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AID Project No. 517-0237

GRANT AGREEMENT
Between
THE CENTRAL BANK OF THE DOMINICAN REPUBLIC
and
THE UNITED STATES OF AMERICA
for the
DEBT CONVERSION PROJECT

Date: AUG 26 1969

CONFORMED COPY

PROJECT GRANT AGREEMENT

Dominican Republic - Debt Conversion

A.I.D. Project No. 517-0237

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ANNEX 1: Amplified Project Description

ANNEX 2: Standard Provisions

PROJECT GRANT AGREEMENT

GRANT AGREEMENT dated AUG 26 1988 , between the CENTRAL BANK OF THE DOMINICAN REPUBLIC ("Grantee"), and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

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 II

The Project

SECTION 2.1 Definition of the Project. The Project, which is further described in Annex 1, consists of the financing of assistance for the development of a well-functioning debt conversion program within the Central Bank as a vehicle for increasing foreign and domestic investment in the Dominican Republic. The Project will provide funds for technical

services, training, and commodities as detailed in Annex 1, attached, which 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 1 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 the Project

(a) A.I.D.'s contribution to the Grant 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. It is anticipated that the total amount of A.I.D. assistance for this Project will be Three and One Half Million United States Dollars (US\$3,500,000).

(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 III

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 an amount not to exceed Two Million Nine Hundred Thousand United States ("U.S.") Dollars (US\$2,900,000) ("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 include: (i) debt to be converted with a face value of at least One Hundred Million United States Dollars (US\$100,000,000), and (ii) operating costs of the Project totalling approximately the equivalent of One Hundred Thousand United States Dollars (US\$100,000) to be borne on an in-kind basis.

SECTION 3.3 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" ("PACD"), which is December 31, 1992, 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 described in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

ARTICLE IV

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, except for disbursement for the Financial/Banking Advisor, 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.:

a. an opinion of the Legal Advisor to the Grantee acceptable to A.I.D. that this Agreement has been duly authorized and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

b. a statement of the name of the person who will represent the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement;

c. a copy of the Debt Conversion Program duly authorized by the Junta Monetaria; and

d. evidence from the Central Bank that the organizational structure, including the technical positions required, has been formally created to manage the Debt Conversion Unit within the External Debt Department, and that operating budget allocations have been made to support those positions within said Department.

SECTION 4.2 Disbursements for IPC Agreement. Prior to disbursement for the IPC under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for the Central Bank Agreement to be entered into with the Investment Promotion Council by the Grantee, 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., a copy of the executed agreement, which shall contain the activities to be undertaken, the budget, and requirements for periodic workplans.

SECTION 4.3 Third Year Disbursement. Prior to disbursement under the Grant to finance any activities or procurements taking place after August 1, 1990, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, 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., documentation indicating that there has been satisfactory performance in achieving Project outputs established in Project Workplans as determined by a formal evaluation to be held in May, 1990.

SECTION 4.4 Notification. When A.I.D. has determined that the Conditions Precedent specified in Sections 4.1, 4.2 and 4.3 have been met, it will promptly notify the Grantee.

SECTION 4.5 Terminal Date for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1. and 4.2 have not been met within one hundred and twenty (120) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If the condition specified in Section 4.3 has not been met by August 1, 1990, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

ARTICLE V

Special Covenants

(a) The Grantee covenants, for the duration of the Debt Conversion Program, to modify, as necessary, its regulations to incorporate technically appropriate changes which increase the debt conversion mechanism's effectiveness in achieving the goal of attracting investment.

(b) The Grantee covenants to continue to use full faith and effort to reach either a Multi-year Rescheduling Agreement with creditor banks or an agreement to allow for its debt included under the Rescheduling Agreement of February 25, 1986 to be available for conversion under the Program.

(c) The Grantee covenants to use its best efforts to continue to convert debt not subject to the terms and conditions of the 1986 Rescheduling Agreement.

(d) The Grantee will make its best efforts to maintain attractive discount incentive rates for debt to be converted under the Program by potential investors, particularly with regard to those policies which deal with the exchange rate.

ARTICLE VI

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 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. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States of America, 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 Dominican Republic ("Local Currency Costs").

ARTICLE VII

Disbursement

SECTION 7.1 Disbursement for Foreign Exchange Costs.

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

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

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

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

SECTION 7.2 Disbursement for Local Currency Costs. 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. The Local Currency needed for such disbursement may be obtained through acquisition by A.I.D. with U.S. Dollars 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 the Dominican Republic 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 Dominican Republic at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Dominican Republic.

ARTICLE VIII

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:

Central Bank of the Dominican
Republic

Santo Domingo, Dominican Republic

Cable Address:

Banco Central de la Republica
Dominicana

To A.I.D.:

Mail Address:

USAID Mission to the Dominican
Republic

c/o American Embassy

Santo Domingo, Dominican Republic

Cable Address:

USAID Santo Domingo

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

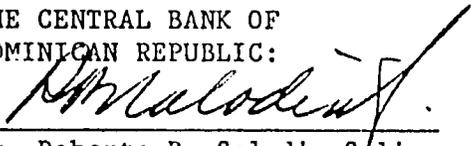
SECTION 8.2 Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Governor of the Central Bank, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to the Dominican Republic, 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. 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 instruments 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 2) is attached to and forms part of this Agreement.

SECTION 8.4 Language of Agreement. This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

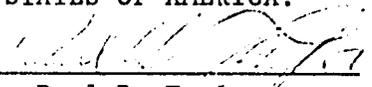
IN WITNESS WHEREOF, the Central Bank of the Dominican Republic and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in two originals in their names and delivered as of the day and year first above written.

FOR THE CENTRAL BANK OF
THE DOMINICAN REPUBLIC:

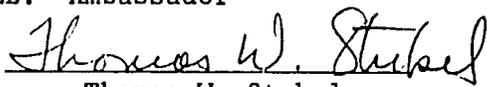
BY: 
Dr. Roberto B. Saladin Selin

TITLE: Governor

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

BY: 
Paul D. Taylor

TITLE: Ambassador

BY: 
Thomas W. Stukel

TITLE: Director, USAID Mission
to the Dominican Republic

AMPLIFIED DESCRIPTION OF THE PROJECT

A. PROJECT GOAL AND PURPOSE

The Project's goal is to assist the Central Bank of the Dominican Republic to increase foreign and domestic private sector equity investment in the Dominican Republic. The purpose of the Project is to assist the development of a well functioning debt conversion program in the Dominican Republic. Goal and purpose achievement will be measured by the value of new investments made in the country and the number of new jobs generated. It is expected that at the end of this four year project the following will have been obtained:

-- New investment in the Dominican economy by foreign and local investors totaling the amount of local currency assets necessary to convert at least US\$100 million (face value) in debt;

-- At least thirty (30) conversion projects;

-- Generation of an estimated 36,800 new jobs attributed to conversion projects.

B. PROJECT OUTPUTS

The major output of the Project will be the establishment of an operating debt conversion mechanism in the Dominican Republic. The Central Bank will have a qualified staff of analysts to operate the system including five trained and experienced technical counterparts working in the Central Bank's Department of External Debt, Debt Conversion Unit (DCU), who will be thoroughly familiar with the conversion system. This will result in the institutionalization of a conversion mechanism as a means of encouraging investment and generating new employment. Additionally, 2,000 private businesses and eight public institutions will receive comprehensive information and assistance. At least, six seminars and workshops will be carried-out, training 150-180 individuals in the process of debt conversion.

C. PROJECT COMPONENTS

The Project has three components. These are 1) Institutional Strengthening of the Debt Conversion Unit of the Central Bank, 2) Promotional Campaign, and 3) Transaction Financing.

1. Institutional Strengthening

The objective of this component is to provide the Central Bank's Department of External Debt with the capability necessary to support the development and implementation of the debt conversion mechanism on a permanent basis. A.I.D. grant funds will be used to finance technical assistance, operational expenses, training and selected equipment and materials purchases to strengthen the Debt Conversion. Three types of inputs are involved in this component:

a. Technical Assistance

The Department of External Debt, Debt Conversion Unit will require assistance in a variety of tasks to successfully implement the debt conversion mechanism. A Central Bank Advisor, financed under the Project, will assist the Director of the DCU in the technical administration and management of assistance and training provided during the Project's life. Specifically, the Advisor will assist in the planning and acquisition of the specific technical expertise required for the various tasks to be performed in the debt conversion process. The advisor will assist in the planning and administration of training, orientation and observational visits program and will be responsible for coordinating the implementation of those activities. Included in the advisor's responsibilities are assisting the Chief of the DCU in promotion, screening and analysis of projects, establishment of procedures, disbursements and TA contract monitoring. The advisor will provide 18 person-months of service to the Central Bank during the four-year life of the Project.

Short-term technical services in the following areas are required.

i. Asset Valuation and Assessment

It is a difficult task to accurately appraise the value of assets held by the State for sale to the private sector. Consequently, an equitable system of valuation and appraisal must be developed

which meets the expectations of the Dominican State while satisfying the requirements of investors. Four person months of short-term technical assistance will be provided to the staff of the Debt Conversion Unit.

ii. Program Accounting, Financial Services and Regulatory Assistance

A system, implemented and incorporated into the standardized reporting and accounting mechanisms of the Central Bank, is needed for approving and disbursing local currency funds and transferring state-owned assets to new investors in exchange for debt. Four man months of technical assistance to assist the Debt Conversion Unit is scheduled under the project.

iii. Management Information Systems Development

Transaction analysis, asset valuation and accounting records will require the use of an integrated management information system. A system to generate reports and analyses will be developed to assist in assessing project value and impact within a macro-economic framework. An estimated 4 months of technical assistance will be required to analyze, design, develop and implement an integrated management information system for use in the project.

iv. Banking Liaison and Institutional Coordination

In order to assist the successful initiation and completion of debt conversion transactions, accurate and timely information must be generated within the Central Bank and disseminated to commercial banks and potential investors as well as to other government institutions. In addition, effective liaison between the Central Bank and commercial banks in both foreign countries and the Dominican Republic will assist in the identification of potential investors. Other local private institutions will be involved in identifying and attracting potential investors. Working directly with the Debt Conversion Unit, the commercial banks and the Investment Promotion Council (IPC), an estimated 4 person-months (pm) of short-term technical assistance is required to create this liaison function.

Specialized Technical Assistance is also required in addition to the assistance detailed in i - iv above. This short-term assistance, which will require 32 person-months, includes industry specific specialists and experts who will appraise the market for the sale or lease assets for individual projects as distinct from the T.A. described below

whose tasks are defined as designing and implementing a system within the DCU. Under this Specialized T.A., experts in bond issues will also be utilized to assist in the design of a bond offering as one way of generating the funds to be utilized by the Central Bank. Other uses of these technical specialists will include project analysis specialists, promotion experts, rules and procedure review experts and economic consultants.

b. Training

Training will mainly be carried out locally, on an informal, on-the-job basis. Staff training in the Debt Conversion Unit will be undertaken by the technical advisors to develop a level of expertise which will assure program continuity. Also, where required, formal workshops and seminars will be conducted for appropriate in-house officials and their staffs. Funding is reserved to sponsor observational trips to the U.S., Latin American and other relevant countries where conversion programs are being implemented to establish relationships with creditor institutions.

b.1 Training programs and seminars

Specialty trainers will be provided for a total of 15 person-months to organize and conduct sessions for Central Bank personnel involved in the conversion transactions. During the life of the Project, training and seminars for Central Bank officials, staff and analysts will be carried out in the areas of project screening, economic analyses, financial analyses, asset valuation techniques, disbursement processes, management information system and controls. Training will also be provided in marketing, promotion and project identification to the staff members designated as the banking liaison officials. Officials from the Debt Conversion Unit, INFRATUR, FIDE and INDOTEC will benefit from this component which will be conducted through a minimum of eight separate workshops and seminars dealing in the topics described above.

b.2 Observational Program

In order to orient staff and to provide additional exposure to the processes of debt conversion, observational travel will be scheduled. One trip of two weeks in duration is programmed for the four professionals of the Debt Conversion Division to observe procedures being utilized in the central bank of an appropriate Latin American Country. Another one week excursion for the staff is planned to Washington, D.C. where they may observe the debt conversion procedures used by the International Finance Corporation of the World Bank.

Observational travel is also scheduled for the Debt Conversion Chief. Four trips of one week each will be provided to the officials for first-hand observation of the successful programs in other Latin American Countries, and to assist in establishing contact with counterparts in private investment banks.

Observational travel of two weeks each to the U.S. and in Latin America are scheduled for bank officials with the responsibility for legal decisions, disbursement control, and the banking liaison staff member to engage in a product interchange of the technical problems facing each specialized area.

c. Equipment, Operational Costs and Materials

To support the development and institutionalization of the debt conversion mechanism in the Central Bank, the Debt Conversion Unit will require the purchase of a limited amount of supplies, materials and equipment under the Project. This procurement will mainly consist of hard-disk personal computers (PCs) with printers along with the necessary software and accessories. Four PCs and four printers will be procured as well as a telefax machine and reproduction equipment. Operational costs and materials include the purchase of specialized software, computer accessories, furniture, and program literature.

2. Promotional activities

In order to establish an understanding of the conversion mechanism nationally and internationally, a promotional campaign will be sponsored to explain the requirements of the program and to highlight priority opportunities.

Public and private organizations will be the beneficiaries of promotional and informational efforts conducted by the Investment Promotion Council (IPC), with Central Bank approval. Targeted activities to promote the conversion program will be undertaken overseas and in the Dominican Republic to identify potential investors and creditor banks.

The program carried out by the IPC will explain the terms and promote the benefits of debt conversion and will provide information on the procedures required to access the mechanism. This institutional approach will be designed to reach organizations and institutions, both public and private, domestic and foreign, which deal with investment services, investment promotion and financing within the country. The following private institutions will be targetted, inter alia, in the IPC's campaign:

- National Council of Businessmen (CNHE)
- Joint Agricultural Consultative Committee/RD (JACC)
- American Chamber of Commerce and Dominican Chamber of Commerce (AMCHAM)
- Association of Dominican Exporters (ADOEXPO)
- Association of Foreign Investors (ASIEX)

In addition to the proactive campaign targeted for the private sector organizations above, the IPC's program will encourage the involvement of public sector institutions which share responsibility in either attracting or servicing foreign and domestic investors by soliciting their participation in workshops and seminars on debt conversion and by providing them with promotional and informational material for their sectors. The IPC's contact with those organizations will be channeled and coordinated through the DCU's liaison staff member and will be assisted by the specialized technical assistance contractors provided by the Institutional Contractor. This segment is designed to react to the information requirements of public agencies and is structured in a way that permits the DCU to control the linkages with other government agencies. The following institutions, inter alia, will be involved in receiving benefits which range from specialized brochures for their specific sector to participation in seminars designed to inform or promote the debt conversion mechanism as a means for financing those sectors.

- Ministry of Tourism.
- Ministry of Agriculture.
- Ministry of Industry and Commerce.
- Technical Secretariat of the Presidency.
- Ministry of Finance.

The potential campaign will be carried out through the series of two specialized workshops, two specialized seminars, lectures and by providing a tailored-made package to highlight the advantages of debt conversion for special interest areas such as industrial free trade zones, local exporters, agribusiness, tourism and others.

3. Transaction Financing

A few transactions carried-out under the auspices of the Project will involve transfer of fixed-assets to investors. However, most of the conversions are likely to involve acquisition of local currency by an investor in exchange for a foreign currency denominated debt. The counterpart contribution to the Project will include debt to be converted with a face value of at least US\$100 million. The funds to convert this debt, will come from bond sales proceeds, the sale or lease of State assets, the creation of new pesos, the peso funds generated under balance of payments assistance programs, or other sources.

4. Financial/Banking Advisor

The project will provide a personal services contractor to monitor the Project for USAID. The contractor will serve as AID's liaison with Central Bank project managers.

5. Project Evaluation, Monitoring and Audit

Monitoring of the Project's progress will be a daily activity with the responsibility resting directly upon the Director of the DCU. Evaluations will be conducted periodically; informally by AID Project Management and formally by outside, independent evaluators contracted by AID. Periodic scheduled and unscheduled non-federal audits of DCU and sub-grantee will also be conducted.

D. IMPLEMENTATION ARRANGEMENTS

1. Institutional Roles and Responsibilities

There are three organizations involved in the successful implementation of the Project. The main implementing institution is the Central Bank of the Dominican Republic. The second organization with responsibility for Project implementation is the Investment Promotion Council of the Dominican Republic. Finally, USAID will be involved in the monitoring and oversight of the Project.

a. Central Bank

The Central Bank of the Dominican Republic will be the institution with the primary responsibility for Project management. Through its Debt Conversion Unit, currently a Unit of the External Debt Department, the Central Bank will be responsible for hiring the staff defined under the Project, issuing host country contracts, providing logistical support for the technical assistance advisors, implementing the conversion mechanism and the general management and oversight of the Project. The Central Bank will hire 5 professionals and two secretaries to staff the DCU. The professional positions will consist of the Division Chief, a Deputy (Aide), two analysts with qualifications in finance and economics and one accountant. In addition to the team of five professionals, two secretaries will be hired to support the DCU clerical and correspondence needs. The Central Bank will select and hire professionals for the positions by August, 1989.

b. Investment Promotion Council

The Investment Promotion Council (IPC) is charged with the responsibility of promoting foreign and domestic investment in the Dominican Republic. The IPC will design and implement a tailored-made information and awareness program to encourage the use of the conversion mechanism and will coordinate its activities with the DCU liaison staff member.

c. Agency for International Development (AID)

The Mission's role is to finance and monitor the implementation, advise on the procedures for host country contracting, and contract for periodic non-federal audits and evaluations regarding the success of the Project in meeting its objectives.

2. Procurement and Training Plan

Primarily, the procurement under the Project will involve the solicitation, evaluation and selection of an institutional contractor who will be charged with providing all the technical assistance under the project, the planning and coordination of training activities, seminars and observation programs.

The contract will be awarded to a U.S. firm, or a group of firms which will provide specialized long and short-term assistance directly to the Central Bank as outlined in Section C.1. (a-c). The RFTP will also allow for a wide variety of assistance to be provided during the Project's life as the need or special circumstances warrant. This contractor will also assist in the management of the Project's training program.

The "Promotion and Awareness" component will be managed by the Investment Promotion Council (IPC) through an agreement with the Central Bank. The IPC will utilize the funds to contract technical assistance to implement the promotional aspect of the program. The Central Bank agreement and subsequent IPC contract will follow A.I.D. procedures and AID will approve both documents before commitment of funds.

The procurement of commodities will be undertaken by the Institutional Contractor. The following hardware, software and accessories will be purchased under the contract.

- 4 Computers with os/2 compatibility and Workstations
- 4 Printers (one laser)
- 1 Reproduction Machine
- 1 Tele FAX
- 2 Uninterrupted Power Supply Units

Software and Accessories:

- 2 Word-processing programs
- 2 Lotus Spreadsheet programs
- 1 Set of Miscellaneous support programs
- 1 Custom designed program for MIS/control
- 1 Custom designed program for evaluation

E. EVALUATIONS, MONITORING AND AUDITS

Evaluations will be conducted throughout the life of the Project informally by AID Project Management and formally by outside, independent evaluators contracted by AID. Periodic scheduled and unscheduled non-federal audits of the use of Project funds by the DCU and the sub-grantee will also be conducted.

1. Timing of the Evaluations

The Project is scheduled to initiate disbursements beginning January 30, 1989 and to be fully expended by PACD of December 31, 1992. During the four Project years, two evaluations will be conducted. USAID Project management will initiate the process with funding from the Evaluations/Audit budget of the Project.

In addition to the two scheduled evaluations and the two non-federal audits, it is anticipated that spot audits will be conducted by USAID project management if deemed necessary. USAID project management will condition funds to Grantee and the Sub-Grantee on the right to audit use of funds.

2. Criteria for Evaluations

Evaluation 1: (May, 1990) - Debt Conversion Unit

The first, formal evaluation (mid-term evaluation) will be conducted by an outside contractor and include, but not be limited to the following: (a) an evaluation of the progress towards 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; (d) assessment of management effectiveness in the 1) development of short term goals, and management by objectives, 2) the DCU's analyzes of proposals; and 3) the DCU's monitoring transaction approval/disbursement processes; and (e) assessment of the technical assistance contractor's role and contribution through evaluation of scope-of-work objectives and accomplishments, and technical contributions (i.e. number of seminars, workshops, installation of MIS and training program, etc.).

The contractors conducting the evaluation will access the following sources, which refer to the Project; inter alia, in reaching their conclusions; a) Project files, records, logs, etc.; b) sub-grantee (IPC) project plans, logs, records, reports; c) consultant's reports; d) available Central Bank statistics; e) AID project management reports and records; f) participant surveys.

Evaluation 2: (November, 1991) - DCU:

The second and final evaluation conducted by an outside contractor will identify the success or failure of the program of the Debt Conversion Program in accomplishing its objectives. This final evaluation will recommend long-term alterations, if required, and offer analyses on the ability of the DCU to sustain its role. This final evaluation is expected to be both an examination of the Program's success in meeting its objectives as well as an evaluation of the ability of the conversion mechanism to sustain itself.

Projects and programs of the Sub-Grantee will also be evaluated. These evaluations will be included in the formal evaluation and audit process listed above. The DCU will conduct informal monitoring and evaluations of their Sub-Grantee's promotional program and will evaluate the progress of each activity.

b. Audit Plan

Two formal, non-federal audits are planned. The first audit will be scheduled for November 1990 and will include a review of the financial practices of the DCU in regard to Project management. The objectives of both audits will be to identify and confirm that the uses of project funds by the DCU, the IPC and the institutional contractor have been appropriate.

The auditors will access various different sources including, but not limited to, a) evaluations, b) USAID Project Management Quarterly Reports, c) USAID/Controller's Office, d) IPC Financial Records (receipt, contracts, accounts), and e) available Central Bank data.

F. FINANCIAL PLAN AND METHODS OF IMPLEMENTATION AND FINANCE

The following is the Financial Plan and Methods of Implementation and Finance for this Grant, including local cost items.

Methods of Implementation and Finance

<u>METHOD OF IMPLEMENTATION</u>	<u>METHOD OF FINANCING</u>	<u>APPROX. AMOUNT (US\$000's)</u>
<u>SERVICES</u>		
Host Country Contract (non-profit or profit)	L/Com.	US\$1,500
Host Country Contract (or Subgrant) to IPC	L/Com.	US\$ 40
AID DIRECT CONTRACT	Direct Reimbursement	US\$ 110
(PSC or Institutional)	Direct Pay	US\$ 500
<u>TRAINING</u>		
Host Country Contract (non-profit or profit)	Direct Pay	US\$ 700
<u>EQUIPMENT, MATERIALS AND OPERATING EXPENSES</u>		
Host Country Contract (non-profit or profit)	L/Com.	US\$ 100
	Direct Reimbursement	US\$ 300
<u>EVALUATION/AUDITS</u>		
AID Direct Contract	Direct Pay	US\$ 250

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1. Financial Plan

(US\$000)

	AID GRANT		CENTRAL BANK	
	US\$	LC	LC	
1. INSTITUTIONAL STRENGTHENING				
a. Technical Assistance				
b. Training	1,500			
1. Training Pgm. and Seminars	500			
2. Observational Pgm.	200			
c. Equipment, Operational Costs and Materials	100	300	100	
2. PROMOTIONAL CAMPAIGN	40	110		
3. FINANCIAL TRANSACTION			*100,000	
4. BANKING/FINANCIAL ADVISOR	500			
5. EVALUATION AND AUDITS	250			
TOTALS:	3,090	410	100,100	

* face value of debt converted.

ANNEX 2

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A.I.D. GRANT AGREEMENT
STANDARD PROVISIONS

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

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

SECTION B.3 Utilization of Goods and Services

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

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

SECTION B.4 Taxation

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

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

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

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

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired

under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

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

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

(a) that the facts and circumstances of which it has informed A.I.D., or caused 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 Dominican Republic 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 to 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 standards and measurements commonly used in the United States.

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

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) on 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 Dominican Republic 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 be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

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

ARTICLE D

Termination; Remedies

SECTION D.1 Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2 Refunds.

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

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty (60) 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.

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