packages.

The packages of interventions in these demonstration areas will be evaluated to determine whether drugs are being more rationally prescribed, whether expenditures for the different therapeutic categories of drugs have been changed to reflect internal reallocative shifts within the drug budget, and whether larger expenditures are being made on pharmaceuticals which

directly support child survival programs. Results of demonstration will be presented to decision makers through appropriate policy channels for consideration of their long term policy impact.

4. Development of the MOH, Health Sector Financing and Policy Analysis Capacity

The project will develop a health financing and policy analysis capacity within the Bureau of Planning which will have the following responsibilities:

- o maintain an on-line data base which can, on an annual basis, track all public and private revenues and expenditures for health by source and administrative level, geographic area, type of service, and type of expenditure.
- o conduct independent studies to determine service utilization levels in both the public and private sector, average unit costs of service outputs, and household level and pattern of service use and expenditure.
- o oversee all studies, assessments, pilot tests, and demonstration projects which have been proposed under this project.
- o analyze the policy impact of activities and demonstrations conducted under the project.
- o make policy recommendations based upon data generated from this project to appropriate persons in the MOH, Bappenas, the Ministry of Finance, and other agencies which make public policy as it relates to health.

Project inputs will strengthen the Bureau of Planning's present analytical capacity. Resources will be provided to train personnel in data collection and analysis techniques both on a long and short term basis. Funds will be made available for primary and secondary data analysis to collect the information needed to maintain health financing data bases. Technical assistance will be provided to the Bureau of Planning to assist with data analysis, data management, and policy analysis.

III. PROJECT INPUTS

1. Technical Assistance

The project will provide four long term international advisors for a total of 16 person years, and four long term domestic advisors for a total of 19 person years. An expatriate Project Technical Coordinator will be assigned to the Project Management Unit to assist the MOH Project Director to oversee all aspects of this project. A long term expatriate and domestic advisor, functioning as a team, will be assigned to both the hospital and social financing component of the project. An expatriate long term advisor and two domestic long term advisors will be assigned to the pharmaceutical management component of the project.

The project will also provide 135 person months of short term domestic technical assistance, and 66 person months of short term international technical assistance. The short term technical assistance will support the

activities of the four long term advisors, expatriate and domestic, by providing specialized expertise in technical areas related to social financing, hospital management, cost recovery, pharmaceutical supply management, and health sector financing statistics and data management.

2. Studies/Assessments/Demonstrations

The project will provide funds necessary to conduct all analyses, field tests, demonstrations and evaluations required to achieve stated outputs. This will include:

- o all analytical work needed to design, test, and demonstrate new approaches under consideration for AsKes, PKTK, and Dana Sehat.
- o feasibility studies and business plans needed to develop new health insurance schemes.
- o development activities of the Health Insurance Coordinating Board and enabling legislation for DUKM.
- o local support for the diagnostic phase in hospitals.
- o design, testing, and demonstration of interventions in the hospital sector.
- o an inventory of non-government health organization, and analyses of how the MOH can improve its ability to achieve national health goals through these organizations.
- o start-up costs necessary to demonstrate or initiate a health insurance scheme associated with a rural cooperative or enterprise.
- o focussed assessments of pharmaceutical management system.

- o design, testing, and demonstration of interventions in the pharmaceutical supply management.
- o support costs for data collection, management, and analysis by the health economics policy unit in the Bureau of Planning, MOH.
- o all local training costs which support the implementation of intervention's designed through this project.
- o workshop costs which support the analysis, design, testing, and demonstration of interventions through this project.

3. Training

The training input will prepare personnel with the skills in social financing, hospital management, pharmaceutical supply management, information management, and marketing, that this project will require. The following training inputs are expected under the project:

(a) Long Term Training: this will be done both overseas and in Indonesia. Two persons will receive masters degrees in hospital administration overseas, to support activities in the hospital sector. In order to develop the Bureau of Planning's capacity in health economics policy and analysis, two Masters degree fellowships will be provided in the U.S. and three masters degree fellowships in Indonesia.

(b) Short Term Training: Funds from this project will support three types of activities:

- o overseas training: participants will attend organized courses or work externships. The work externship will place participants into actual work situations in health insurance plans, health maintenance organizations, insurance accreditation bodies, or hospitals, for on-the-job training.

- o in-country training: where sufficient need exists, the project will organize special in-country training programs to support elements of this project. A program of project support training will be organized for the pharmaceutical supply management component to create a core group of staff from the different Directorates involved who can work productively over the life of the project. The training program will focus upon operations research and computer skills for pharmaceutical management. A similar project support training program will be developed to train ASkes personnel in information management and claims processing techniques for health insurance plans.

(c) Study tours: many of the activities proposed in this project are already being done in other settings. Funds will be provided for study tours which observe health insurance coordinating bodies and their legal basis, hospital management, pharmaceutical management, health insurance, and the health policy analysis capacity.

4. Commodities

Funds will be available for computers to support information management needs of this project and office equipment for administration.

Given the research and development nature of this project, there must be a strong data analysis and information management component to this project. Computers will be needed at all hospitals included in the three study sites; for the districts where demonstration in pharmaceutical management will be conducted; for AsKes, PKTK and the Health Insurance Coordinating Board; and for the Bureau of Planning Health Financing and Policy Analysis Unit. Office equipment consisting of computer, typewriter, photocopy machines, and ancillary office equipment for the Project Management Unit (PMU), and the three Project Implementation Offices (PIO) that will oversee the social financing, hospital, and pharmaceutical components of this project respectively.

5. Local Costs

Funds will be available for salaries, travel, communications, and supervision costs for the central project management unit and the three project implementation offices. All personnel receiving salaries will be full time project staff who will not be needed beyond the life of the project. The central project management unit will have a director, two assistant directors, financial officer and two secretaries. Each project implementation office will have a director, and two administrative staff. The project will have yearly seminars to present data generated through this project. These seminars will provide a channel for disseminating information to decision makers in the MOH and other government agencies.

IV. PROJECT ADMINISTRATION AND MANAGEMENT

The Secretary General of the Department of Health will have overall responsibility for this project. He will be assisted by a Project Advisory Board whose membership will consist of the Director General for Medical Services, the Director General for Community Health, the Director General for Food and Drugs, and appropriate representatives from the Department of Home Affairs, the Department of Finance, and Bappenas. The Advisory Board will set policy guidelines for the project, periodically review the pace and quality of project implementation, review policy implications of findings from the different elements in the project, and make policy recommendations to the Project Director and Minister of Health based upon results of the project.

The Chief, Bureau of Planning, in his capacity as Project Officer, will supervise routine implementation of the project. All project actions will be initiated and undertaken through his auspices. He will be assisted by a Project Management Unit (PMU) which will coordinate all project inputs. The PMU will be staffed by full-time personnel and will include a Director, two Assistant Directors, a Finance Officer and a secretary. A long term international advisor will be placed in this unit to assist the Director. The PMU will interface with the international and domestic contracting agencies which will provide all technical assistance, procure commodities, arrange all overseas training opportunities, and provide funding for research.

For each of the project components, the MOH will establish a Project Implementation Office (PIO), responsible directly to the Project Management Unit, which will supervise project implementation in each project component. Each office will contain a Director and a secretariat, and will be assisted by a long term expatriate advisor, a long term domestic advisor, and both international and domestic short term technical assistance as needed. Discrete activities in each project component will be supervised by an Activity Coordinator whose service will terminate when individual activities have been completed.

The Project Implementation Offices for Hospitals and Pharmaceuticals will each be assisted by a Steering Committee comprising recognized technical experts in the respective fields. The Steering Committees will provide technical guidance to the Project Implementation Officer, review yearly workplans, and assist with the development of research agendas.

The Project Implementation Office for Social Financing will be assisted by a Task Force with representation from various functional units in DepKes formed by decree of the Secretary General for Health. In addition to providing technical guidance to the Project Implementation Office, the Social Financing Task Force will play an active operational role in development of the health insurance coordinating mechanism, enactment of enabling legislation for DUKM, and developing privately managed health insurance plans.

A Health Financing and Policy Analysis Unit will be established by the MOH as a functional unit responsible to the Chief, Bureau of Planning. This unit will be an outgrowth from the Health Sector Financing Working Group in the Bureau of Planning, an ad-hoc group organized to analyze secondary data on health financing and coordinate the collection of primary data. Its Director and staff will be drawn from existing staff in the Bureau of Planning. The Health Sector Financing and Policy Analysis Unit will assist the Bureau of Planning to fulfill its organizational responsibility to analyze data and formulate policy in the health sector. Although not functionally responsible to the PMU, the Health Financing and Policy Analysis Unit will coordinate development of annual project workplans and funding requests through the PMU for purposes of project coherence and coordination.

V. MAJOR IMPLEMENTATION RESPONSIBILITIES

USAID will be responsible for contracting, on behalf of the GOI, for the following services: long and short term technical assistance, commodity procurement, special studies, assessments and demonstrations for all four components of the project, and overseas and in-country participant training. USAID will also contract for the services of a Project Implementation Assistant for the first two years of the project and contract for both the mid-term and final project evaluations. The GOI will be responsible for managing and directing all project activities, assignment of the appropriate staff to work on the project, administering the local costs provided through annual Project Implementation Letters for operating the

Project Management Unit and Project Implementation Offices, and for ensuring the timely availability of counterpart funding and in-kind contributions.

VII. MONITORING AND EVALUATION

Responsibility for monitoring project implementation rests with the Project Management Unit under the direction of the GOI Project Officer. Monitoring reports will be submitted semi-annually to the Secretary General, Ministry of Health.

The Health Financing and Policy Analysis Unit will oversee overall evaluation of this project. There will be a mid-term formative evaluation which will assess progress toward achieving outputs, and a final summative evaluation. Both evaluations will be conducted by an experienced team of international and domestic consultants none of whom have had a direct association with project implementation.

The mid-term evaluation will take place in FY 1991/92. Its primary focus will be the degree to which the project has made progress toward meeting established benchmarks in each of the components. The evaluation will also assess the administrative arrangements which have been established for this project, the project management systems established by PMU, and the expenditure rates for different project elements. Recommendations will be made to the Project Director and his Advisory Board on the process of planning, executing and monitoring project activities.

The final evaluation will be carried out during the last year of project implementation. The final evaluation will be coordinated by the Health Finance and Policy Analysis Unit of the Bureau of Planning. It will focus on the degree to which policy recommendations have been accepted, new ideas institutionalized and assess the degree to which individual project outputs have been achieved.

Results of the final evaluation will be analyzed and interpreted by the Health Finance and Policy Analysis Unit for their relevance to health financing policy. A list of policy recommendations will be drawn up and presented to the Project Advisory Board for its consideration. The Project Advisory Board will review these recommendations and present them to the Project Director and Ministry of Health.

ILLUSTRATIVE FINANCIAL PLAN

The financial plan below is illustrative and changes may be made to the plan by representatives of the parties named in the text of the Agreement without formal amendment to the Agreement if such changes do not cause (1) A.I.D.'s contribution to exceed the amount specified in the text of the Agreement, or (2) the cooperating country's contribution to be less than the amount specified in the text of the Agreement.

Health Sector Financing Project 497-0354
Budget Summary (US.\$'000)

	AID FY 88 Obligation	Anticipated Life of Project		Total:
		AID Grant	Host Country	
Technical Assistance	3,600	5,815**	-	5,815
Commodities	310	860	172	1,032
Studies	550	3,950	3,460	7,410
Training	662	1,555	1,245	2,800
Local Costs	610	1,550	638	2,188
Contingency	368	1,270	-	1,270
Total:	6,100	15,000	5,515*	20,515*

* Includes \$295,000 in anticipated contributions from private sector organizations to private health insurance plans.

** Includes \$100,000 for audits and financial reviews.

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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 experience 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

SECTION B.5. (b)

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;

(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 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;

SECTION C.3.

(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.

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.

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SECTION C.6.

(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.

(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.

SECTION C.7.

(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 insurances 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.,

SECTION D.2.

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 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.