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A.I.D. Project Number 538-0163

PROJECT GRANT AGREEMENT

AMENDMENT NUMBER NINE

BETWEEN

the

ORGANIZATION OF EASTERN CARIBBEAN STATES

the

CARIBBEAN AGRICULTURAL RESEARCH AND DEVELOPMENT INSTITUTE

and the

UNITED STATES OF AMERICA

for

WEST INDIES TROPICAL PRODUCE SUPPORT

Dated: 30 JUN 1993

CONFIRMED COPY

Amendment Number Nine  
to  
Project Grant Agreement

The Amendment, dated 30 JUN 1993 1993, between the United States of America acting through the Agency for International Development (AID) and the Organization of Eastern Caribbean States (OECS) and the Caribbean Agricultural Research and Development Institute (CARDI), (together referred to as the "Grantee") follows:

WHEREAS, the Grantee and A.I.D. entered into a Project Grant Agreement dated September 29, 1989 ("the Agreement");

WHEREAS, the Grantee and A.I.D. desire to amend the Agreement;

NOW THEREFORE, the parties hereto hereby agree that the Agreement shall be amended to read as follows:

Article 2, The Project, Section 2.1, paragraph 1 is deleted in its entirety and the following substituted in lieu thereof:

The Project, which is further described in Annex I, will consist of assistance to the Grantee and to private producers and exporters of non-traditional agricultural produce, in order to strengthen the capabilities of OECS member countries in the production, post-harvest handling, transport, and marketing of non-traditional agricultural export products. Annex I, which is attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

In Article 3, Financing, Section 3.1, delete paragraph 1 and replace it with the following:

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 Eight Million, Three Hundred Thousand United States ("U.S") Dollars (\$8,300,000) ("Grant"). Subject to the limitations of Section 2.2 herein, A.I.D. anticipates providing a total of US\$8,300,000 in grant funds to the Project.

The Illustrative Financial Plan, Annex 1, Attachment 1 to this Amendment, supersedes and replaces the Illustrative Financial Plan in Attachment 1 of Amendment 8 to the Agreement, dated September 1, 1992.

In Article 3, Section 3.2, delete paragraph (b) and replace it with the following:

The resources provided by the Grantee for the Project as described in Annex I will be not less than the equivalent of One Million U.S. Dollars (\$1,000,000), at a rate of \$200,000 each year including costs borne on an "in-kind" basis. These costs will include a full-time Project Manager who will be assigned to direct all Project activities and will be the principal representative for TROPRO in the OECS. Other technical and administrative staff as required to conduct Project activities will also be provided. As part of the OECS "in-kind" contribution, office space and equipment (including office furniture, telephone, and photocopying and facsimile machines) will be provided for all technical and support staff whether funded by A.I.D or the OECS. Public utilities such as electricity and water are also included. Other donors (EEC Governments) are expected to contribute not less than Five Hundred Thousand U.S. Dollars (\$500,000) of counterpart funds to CATCO.

In Article 3, Section 3.3, paragraph (a), delete September 30, 1994 and replace it with September 30, 1996.

In Article 4, Conditions Precedent to Disbursement, Section 4.2, the following condition precedent should be added:

(c) Prior to any disbursement of funds to the OECS, granted by this Amendment, the OECS must appoint a full-time Project Manager for the Project.

(d) Prior to disbursement of funds for any activity that could result in deforestation, significant soil erosion, or involve the procurement or use of pesticides, an environmental assessment must be completed by RDO/C and approved by USAID's Latin American and Caribbean Bureau Environmental Officer and the recommendations be incorporated into the Project.

Article 5, Other Conditions and Covenants, Section 5.8 is amended to add the following:

After the PACD of the Project, the Grantee covenants to continue funding those Project funded positions that are mutually agreed by A.I.D. and the Grantee to be necessary to sustain Project activities in the OECS.

Article 5 is amended to add the following conditions and covenants:

Section 5.10 Patents

The Grantee covenants that planting material covered by patents will be used in accordance with U.S. Government and/or other applicable law.

Section 5.11 Adverse Effect on U.S. Exports

The Grantee covenants that Project funds will not be used to provide any financial incentive to a business enterprise presently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise because United States production is being replaced by such enterprise outside the United States.

Section 5.12 Biological Conservation

The Grantee covenants not to use Project funds to support deforestation of primary forest or in agricultural activities in parks, preserves, rare and endangered species' habitats or historical or archeological sites without specific approval in writing from A.I.D.

Section 5.13 Evaluation of Environmental Concerns

The Grantee covenants that all technical recommendations developed with Project funding will include specific discussion of the environmental impacts of these recommended actions/procedures and the measures to be implemented to mitigate negative environmental impacts.

Section 5.14 Key Personnel

(d) Prior to employment of the key personnel to be funded by the Project, RDO/C must concur with the scope of work, qualifications and selection of the candidates. Key personnel include the Chief Accountant, Field Marketing Specialists, Training Coordinator/Project Monitor, Chief Salesperson, the Agricultural Statistician in the OECS, and the Agriculture Diversification Officers in the Ministries of Agriculture of the various OECS Member States that have been approved for the post.

Article 8, Miscellaneous, Section 8.3 is amended as follows:

Replace the existing Project Grant Standard Provisions Annex (Annex II) with the revised version which is attached to and forms part of this Agreement.

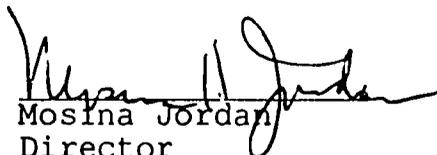
Except as amended herein, the Agreement, dated September 29, 1989, as amended, between the Grantee and A.I.D. remains in full force and effect.

This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

IN WITNESS THEREOF, the Grantee and the United States of America, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date first written above.

UNITED STATES OF AMERICA

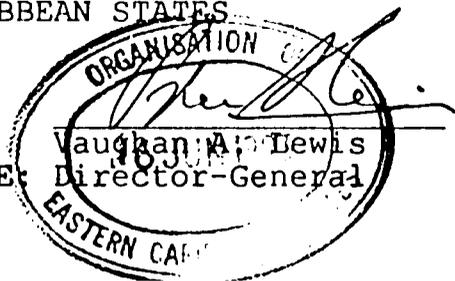
BY:



Mosina Jordan  
TITLE: Director  
Regional Development Office  
for the Caribbean

ORGANIZATION OF EASTERN  
CARIBBEAN STATES

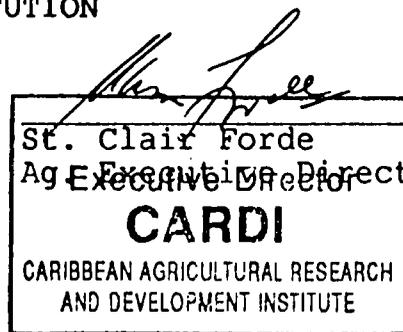
BY:



Vaughan A. Lewis  
TITLE: Director-General

CARIBBEAN AGRICULTURAL  
RESEARCH AND DEVELOPMENT  
INSTITUTION

BY:



St. Clair Forde  
TITLE: Ag Executive Director

**CARDI**

CARIBBEAN AGRICULTURAL RESEARCH  
AND DEVELOPMENT INSTITUTE

## Revised Project Description

### A. Goal and Purpose Statements

The Goal of the Project is to increase export of non-traditional agricultural products to intra- and extra-regional markets.

The Purpose of the Project is to increase regional and local capacity to export non-traditional agricultural commodities. The project will concentrate in four areas: product quality and quantity, post harvest handling, transportation and market knowledge. The project will also assist in enhancing institutional strengthening of the Caribbean Trading Company (CATCO), and develop a monitoring and evaluation system.

The Project purpose stems from the constraints of the existing non-traditional agricultural product marketing system. It is important to keep in mind that the Project will not create a new system, but will build on and improve what exists, institutionally and technologically.

### B. Project Modules

#### 1. Production

The original objectives of the Production Module remain essentially the same, with the exception that the focus will be on those priority export crops identified in the Joint Regional Marketing Program (JRMP). The ADCU/TROPRO Project Manager will perform the functions of Production Coordinator for the Production Module. In this function, the person will help bring the agriculture ministries and extension services into the production activities of the Project.

The Project will assist each agriculture ministry to establish a program for the production of priority crops, which will meet the export market requirements of quality and assured supply. It is essential for the MOAs to establish the proper policy framework, and direct the extension services to become more involved in TROPRO project activities to ensure that improved production practices are carried out within the farming communities. Through the efforts of the ADCU, each MOA will be encouraged to appoint a high level liaison officer to collaborate with TROPRO. TROPRO will co-fund a MOA diversification officer seconded from within the MOA staff for two years. This system was tested with the MOA in Dominica with considerable success.

The proposed mechanism for effecting the coordination in this module will be a Production Coordinating Committee in each country,

with membership from TROPRO, CARDI, MOA, and farmers and exporters organizations. The requirements for extension services in the Project will be discussed within the Committee, so that the extension services will be more responsive to producers needs and with JRMP identified priorities. This will define the role of TROPRO within the context of each OECS country's agricultural diversification efforts.

The ADCU/TROPRO Project will authorize and fund CARDI's project activities through task orders. These task orders will be very specific, describing the tasks to be performed, the time frame within which the tasks should be accomplished, and the budget. Task Orders will be developed collaboratively between CARDI and the ADCU. Work of the Israeli technicians supported by the project through CARDI will also be defined in task orders. Upon completion of the task order, CARDI will identify the CARDI/Israeli technician responsible for carrying out the task order work. This person will be responsible for reporting progress to TROPRO management. If a particular activity cannot be accomplished by CARDI, the ADCU/TROPRO will draw upon other sources of expertise such as the University of the West Indies (UWI), or the Fundación Hondureña de Investigación Agrícola (FHIA) to solve production problems. FHIA has a special relationship with the OECS and CARDI and is, for this project, considered part of the region.

With the activities and organization plan described above, the Production Module will thus be integrated within the project through the JRMP, linking it with the other modules, thus addressing a weakness identified in the mid-term evaluation.

## 2. Post-Harvest

### a. Program Implementation

The Post-Harvest function will continue to be an integral part of the JRMP. The ADCU will be directly responsible for carrying out post-harvest activities, and will no longer solely depend on CATCO for their implementation. Instead, ADCU will call on other organizations such as CARDI and FHIA for these Post-Harvest functions. This change is in line with CARDI's policy decision to expand their activities to cover Post-Harvest plant physiology.

As a result, CARDI's support to the post-harvest function will include the establishment of harvesting criteria for priority crops such as maturity indices, the development of new harvesting procedures and harvesting tools to reduce damage, and the treatment of the harvested product to control pests and diseases. Similar to the activities under the Production module, ADCU/TROPRO will direct CARDI's post-harvest activities using task orders as described above.

CARDI's efforts will be complemented by the technical assistance (TA) team, under the direction of the ADCU. A TA Post-Harvest Packing House Specialist will be responsible for assisting with all post-harvest aspects of JRMP marketing trials. This specialist will also develop and implement methods for proper handling, grading and packing; advise on packaging materials; and advise on requirements for pre-cooling and cool storage of products before shipment. The specialist will develop and conduct training programs on these methods for packing shed operators and others.

Short-term technical assistance will also be provided as required in areas such as product cooling practices and packaging. Concerning packaging, there are special needs evolving for shipping to some markets. For example, special emphasis will be given to biodegradable shipping materials for European markets. Germany, notably, no longer accepts non-biodegradable shipping materials or those which are unfriendly to the environment.

#### Marketing Support for Cocoa Exports

Under the recently concluded USAID-funded Caribbean Cocoa Rehabilitation and Development Project, implemented through the Pan American Development Foundation (PADF), many farmers in the Windward Islands became aware of the increased importance of cocoa as an export crop. Given the current guaranteed price and market provided to these islands under purchasing agreements with one of the world's largest cocoa buyers, the export of flavored cocoa can make significant contributions to farmers' incomes. However, the lack of adequate and coordinated collection and fermentation of the produce is a major constraint and results in loss of earnings for cocoa farmers. For example, the 1992 export production for Grenada, the largest producer in the Windwards, was the lowest in more than thirty years.

A TA Cocoa Coordinator will be provided under the Project to address the sourcing of products, ensure good quality and to help organize the marketing. This coordinator, whose objective is to increase the volume of flavored cocoa exported from these islands, will work with MOA and private farmers and farmers' organizations to ensure:

- maximum collection of wet cocoa from small and medium farmers;
- establishment of proper facilities and processes for the fermentation of wet beans;
- proper packaging and storage of beans before export;
- that shipping arrangements are coordinated for exports

from all the islands; and

- successful negotiations for markets and prices of regional cocoa.

Because many of the cocoa fields are very old, new plantings of high yielding flavor cocoa will need to be established. Through Task Orders the project will contract with private sector nurseries to supply, at a guaranteed price, rooted cocoa cuttings to cocoa growers.

b. Infrastructure

To minimize post-harvest losses and to reduce damage during shipment, improved handling practices are needed for NTAX products, starting at the packing shed and continuing through the system until the product arrives at the importer's warehouse. Improved handling practices include proper packaging in boxes of adequate strength; stacking boxes of product onto pallets and moving the palletized load through the system as a unit; pre-cooling the product to remove field heat; storing the product in cold rooms, and using refrigerated transport for long voyages. An essential element in the export of NTAX products will be the installation of dry storage, pre-cooling and cold storage facilities and handling equipment at each airport and seaport within the region, and at the extra-regional hub airport in Barbados.

A general survey of the region indicates that limited facilities are presently available. DEXIA, the Dominica Export-Import Agency, has cold storage units at the Melville Hall Airport in Dominica and other units at the airport in Antigua to facilitate the trans-shipment of products from Dominica. None of the other islands in the OECS have operating, adequate facilities to accommodate the flow of non-traditional produce for export.

Although the DEXIA cold storage facility in Antigua, with two cooling units, has been installed for over a year, it has yet to be used because of limited volume and a failure to appoint an agent to manage the facility. One of the priority tasks under the TROPRO project will be to put these units in operation. Both the Ministry of Agriculture and the Airport manager have agreed to having a dry storage facility located at the airport, and the land adjoining the cold storage building has been identified for such purpose.

In St. Vincent, a cargo warehouse and cool storage facilities are planned for construction at the airport with CIDA financing.

The TROPRO Project will clearly define the facilities to be established and their location within the region for dry storage, pre-cooling and refrigerated storage. The Project's limited

resources will not allow provision of all needs for the region. The Project Coordinator and the Project Manager will work with regional governments, port and airport authorities, exporters, export agencies and international donors to meet regional requirements.

The TROPRO Project will fund the purchase of a limited number of portable pre-cooling and refrigerated storage units in selected locations in the region to be used for demonstration purposes. These will be operated by private exporters' associations and/or farmers' associations. Short-term technical assistance will be provided to assist in identifying equipment and operating procedures.

### 3. TROPRO Marketing Services

A number of Project activities will be focused on marketing OECS exports. These activities include:

- (1) providing market information;
- (2) market representation in foreign markets for OECS exporters;
- (3) the removal of constraints that hinder market access;
- (4) strengthening exporters' and trade organizations; and
- (5) increasing exports to regional markets.

#### Market Information

Market information will be provided by the TROPRO Project Market Information System (MKIS). Information will be obtained from three primary sources: (a) primary data on production and sales collected from region; (b) reports on the UK markets sourced from the Natural Resources Institute (NRI) of the Overseas Development Association in London; and (c) trade and export information obtained from international data base systems.

#### i. The Market Information System (MKIS)

The operation of the MKIS has been transferred from CATCO to the ADCU. The TROPRO MKIS/COP will have the responsibility for the further refining the MKIS, and will be assisted by a data entry clerk and an agricultural statistician, both to be recruited by the OECS. A short-term consultant report in March 1992 established a 15-step strategy to implement a market information system covering foreign markets. The principle will be to make the MKIS as demand driven as possible by ensuring that it addresses two needs: first,

the need for market information on non-traditional agricultural exports in target markets; and second, the information requirements of concerned parties who make up the target audience.

The MKIS will be expanded to cover market news for local markets as well. The MKIS Officer will implement the strategy as outlined in the report, and the TROPRO project will contribute funds for the computers and fax machines, supplies, subscriptions and publications, travel and allowances, and for the training workshops for the counterparts and for exporters, for a total additional contribution of approximately \$150,000. Considerable short-term consultancies from MKIS specialists will be provided as well.

The MKIS will provide the following services to regional exporters, shippers, producer organizations, and service agencies:

- Market prices and volumes for priority products in the major markets.
- Market analyses and market intelligence for specific products in target markets.
- Access to general information through subscriptions to market news magazines, newspapers and periodicals.
- References and financial background information for produce wholesalers, brokers, and importers.
- The ability to pool information that is shared within the region on the performance of individual brokers.
- The opportunity to visit markets, meet marketers, and to be exposed to the interactions of the marketplace.
- Information on market standards and market specifications for the priority products.
- Information on market requirements and available technology.

ii. Market Information Provided by the Natural Resources Institute (NRI)

Additional market information will be obtained from the London-based Natural Resources Institute, which is a wholly owned division of the Overseas Development Administration (ODA). ADCU has contracted NRI to provide information on general produce quality in the marketplace, and market prices for those products exported by the OECS States to the UK. Product condition is monitored at the arrival port of Barry, and market prices and general product

quality are tracked at the Birmingham and London markets. A bi-weekly report is sent to the ADCU, which is supplemented by quarterly summaries indicating price and quality trends. The NRI also performs special studies and makes special reports upon demand, on topics such as market information for potential OECS exports and broker/importer profiles. NRI's entire cost of providing this information is absorbed by ODA, and there is no cost to the TROPRO Project. This is an example of how the Project team has been able to leverage the impact of TROPRO by linking with other donors.

### iii. Information on Exports of Non-traditional Agricultural Products From the OECS States

The TROPRO data collection system will collect, analyze, and disseminate data to measure the impact of the Project, and provide valuable information on the volume and value of exports from each OECS state. The data collection system will accumulate baseline data on annual exports for each of the years 1988-1991 to be used for future comparisons. In addition to the baseline data, the following information will be accumulated and updated semiannually by the Marketing Specialist.

- Export data showing country-specific information and OECS totals.
- Commodity-specific data covering all non-traditional produce eligible under the Project, with analysis to focus on key commodities.
- Volume and value of export data, by commodity.
- Export data showing country of destination, including specific intra- and extra-regional destinations.

### b. Market Representation

It is planned that regional exporters can use the services of a representative to advance their interests in each major foreign market. The cost of the services -- estimated at approximately 1% - 2% of sales when target volumes are achieved -- will ultimately be borne by the exporters. TROPRO will initially contract for the services of an agent to work on an occasional basis as the need arises for troubleshooting or representation services and to provide evaluation of the arrival condition of JRMP shipments. The TA contractor will contract for these services.

Typical services to be provided include the following:

- Verify product quality before payment by the exporter of quality claims to buyers.
- Make product inspections of trial shipments to provide immediate feedback for corrective action.
- Provide information on market prices, trends and conditions; respond to problems and complaints; meet problem shipments and assess the results on behalf of the exporter; provide information on box and packaging quality at retail outlets to assist in packaging trials.
- Provide commercial information on brokers, distributors, and importers.
- Act as a counterpart to, and otherwise assist the OECS market trainees, who are being trained in the operations of external markets.

TROPRO will provide the funding on a declining basis to contract market services. By the end of the Project it is planned that all costs will be borne by the OECS exporters and other interested parties through the regional exporters' associations.

#### 4. Transportation

Before the TROPRO Project began, the perception within the OECS region was that the major constraint to exports of NTAX products was erratic, unreliable shipping schedules combined with high shipping costs. This situation was caused by shipping inefficiencies that were the result of low product volumes. The region was caught in a vicious cycle where there were few exports because there was limited transportation, and transportation service was limited and erratic because there were few exports.

TROPRO has had success in breaking the cycle by encouraging transportation services by guaranteeing minimum shipping volumes during the initial period when shipping volumes were low. This has had a positive impact on exports because some of the risk of a new export venture has been eliminated for both parties -- the exporter and the transporter. This has encouraged more transportation services within the region, which has led to a greater volume of exports, thus reinforcing the truism that "transportation follows the business". As volumes continue to develop, hopefully minimum guarantees will become unnecessary.

TROPRO is expected to continue its favorable impact on shipping costs as well. As shipping volumes increase and become stable,

transportation systems can be put into place that reduce the transporter's operating costs. Under open competition, this will ultimately translate into reduced costs for the exporter. Furthermore, greater shipping volumes permit the adaptation of improved handling systems that can further reduce costs. For example, the planned move by Geest Line to use 40 foot containers instead of the smaller, less efficient 20 foot containers will result in cost savings through greater efficiency.

Even though transportation costs are an important component in the total cost of product delivered to the market, it is nevertheless only one of the factors that must be considered. If regional products are to be exported on a sustained, profitable basis, all costs (product, packaging, and transportation) must be kept below the average selling prices of the product. Through the JRMP, the profitability of the trial shipments will be monitored, and the sustainability of each export product will be determined.

The original objectives of the Transportation Module remain unchanged. Work is still required to improve inter-regional and extra-regional transportation services, although a certain amount of progress has occurred since the inception of the Project, both in sea freight and air cargo. Under the revised Project, the ADCU will assume an additional role in transportation. The Project will assist the ADCU in providing the services of a transportation specialist who will work under the direction of the ADCU Project Manager. In this capacity, the transportation specialist will continue to develop transportation services, for both air and sea cargo for NTAX products within the region, with links to hub facilities for trans-shipment to external markets. In conjunction with the ADCU Project Coordinator, efforts will be made to promote policy reforms by governments in the region to improve air and sea transport services.

The future activities to be carried out by the transportation specialist in the area of ocean transportation are:

- i. Negotiate refrigerated wharf storage space with GEEST in the U.K. to hold cargo after discharge.
- ii. Analyze problems and develop a strategy in response to GEEST's introduction of new vessels and 40' containers. This will have an impact on regional shippers and exporters, because it will require a further consolidation of loads, and different logistics for shipping larger quantities.
- iii. Work with international shipping lines in an attempt to establish regular service by sea to North American ports.

- iv. Assist regional shipping companies to upgrade their capability to improve inter-island shipping.
- v. Work on policy issues in collaboration with the ADCU Project Coordinator, and provide response to the implementors of the Caribbean Policy Project, to help improve policies affecting regional transportation.

Some of the activities of the Transportation Adviser in the area of air transportation will include:

- i. formulate a strategy for the development of hub airport facilities, possibly in Barbados and Antigua, for trans-shipments to the UK, Canada and the U.S.;
- ii. define the needs at regional airports for cargo handling requirements;
- iii. continue work with the three air carriers AMERIJET, REGAL AIR, and FLORIDA WEST to improve inter-island service and service to the U.S. markets;
- iv. with the Project manager, complete negotiations with LIAT for improving inter-island cargo service;
- v. define the airport infrastructure facilities to be established and their location within the region.

### C. Implementation and Monitoring Arrangements

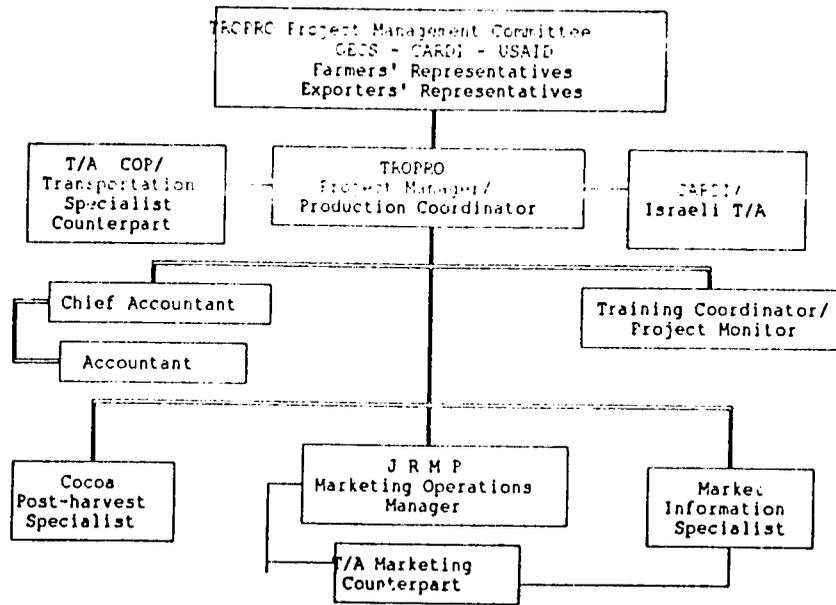
Under the revised project, the management function will be centralized in the ADCU in Dominica, and the technical assistance team will be centered in Dominica also. This TROPRO Team will work hand-in-hand with their counterparts in private organizations and with Ministries of Agriculture, to assure a real transfer of knowledge and technology upon the departure of the advisers.

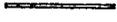
The financial management will be transferred from CARDI to the ADCU, so that the Project Manager will also have day-to-day supervision of the funds of the project. The proposed management of the ADCU/TROPRO is shown in the organization chart in Figure 1.

The four modules of the Project will be vertically integrated, to achieve a greater cohesion. That integration will be reflected in the organization of the ADCU, as shown in Figure 2.

Figure 1:

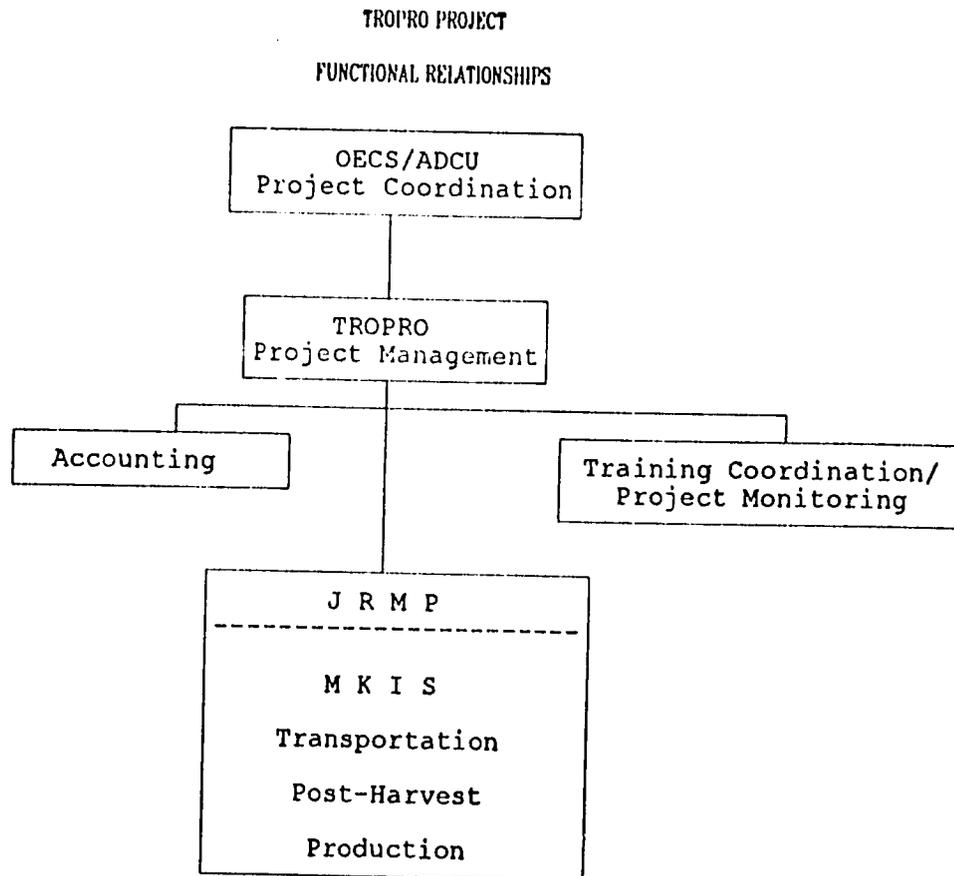
TROPRO PROJECT  
GENERAL MANAGEMENT ORGANIZATION



Note:  Lines of Authority and Control  
 Lines of Relationship and/or Influence

16

Figure 2:



### 1. Joint Regional Marketing Program (JRMP)

The Joint Regional Marketing Program is the instrument for implementing the TROPRO Project and represents the principal change in the implementation operations of the Project. The four modules of the project will be vertically integrated within the JRMP to assure a flow of produce from the farm to the ultimate consumer. The Program will be market-driven in that the JRMP will respond to the demand for fresh products from the region. The JRMP will not be "at risk" in the business transaction of buying and selling fresh produce. The authorized exporters for the trials will assume the business risk of making the trial shipments. The project will bear those exceptional costs related to the development aspects of the JRMP, such as special inspections, packaging development and temperature recording devices, risky or experimental shipments, and minimum guarantees of shipping volume to assure continuity of shipping services.

Under the revised Project, the ADCU will establish a JRMP Operations Department headed by a Senior Sales Representative. With the consolidation of the ADCU, the OECS Marketing Specialist

will be transferred to Dominica. The Marketing Specialist will assist with operations of the Joint Regional Marketing Program. The Senior Sales Representative will be assisted by four field agents covering the six OECS countries participating in the TROPIC Project. The three existing marketing/procurement agent positions now in CATCO will be transferred to the JRMP Operations Department, and one additional agent will be recruited. The four agents will be located in Grenada, St. Lucia, St. Vincent, and Dominica and will provide services to the JRMP within their respective areas. The agent based in Dominica will also serve the Leeward Islands of Antigua and St. Kitts and Nevis.

The marketing agents will provide the following services to JRMP:

- 1) ensure compliance with standards by producers and exporters;
- 2) coordinate the production and harvest of priority products in response to marketing plans and shipping schedules;
- 3) provide intermediate-term forecasts for product availability to the JRMP Marketing Operations Manager and provide local producers with market information needed for production planning;
- 4) provide general market information on prices and volumes to the producers and exporters; and
- 5) generally represent JRMP/TROPIC interests in the respective countries.

A sales representative employed by CATCO will work within the JRMP Operations Department and will sell CATCO products shipped through the JRMP. Additionally, an assistant sales agent will be funded on a declining basis by the Project to provide marketing services and the coordination of shipments for private exporters. The assistant will also sell the products for those exporters who wish to use this service. This assistant provide similar services for exports to regional markets.

## 2. Institutional Relationships

- a. The Caribbean Agricultural Research and Development Institute (CARDI)

As a co-grantee, CARDI will continue to play the lead role in the implementation of the Production Module. CARDI will provide additional support to the Project in Post-Harvest activities. Their work will include the establishment of harvesting criteria

for NTAX products, such as maturity indices, the development of specialized harvesting tools and the treatment of harvested produce against pests and diseases.

CARDI's efforts will be guided with task orders. Each task order will specify the scope of the work required, the timing and budget. Thus, CARDI's relationship to the Project will change, and the organization's role will become similar to that of a contractor, carrying out task orders for TROPRO. This will result in greater coordination of CARDI's efforts, and a closer alignment of their activities with Project goals.

It is recommended that the Memorandum of Understanding for Technical Assistance (TA) to the TROPRO Project through CARDI be extended under the AID - Israel Cooperative Development Program (930-0185) for an additional 30 months. Then, it will be useful to review the mix of specialists, to conform to the Production Module requirements. In this connection, increasing Israeli T/A with a Post-Harvest Handling/packing house management specialist in support of the T/A contract position specified above.

b. The Caribbean Agricultural Trading Company (CATCO)

Under the revised TROPRO Project, CATCO will continue to act as one of the marketing agents for the non-traditional produce, and will also benefit from the services provided under the JRMP. However, CATCO will no longer be the exclusive agent. The JRMP will be open to any exporter or shipper who complies with the Project requirements of quality control, packaging and labelling, and reporting to TROPRO. This does not limit in any way CATCO's ability to move product and to serve their traditional suppliers, largely the small farmers within the region. It does, however, expand the base of the JRMP by opening the door to private exporters.

D. Administration of Funds

The financial management of the Project will be transferred from CARDI to the OECS/ADCU. The Project will fund a senior accountant and an accounts clerk in the OECS/ADCU to manage Project accounting. The required computer equipment and software will also be provided from the Project. An audit will be conducted before the accounting responsibility is passed on to the OECS. RDO/C's Controller's Office will assist the Grantees, where required, during the transition from CARDI to the OECS/ADCU. Training for OECS/ADCU accounting personnel in A.I.D. financial management requirements may also be provided.

In discharging its financial management responsibility to the Project, the OECS/ADCU will be linked by computer to the OECS' main

accounting system. It will, however, function as an independent financial management unit accounting for and reporting independently on the use of all funds under the Project. A separate capability assessment will be required to determine whether the OECS/ADCU can adequately perform these functions. The capability assessment will be conducted when the OECS/ADCU financial management unit is established and the required personnel, equipment, and controls are in place.

After the OECS/ADCU has met RDO/C requirements for financial management, it will disburse funds, procure equipment, materials and supplies, and contract for personal services in the implementation of the Project. The disbursement procedures will be outlined in a Project Implementation Letter.

#### E. Audit Requirement

A.I.D. has adopted new audit requirements that are included in this Project Grant Agreement Amendment. The revised provisions call for annual audits of A.I.D. grants by independent auditors. Execution of the audits are the responsibility of the recipient. The content of these audits will be:

- an audit of the recipient's (OECS/ADCU) Fund Accountability statement for the Project Agreement showing Project revenues, and cash balance;
- a review of internal controls and compliance (including questioned costs) related to the Agreement; and
- a follow up review on status of prior year audit recommendations.

A.I.D. has prepared statements of work, for the guidance of the Grantee, to be used for the audits. The A.I.D. project officer and Controller's Office will assist the OECS/ADCU in the identification and contracting of an independent auditor.

The OECS and CARDI remain the Grantees for the Project. The OECS/ADCU will be responsible for the financial management of the Project and is expected to make disbursements to CARDI and to other regional groups such as CATCO.

U.S. contractors receiving in excess of \$25,000 per year are also subject to annual audits. A.I.D.'s Inspector General's Office (IG/FA) will be responsible for contracting and supervising these audits, and may use Project funds for the cost. A contract will be awarded to an AID approved audit firm for these audits.

## F. Project Monitoring

A monitoring and evaluation plan was recently designed for the Project. The monitoring will be a principal part of the Marketing Information System and will be included in the database in the OECS/ADCU. The Project will fund technical and administrative staff in the ADCU to collect and analyze the data and maintain the database.

The ADCU will monitor the impact of the Project activities in increasing regional food production and the volume of exports. Particular attention will be paid to the production and exportation of non-traditional crops on the regional and extra-regional markets and the impact on foreign exchange earnings for OECS member countries.

In addition to monitoring these broad macro-level indicators, the Project will also look at the distributional effects at the producer, exporter and farm family level. The influence of Project activities on the formation, function and sustainability of producer/exporter associations as well as the financial viability of the individuals of which they comprise will be examined. Women form an integral part of the fresh produce production and export base in the OECS. The impact of Project interventions on women and other agricultural producers, processors, and exporters will be monitored. The mid-term and end of Project evaluations will assess the impact of Project activities on these various populations.

## G. Project Evaluation

With this extension of the Project, two further evaluations will take place, if required, during the remaining three years of the Project. The first is planned for 1994, but depends on whether or not the Mission considers it necessary. The Mission will have an internal review of the Project to determine whether an evaluation is necessary. The final evaluation will take place in 1996, at the end of the Project.

The evaluations will be conducted by independent evaluators supplemented by independent OECS personnel and supported by A.I.D. resource personnel.

In the first of the remaining evaluations, the evaluators will examine whether the project redesign with revised objectives, structure, and administrative procedures is effective. They should then examine whether the project is moving satisfactorily toward achieving its objectives. The evaluators will carry out analyses on the various Project activities and make recommendations on future improvements.

Particular attention will be given to Project management and operations, environmental issues, and WID and other special concerns.

- Project Management and Operations

Selected evaluation areas of concern are:

1. reviewing coordination between the various implementing agencies, OECS, CARDI and USAID for effective management of the Project;
  2. the effectiveness of monitoring by the Project's management (OECS, USAID) to identify problems and accomplishments with special note of the monitoring requirements in Section F. above;
  3. the continued viability of the Project design in the context of the regional agricultural diversification strategy and the resources available to RDO/C;
  4. an analysis of the joint regional marketing program to determine its success in increasing regional exports and in integrating all project modules;
  5. the progress of the various modules, production, post-harvest, transportation and marketing information system, towards meeting their stated objectives;
  6. the appropriate identification and use of technical assistance in achieving project purpose;
  7. the impact of the project through its modules in increasing regional food production, improving quality and increasing the volume of exports, and adequate distribution of incomes resulting from project activities;
  8. the likelihood that end of project status will be achieved within the life of project, given current progress.
  9. the adequate inclusion of the outputs in Mission strategic objectives monitoring and evaluation plan.
  10. the extent that environmental costs are included in development of project funded activities and are considered in economic analysis of new crop development
- Environmental Issues

Questions that require addressing include:

1. the environmental impact of Project interventions and activities;
2. the environmental appropriateness of the "tech packs" developed and other technical packages actually used;
3. effectiveness of the evaluation of environmental concerns and methods used to mitigate negative environmental impacts.

- WID and Other Special Concerns

Particular attention will be given to:

1. the extent to which women have been included in the project funded activities of production and marketing of non-traditional crops;
2. the integration of private exporters into the project;
3. the development of producer and exporter associations under the Project.

The final evaluation will be conducted by OECS, USAID and outside evaluators as appropriate. This in-depth analysis will focus on the impact of the Project in achieving its purpose and satisfying its goal. The evaluation should determine whether:

1. the economic environment for non-traditional exports has improved in the OECS;
2. inter-island air freight service has improved;
3. the role of CATCO is appropriate in regional non-traditional agricultural trade;
4. private exporters have been strengthened and progressed towards a financially viable exporter association;
5. there has been an increase in the production and exportation of non-traditional crops in the regional and extra-regional markets and the impact on foreign exchange earnings for OECS member countries, and;
6. lessons learned from conducting this project are applicable to other projects.

The evaluation should also provide analyses to measure whether the post-PACD Project supported systems are sustainable. The methodology for the evaluation and scopes of work for the evaluation team members will be developed jointly by the OECS and RDO/C.

H. Role of A.I.D.

A.I.D. will assign a Project Officer, from among its direct-hire staff, to be responsible for oversight monitoring of the Project. The Project Officer will have frequent contact with key counterpart personnel in the OECS, CARDI and other participating institutions, public and private. The Project Officer will appraise Project activities on a periodic basis to confirm that they are progressing satisfactorily, will meet frequently with technical assistance and counterpart personnel, and will interface with other organizations involved in the Project or related activities. The Project Officer will be the individual responsible within A.I.D. for the preparation of various Project documents and for following up on the processing of financial documents. The Project Officer will be

assisted by a Project Liaison Officer who will be responsible for assisting with the day-to-day implementation of the Project. The Liaison Officer will foster appropriate collaboration between A.I.D. and the various implementing agencies and assist the Grantee in ensuring that Project activities are occurring as scheduled in the annual workplan.

I. Summary Financial Plan

The Project's financial plan by activity is presented in Attachment 1. A.I.D. is expected to provide a total of \$8,300,000 in grant funds for the Project, to be utilized over a period of seven years. These funds will be provided incrementally from time to time as authorized in future amendments to this Agreement. Since this is a market driven project, in which it is not possible to precisely program all funds at one stage, CARDI and the OECS, through the Project Management Committee, will be expected to develop detailed annual budgets to be presented to A.I.D. for its concurrence. These budgets will be the basis on which A.I.D. will provide advances of funds and reimbursements for expenditures.

Dated:

<b>TROPRO ILLUSTRATIVE FINANCIAL PLAN</b>					
COMPONENT	TOTAL OBLIGATION				PLANNED PROJECT(4)
	AID(1)	GRANTEE(2)	OTHER DONORS(3)	TOTAL	
Field Operations	2,987,000	400,000	500,000	3,887,000	4,650,500
Technical Assistance(5)	3,130,000	0	0	3,130,000	4,630,000
Commodities	584,000	0	0	584,000	844,000
Transport	50,000	0	0	50,000	110,000
Training	536,000	0	0	536,000	736,000
Project Liaison Officer	200,000	0	0	200,000	400,000
Evaluation and Audit	203,000	0	0	203,000	418,000
Dominica Agricultural Diversification	600,000	0	0	600,000	600,000
Contingency	10,000	0	0	10,000	311,500
<b>TOTAL</b>	<b>\$8,300,000</b>	<b>\$400,000</b>	<b>\$500,000</b>	<b>\$9,200,000</b>	<b>\$12,700,000</b>

**NOTES:**

1. Except for Dominica Agricultural Diversification, line item amounts within this Illustrative Financial Plan (IFP) may be adjusted by up to 15% of a single line item without formal revision to Annex 1 of the Project Grant Agreement provided that the total may not exceed the maximum amount of obligated funds stated in Article 3 Section 3.1 of this Agreement. Should adjustment be required, all members of the Project Management Committee must be notified in writing. This IFP will be revised upon the provision of future increments of funding.
2. Grantee funds are provided in local currency.
3. Other Donor funds will be provided in Eastern Caribbean dollars or in ECUs.
4. This represents total planned project funding of \$6,800,000 from USAID, \$1,000,000 from OECS, and \$500,000 from the EEC. AID will provide funds incrementally. OECS will provide funds at the rate of \$200,000 annually in local currency. The EEC will provide US\$500,000 support funds in ECU to CATCO through CFC in the first year of project implementation.
5. Direct AID contract.

Project Grant Standard

Provisions Annex

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

Article A: Project Implementation Letters

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

Article B: General Covenants

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

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

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

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

Article B: General Covenants (Continued)

SECTION B.3. Utilization of Goods and Services.

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

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

#### 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 member states 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 member states of the Grantee, the Grantee will, as and to the extent provided in and pursuant to the Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

#### SECTION B.5 Reports, Accounting Records, Audits, Inspection

(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 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 award 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 \$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".

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- 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.

(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 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 \$ 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 on 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' audits 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 cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

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

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

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

**Article C: Procurement Provisions**

**SECTION C.1. Special Rules.**

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

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

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

**Article C: Procurement Provisions (Continued)**

(d) Transportation by air, financed under the Grant, of property of 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,

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- 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, or 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.

#### Article C: Procurement Provisions (Continued)

**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 produced 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.

Article: Procurement Provisions (Continued)

#### 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 indemnification received by the Grantee under such insurance will be used to replace or repair any materials 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 the A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of grantee's country.

**SECTION D.2 Refunds.**

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

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

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

(d) (1) Any 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 sound funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

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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 constructed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assessment 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.