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A.I.D. PROJECT NO. 664-0355

PROJECT
GRANT AGREEMENT
BETWEEN
THE REPUBLIC OF TUNISIA
AND
THE UNITED STATES OF AMERICA
FOR
MANAGEMENT TRAINING FOR THE
PRIVATE SECTOR

DATE: 11 AUG 1982

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TABLE OF CONTENTS
PROJECT GRANT AGREEMENT

ARTICLE 1. THE AGREEMENT

ARTICLE 2: THE PROJECT

SECTION 2.1: DEFINITION OF PROJECT

SECTION 2.2: INCREMENTAL NATURE OF PROJECT

ARTICLE 3: FINANCING

SECTION 3.1: THE GRANT

SECTION 3.2: GRANTEE RESOURCES FOR THE PROJECT

SECTION 3.3: PROJECT ASSISTANCE COMPLETION DATE

ARTICLE 4: CONDITIONS PRECEDENT TO DISBURSEMENT

SECTION 4.1: FIRST DISBURSEMENT

SECTION 4.2: DISBURSEMENT FOR TECHNICAL ASSISTANCE
CONTRACTING AND TRAINING OUTSIDE TUNISIA

SECTION 4.3. FIRST DISBURSEMENT FOR TECHNOLOGY TRANSFER
LONG-TERM PIPELINE STUDENTS

SECTION 4.4: SUBSEQUENT DISBURSEMENTS FOR TECHNOLOGY
TRANSFER LONG-TERM PIPELINE STUDENTS

SECTION 4.5: NOTIFICATION

SECTION 4.6: TERMINAL DATE FOR CONDITIONS PRECEDENT

ARTICLE 5: SPECIAL COVENANTS

SECTION 5.1: PROJECT EVALUATION

SECTION 5.2: ACCESS TO TRAINING

SECTION 5.3: TRAINING FOR WOMEN

SECTION 5.4: PRIVATE SECTOR TRAINING

SECTION 5.5: RETURN OF PARTICIPANTS

ARTICLE 6: PROCUREMENT SOURCE

SECTION 6.1: FOREIGN EXCHANGE COSTS

SECTION 6.2: LOCAL CURRENCY COSTS

ARTICLE 7: DISBURSEMENT

SECTION 7.1: DISBURSEMENT FOR FOREIGN EXCHANGE COSTS

SECTION 7.2: DISBURSEMENT FOR LOCAL CURRENCY COSTS

SECTION 7.3: OTHER FORMS OF DISBURSEMENT

SECTION 7.4: RATE OF EXCHANGE

ARTICLE 8: MISCELLANEOUS

SECTION 8.1: COMMUNICATION

SECTION 8.2: REPRESENTATIVES

SECTION 8.3: STANDARD PROVISIONS ANNEX

SECTION 8.4: LANGUAGE OF AGREEMENT

ANNEX 1: AMPLIFIED PROJECT DESCRIPTION

ANNEX 2: PROJECT GRANT STANDARD PROVISIONS

PROJECT GRANT AGREEMENT

DATED: 11/1/62

BETWEEN

The REPUBLIC OF TUNISIA ("Tunisia" or "Grantee") acting through the Ministry of Foreign Affairs

AND

The UNITED STATES OF AMERICA, acting through the Agency for International Development ("A I.D.").

WHEREAS, the REPUBLIC OF TUNISIA and the UNITED STATES OF AMERICA entered into an Agreement for Economic, Technical and Related Assistance dated March 26, 1957, pursuant to which this Agreement is entered into by the Grantee and A.I.D.,

NOW THEREFORE the Parties agree as follows:

ARTICLE 1: The Agreement

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

ARTICLE 2: The Project

SECTION 2.1. Definition of Project.

The Project, which is further described in Annex 1, will consist of assistance to the Government of Tunisia to improve Tunisian private sector managerial practices and technical know-how. Annex 1, 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 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 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. It is anticipated that subject to the above the total contribution of A.I.D. will be \$18,500,000.

(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 3: Financing

SECTION 3.1. The Grant.

To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Million Five Hundred Thousand United States ("U.S.") Dollars (\$1,500,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and, as specifically authorized by A.I.D., to finance 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. \$11,800,000, including costs borne on an "in-kind" basis.

SECTION 3.3 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1997, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

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

ARTICLE 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement.

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

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

(b) The name of the Project Manager at the Ministry of Plan and Regional Development.

SECTION 4.2. Disbursement for Technical Assistance Contracting and Overseas Training

Prior to disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance the technical assistance contract and training outside of Tunisia, 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) Evidence that a Joint Advisory Council has been established to carry out the functions described in the Project, and that it includes participation by A.I.D., the Ministry of Plan and Regional Development, and the private sector. The private sector members must constitute a majority (at least 51 percent) and women at least 30% of the Council's voting membership. There should be a maximum of ten members;

(b) The names of the members of the Overseas Participant Selection Committee; and

(c) Criteria for use in selecting participants for long-term and short-term training in the U.S. and Third Countries.

SECTION 4.3. First Disbursement for Technology Transfer Pipeline Students.

Prior to first disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance the long-term training of students in the U.S. who started their studies under the Technology Transfer Project, 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) A list by name and expected graduation date of: (1) the students who will be provided Project financing for their studies in the U.S., and (2) the students who will receive A.I.D. financed health and accident insurance and J1 visa sponsorship under the Project for the fall semester of 1992;

(b) The estimated cost of the study program for each of the Project - financed participants, whether in the planned program or with an extension of one semester, by name; and

(c) For the Project - financed students, the estimated cost of the federal income tax which will accrue for the period of study to be funded by the Project.

SECTION 4.4. Subsequent Disbursement for Technology Transfer Pipeline Students.

Prior to disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance (after fall semester 1992) the training of participants in the U.S. who started their studies under the Technology Transfer Project, 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) The actual costs incurred per participant financed by the Project for the previous semester, by name, broken down by tuition, monthly stipend, book allowance, income tax, cost of health and accident insurance and visa fees, as applicable;

(b) The estimated return date for all participants whose Project support ended during the previous semester and their graduation date; and

(c) A list of participants who will receive Project financing for the upcoming semester with the estimated costs.

SECTION 4.5. Notification.

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

SECTION 4.6. Terminal Date for Conditions Precedent.

If the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE 5: Special Covenants

SECTION 5.1. Project Evaluation.

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

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

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

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

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

SECTION 5.2. Access to Training.

The Grantee agrees to utilize its best efforts to assist in the reduction or elimination of constraints to improved access to training within Tunisia, whether this involves modification of administration of the training tax or allowing the promotion or development of private management training institutions.

SECTION 5.3. Training of Women.

The Grantee agrees to utilize its best efforts to ensure that at least 30 percent of trainees in each category of Project training will be women.

SECTION 5.4. Private Sector Training.

The Grantee agrees to utilize its best efforts to ensure that of training opportunities under each of the Project components "Short-Term Management Training in the U.S. and Third Countries" and "In-country Training", at least 80 percent will be for private sector individuals. One hundred percent of long term training will be for private sector individuals.

SECTION 5.5. Return of Participants.

The Grantee agrees to use its best efforts to ensure that AID-sponsored participants who are employees of the public sector will return at the end of their training and will be employed in positions commensurate with their training and experience.

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 AID Geographic Code Book as in effect at the time orders are placed or contracts enters into for such goods or services) ("Foreign Exchange Costs"), except as AID 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, except as AID 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 AID may otherwise agree in writing, their origin in Tunisia ("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: 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 agree 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 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 Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

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

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

(1) by acquisition by A.I.D. with U.S. Dollars by purchase (or from local currency already owned by the U.S. Government); or

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

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

SECTION 7.3 Other Forms of Disbursement.

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange.

Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into the Republic of Tunisia 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 Tunisia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Tunisia.

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:

Direction Generale des Affaires Politiques,
Economiques, et de Cooperation pour les Pays
d'Amérique, l'Asie-Pacifique et les
Organisations Régionales, Américaines
et Asiatiques
Ministère des Affaires Etrangères
34, Rue d'Iran
Tunis

Alternate address for cables:

Direction Générale des Affaires Politiques,
Economiques, et de Coopération pour les Pays
d'Amérique, l'Asie-Pacifique et les
Organisations Régionales, Américaines
et Asiatiques
Ministère des Affaires Etrangères

To A.I.D.:

Mail Address:

28 Rue Suffex
Notre Dame
Tunis, Tunisia

Alternate address for cables:

Director USAID
Amembassy, Tunis

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

SECTION 8.2. Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Director General for Political and Economic Affairs and Cooperation between American Countries, Pacific-Asia, and American and Asian Regional Organisations, Ministry of Foreign Affairs, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Tunisia, 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 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 2) is attached to and forms part of this Agreement.

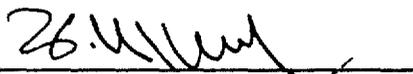
SECTION 8.4. Language of Agreement.

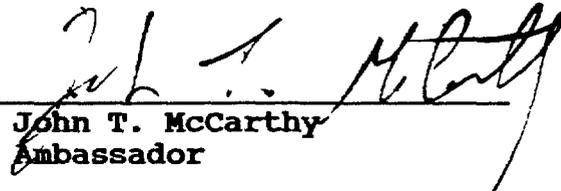
This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English Language version will control.

IN WITNESS WHEREOF, the Grantee 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 date and year first above written.

REPUBLIC OF TUNISIA

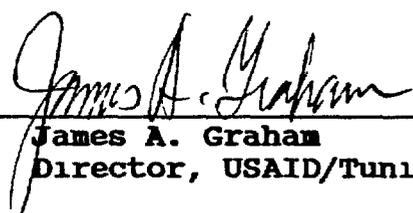
UNITED STATES OF AMERICA

By: 
Nouredine Mejdoub
Secretary of State to
the Minister of
Foreign Affairs

By: 
John T. McCarthy
Ambassador

Date: _____

Date: _____

By: 
James A. Graham
Director, USAID/Tunis

Date: 11' - 1

MANAGEMENT TRAINING FOR THE PRIVATE SECTOR (MTPS) PROJECT

AMPLIFIED PROJECT DESCRIPTION

A. Project Goal and Purpose

The purpose of the Project is to improve Tunisian private sector managerial practices and technical know-how; this will contribute to the broader program goal of supporting the emergence of a market-driven economy led by a revitalized private sector.

B. Project Description

The Project therefore focuses on linking SMEs more closely with their natural service community, both domestic and in the U.S. The Project is designed to stimulate existing business service providers to prospect private sector clients more aggressively as a means to both stimulate demand for training and technical services among SMEs, and to deliver those services in coordination with U.S. expertise. Hence, although the delivery of technical assistance to individual firms remains the primary objective of this Project, there is a secondary objective: the strengthening of private Tunisian business service providers (i.e. private training institutions, consulting firms and professional associations), and their links with private sector firms.

The Project will be managed by a US Institutional Contractor chosen through a competitive bidding process. The Contractor will be charged with establishing and operating a MTPS Project Office in Tunis which will implement project activities, including the coordination of all required short-term experts (US and Tunisian).

C. Project Implementation

To strengthen the links between small and medium exporters and their natural business service community, the Project intends to provide technical assistance and training to (a) improve indigenous capacity to diagnose real and immediate problems facing SMEs; (b) identify training and technical assistance strategies to solve them; (c) ensure the delivery of state-of-the-art expertise to resolve SME problems; and (d) improve general understanding about the availability and value of services to SMEs.

1

The Project will be implemented by a US-based Institutional Contractor (IC) and its Tunisian sub-contractors. The Joint Advisory Council (JAC) will provide general guidance to the IC and be responsible for approving annual work plans and participants for training outside Tunisia. The Overseas Participant Selection Committee will approve candidates for US and third-country training; A.I.D. will process the approved participants. USAID is also responsible for executing all procurements under the Project, and will execute a grant to FIAS for a high priority study to establish the Project's strategic direction: "Backward Industrial Linkages."

It should be noted that the IC will have two categories of sub-contractors. The first group will simply execute scopes of work under the direction of the IC. The second group will be partners in developing strategies and delivering services to SMEs. It is this latter group, comprising training institutions and consulting firms, that are referred to as "counterpart firms".

The first phase of the Project will focus on conducting detailed analyses of SME needs, developing strategies to meet those needs through technical assistance and training, and identifying Tunisian counterpart firms to provide or assist in providing such technical assistance and training. The second phase of the Project will focus on developing and conducting the promotion campaign and initiating technical assistance and training for Tunisian counterpart firms. The third phase will focus on delivering technical assistance and training directly to SMEs.

Complementing these central activities are the International Executive Service Corps (IESC), Policy Studies, Association Grants, and training opportunities in the US and third countries. IESC will continue to field volunteer retirees to work directly with industrial firms, acting as a bridge until the IC and its counterpart relationships are in place. Policy studies supported by the Project are designed to improve the general business environment. The IC will develop scopes of work for JAC approval and then conduct the studies. The IC will also administer an Association Grants program designed to support professional associations and chambers of commerce working with SMEs.

With respect to overseas training, the Project supports primarily short-term technical training, but also provides up to two years of academic training at the Masters level at U.S. institutions for up to 15 private sector candidates. The IC will recommend candidates (and their programs) for training outside Tunisia to the Overseas Participant Selection Committee. USAID and/or OIT/PIET will then process the candidates.

In summary, the activities supported under this Project are:

- (1) Policy Studies
- (2) Information, Education and Communication Campaigns
- (3) Project Assistance Strategies
 - (a) Diagnostic Studies of SME Needs
 - (b) Business Assistance Strategies
- (4) Technical Assistance to Tunisian Counterparts
 - (a) Training Institutions
 - (b) Consulting Firms
- (5) Direct Assistance to SMEs
 - (a) Management Skills Training
 - (b) Management Consulting
 - (c) International Executive Service Corps
 - (d) Association Grants
 - (e) Overseas Training

In addition, as approved in the MTPS PID, the Project will set aside funding to cover the "pipeline" of students who initiated degree programs under the Technology Transfer (TT) Project (664-0315) but do not yet have their degrees. In accordance with TT Implementation Letter No. 41 (9/91), USAID will provide financing not to exceed US \$1.7 million for the academic costs of 51 students, (b) the HAC and visa costs for an additional 29, and (c) administrative support costs. This assistance will continue until degree completion, or December 1994, whichever comes first. Allowable direct costs will include: visa fees, tuition, living allowance, book allowance, US transportation, health insurance, thesis or dissertation allowance, typing allowance and US income taxes. Administrative support costs include the continuation of a cooperative agreement with AMIDEAST/Tunisia for follow-up activities that support returnees.

D. Beneficiaries

The Project will target the beneficiaries described in the following paragraphs.

- > small and medium size private-sector companies, their owners, and senior managers:

Initial Project activities will focus on the owners and decision-makers of small and medium enterprises (SMEs). This sector has been identified by USAID and others for its potential to respond to increased demand for exports and create jobs. The SME sector also contains the largest number of women-owned firms. At least 30% of private sector firms benefitting from the Project are expected to be small or medium sized enterprises.

Special efforts will be made to reach a diversity of SMEs in different regions and sectors. Particular attention will be made to include women owners and employees of SMEs in Project-sponsored training. Where appropriate, senior managers of larger firms will also be offered training to introduce modern management practices.

- > private service providers:

Up to twenty Tunisian service providers (trainers, consultants, and business associations) will receive direct assistance in improving their capacity to meet the management and business development needs of the private sector. In addition, the IC will sub-contract specific scopes of work for diagnostic studies, etc. Not only will these sub-contracts benefit from the new work, but they will be drawn into the new patterns of relationships the Project will develop among Tunisian private firms.

- > selected employees of public institutions:

Approximately 20% of short-term training participants will be from the public sector. The employees identified will be from government ministries and institutions which interact with, serve or influence directly the private sector. Such government institutions may include the Institut de Gestion Supérieur (ISG), Chambers of Commerce, Institut Regional des Sciences Informatiques et des Telecommunications (IRSIT), Agence de Promotion Industrielle (API), and the Centre de Promotion des Exportation (CEPEX).

Excluded from Project assistance will be publicly owned enterprises and government employees not closely involved in delivering services to the private sector. Since the Project is not designed to improve vocational training, public or private institutions delivering skills based training will not benefit from Project outputs.

> Women

Targets for women participants will be 30% of all training categories in the early stages of the Project rising to 40% by the Project's completion.

E. Project Inputs

The total cost of the Project is estimated at \$30.3 million. Subject to the availability of funds to A.I.D. and the agreement of the Parties to proceed in the financing of future tranches, \$18.5 million will be financed by A.I.D. The balance of not less than \$11.8 million will be provided by Tunisian sources.

1. A.I.D. Inputs

A.I.D. inputs will consist of a mix of technical assistance, training and commodities.

2. Government of Tunisia Inputs

The Government of Tunisia will pay for salary and travel costs of training for its employees in the United States. In addition, it will pay for at least a portion of local tuition costs for its employees participating in Project-sponsored seminars.

3. Private Sector Inputs

Private sector firms will pay salary and travel costs of training for their employees in the United States, and a portion of local tuition costs. They will also pay for a percentage of tuition costs for long term U.S. training, as well as travel and salary costs.

In general, the total Tunisian contribution will be no less than 25 percent of the resources for all interventions. Private sector entities will themselves be expected to provide no less than 25 percent of the resources for interventions which benefit them directly. It is possible that some interventions may receive somewhat less than a 25 percent Tunisian contribution, but it is agreed that the Tunisian contribution to the Project as a whole will not be less than 25 percent.

F. Project Evaluation

The Project will be evaluated twice: an external mid-term evaluation which includes assessing the last phase of the Technology Transfer Project, and a final evaluation.

The success of the Project will be judged along two major dimensions:

(1) The efficiency of the Project will be judged by whether or not contributions have been made on schedule, technicians arrived when needed, resources have been properly managed, selection criteria are adequate or need refinement, Project funds have been drawn down in a timely manner, poor proposals rejected for funding, etc. The evaluation criteria to be applied focus on whether or not Project inputs have been adequate and supplied in a timely manner.

(2) The effectiveness of the Project will be determined on the basis of response to the following types of questions: Is the Project providing sustainable private sector management and business development services as measured by goal, purpose, and output indicators? Should activities be continued as they are currently scheduled or should they be altered in some way (mid-project evaluation only)? If there have been unsuccessful Project interventions, how can the approval process and criteria be tightened so as to increase the chances of success (mid-project evaluation only)? What is the impact of Project implementation on the increased productivity and growth of the private sector and SMEs in particular?

G. Illustrative Financial Plan

The plan attached as Attachment 1, hereto, is illustrative. 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 Section 2 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement. Future A.I.D. obligations are subject to the availability of funds and mutual agreement of the Parties to proceed.

ANNEX 2

PROJECT GRANT 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 the Grantee in the implementation of the Project, A.I D , from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the Amplified Description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1. Consultation

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

SECTION B.2. Execution of Project

The Grantee will:

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

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

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, Accounting Records, Audits, Inspections

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

(b) The Grantee shall maintain accounting books, records, documents, and other evidence relating to the Project and to this Agreement, adequate to show, without limitation, all costs incurred under the Grant, the receipt and use of goods

19

and services acquired under the Grant, the costs of the Project supplied from other sources, the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of awards of contracts and orders, and the overall progress of the Project toward completion ("Project Books and Records"). At the Grantee's option, with approval by A.I.D., Project Books and Records shall be maintained in accordance with one of the following methods: (1) generally accepted accounting principles prevailing in the United States, (2) generally accepted accounting principles prevailing in the country of the Grantee, (3) accounting principles prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants), or (4) such other accounting principles as the Parties may agree to in writing. Project Books and Records shall be maintained for at least three years after the date of last disbursement by A.I.D.

(c) If Dols 25,000 or more is disbursed directly to the Grantee in any one calendar year under the Grant, the Grantee, except as the Parties may otherwise agree in writing, shall have financial audits made of the funds disbursed to the Grantee under the Grant in accordance with the following terms:

(1) The Grantee shall select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the A.I.D. Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines".

(2) An audit of the funds provided under the Grant shall be conducted for each fiscal year of the Grantee. The audit shall determine whether the receipt and expenditure of the funds provided under the Grant are presented in accordance with generally accepted accounting principles agreed to in Section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than one year after the close of the Grantee's fiscal year.

20

(d) The Grantee shall submit an Audit Report to A.I.D. within 30 days after completion of each audit arranged for by the Grantee in accordance with this Section. The A.I.D. Inspector General will review each report to determine whether it complies with the audit requirements of this Agreement. Subject to A.I.D. approval, costs of audits performed in accordance with the terms of this Section may be charged to the Grant. In cases of continued inability or unwillingness to have an audit performed in accordance with the terms of this Section, A.I.D. will consider appropriate sanctions which will include suspension of all or a portion of disbursements until the audit is satisfactorily completed or A.I.D. performs its own audit.

(e) The Grantee shall submit to A.I.D., in form and substance satisfactory to A.I.D., a plan by which the Grantee will ensure that funds made available to subrecipients that receive Dols 25,000 or more in any one Calendar Year under the Grant are audited in accordance with this Agreement. The plan should describe the methodology to be used by the Grantee to satisfy its audit responsibilities with respect to any subrecipient to which this section applies. Such audit responsibilities with respect to subrecipients may be satisfied by relying on independent audits of the subrecipients or any appropriate procedures performed by the internal audit or program staff of the Grantee, by expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts, or by a combination of these procedures. The plan should identify the funds made available to subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities (a non-profit organization organized in the United States is required to arrange for its own audits; a for-profit contractor organized in the United States that has a direct contract with A.I.D. is audited by the cognizant U.S. Government agency; a private voluntary organization organized outside the United States with a direct grant from A.I.D. is required to arrange for its own audits; and a host-country contractor should be audited by the cognizant Grantee contracting agency). The Grantee shall ensure that appropriate corrective actions are taken on the recommendations contained in the subrecipients' audit reports; consider whether subrecipients' audits necessitate adjustment of its own records; and require each subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(f) A.I.D. may, at its discretion, perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Grant or other resources available to A.I.D. for this purpose. The Grantee shall afford authorized representatives of A.I.D. the opportunity at all reasonable times to audit or inspect the Project, the utilization of goods and services financed by A.I.D., 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

The 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,

(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.

(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 on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) 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 sub-section 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 U.S. dollars or, as A.I.D. may agree in writing, 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 indemnization 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 the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the Grantee's country.

SECTION D.2. Refunds

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

(b) If the failure of the 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.

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28

ATTACHMENT 1

**MANAGEMENT TRAINING FOR THE PRIVATE SECTOR PROJECT (664-0355)
ILLUSTRATIVE FINANCIAL PLAN
(IN US\$000)**

BUDGET LINE ITEMS	A.I.D CONTRIBUTION			TUNISIAN CONTRIBUTION									TOTAL FC	TOTAL LC	PROJECT TOTALS
	FC	LC	Total	GOT			Private Sector			TOTAL					
				FC	LC	Total	FC	LC	Total	FC	LC	Total			
US Technical Assistance	67	46	113	00	16	16	00	50	50	00	66	66	67	112	179
1 Institutional Contractor	54	46	100	00	16	16	00	47	47	00	63	63	54	109	163
2 IESC	10	00	10	00	00	00	00	03	03	00	03	03	10	03	13
3 FIAS	03	00	03	00	00	00	00	00	00	00	00	00	03	00	03
Overseas Training	46	00	46	00	09	09	00	35	35	00	44	44	46	44	90
Project Management	04	01	05	00	02	02	00	02	02	00	04	04	04	05	09
TT Pipeline	170	0	170	03	01	04	00	00	00	03	01	04	200	01	21
1 Student costs	156	0	156	03	01	04	00	00	00	03	01	04	186	01	20
2 AMIDEAST/Follow up	014	0	014	00	00	00	00	00	00	00	00	00	014	00	01
Evaluation/Audits	02	0	02	0	0	0	0	0	0	0	0	0	02	00	02
Contingency	02	0	02	0	0	0	0	0	0	0	0	0	02	00	02
PROJECT TOTALS	138	47	185	03	28	31	0	87	87	030	1150	1180	141	16	303

138