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A.I.D. Project Number 675-0221

**PROJECT**  
**GRANT AGREEMENT**  
**between**  
**THE REPUBLIC OF GUINEA**  
**and the**  
**UNITED STATES OF AMERICA**  
**for**  
**THE AGRICULTURAL MARKETING INVESTMENT PROJECT**

Date: August 13, 1992

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A.I.D. Project No. 675-0221

Project Grant Agreement

Dated: August 11<sup>th</sup>, 1992

Between

The Republic of Guinea ("Grantee")

And

The United States of America  
acting through  
The Agency for International Development ("A.I.D.").

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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 promote growth and increased efficiency in agricultural markets in Guinea. 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 8.3, 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.

(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 United States ("U.S.") Dollars (\$1,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of U.S. \$7,500,000, 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 therefore for with 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 such 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) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) A statement of the name(s) of the person(s) holding or acting in the office of the Grantee specified in Section 8.3., and or any additional representatives, together with a specimen signature of each person specified in such statement;

SECTION 4.2. Disbursement for Technical Assistance. Prior to the first disbursement under the grant for technical assistance, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may 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 memorandum, certified by the Grantee, including legal counsel, setting forth all requirements, necessary documentation, or any other prerequisites for the registration of the Agricultural Marketing Foundation as a local non-governmental organization pursuant to the laws and regulations in effect in the Republic of Guinea.

SECTION 4.3. Disbursement for Commodity Procurement for the Grantee. Prior to the first disbursement under the grant for commodity procurement for the Grantee, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) Evidence that within sixty (60) days of receipt of an application for registration of the Agricultural Marketing Foundation as a local non-governmental organization, pursuant to the documentation submitted under section 4.2 above, the Grantee has issued a registration of the Foundation as a local non-governmental organization; and

(b) Evidence that the Grantee will provide local currency for the operating expenses of the Agricultural Marketing Foundation for three years in the amounts specified in Annex I (Amplified Project Description) of this Agreement embodied in approval of such funding under the 1992 Counterpart Fund Management Agreement.

**SECTION 4.4. Conditions Precedent to Disbursement for the Agricultural Marketing Loan Guarantee Fund.** Prior to the first disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for \$2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the BCRG has established a separate, non-commingled account with the Federal Reserve Bank of New York into which grant funds will be deposited for the AMLGF reserve, together with written terms and conditions governing operation of the account; and

[b] The Statement of Operating Procedures (SOP) for the AMLGF, which will, inter alia, specify the responsibilities and authorities of all actors (USAID, Credit Committee, BCRG, Facing Bank, and Participating Bank(s)] as well as eligibility criteria for loans, reporting and audit requirements, penalties for non-compliance, procurement restrictions, including source/origin and cargo preference, and all other rules and procedures.

**SECTION 4.5. Condition Precedent to Second Disbursement for the Agricultural Marketing Loan Guarantee Fund.** Prior to the second disbursement under the grant for the Agricultural Marketing Loan Guarantee Fund for \$2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

**SECTION 4.6. Condition Precedent to Third Disbursement for the Agricultural Marketing Loan Guarantee Fund.** Prior to the third disbursement under the Grant for the Agricultural Marketing Loan Guarantee Fund for \$2 million, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, submit to A.I.D., in form and substance satisfactory to A.I.D.:

[a] Evidence that the AMLGF is being administered in accordance with the terms and conditions of the SOP for its operation, including administration of the blocked account by the BCRG.

SECTION 4.7. Notification. When A.I.D. has determined that the conditions precedent specified in each of Sections 4.1, 4.2, 4.3, 4.4, 4.5, and 4.6 have been met, it will promptly notify the Grantee.

SECTION 4.8. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Sections 4.1, and 4.2 have not been met by 30 days after signature of this agreement, Section 4.3 by 90 days after signature of this agreement, Section 4.4 by 210 days after signature of this agreement, Section 4.5 by eighteen months after signature of this agreement, and Section 4.6 thirty months after signature, respectively, or such later dates as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then-undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 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 of 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. Post-PACD Loan Guarantees. The Grantee agrees, except as A.I.D. may otherwise agree in writing, that it will utilize any and all funds remaining in the AMLGF after the PACD to guarantee loans for agricultural marketing activities in accordance with the procedures and criteria established under this project.

**SECTION 5.3. Agricultural Marketing Foundation Endowment.** The Grantee agrees, except as A.I.D. may otherwise agree in writing, that it will provide the local currency equivalent of US \$6 million for the establishment of an endowment for the Agricultural Marketing Foundation as further specified in Annex I (Amplified Project Description) to this Agreement, within 36 months after signing this Agreement.

**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 A.I.D. Geographic Code 899 as in effect at the time orders are placed or contracts entered 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, the Cooperating Country, and other countries included in AID Geographic Code 899, except as A.I.D. may otherwise agree in writing.

**SECTION 6.2. Local Currency Costs.** Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Guinea ("Local Currency Costs").

**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 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 in Grantee's behalf for the Project; or,

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

more contractors or suppliers, 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 service.

(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, request to finance such costs.

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

(1) by acquisition by A.I.D. with U.S. Dollars by purchase; or

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent 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 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 Guinea 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 Guinea at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Guinea.

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:

Alternate address for cables:

To A.I.D.:

Mail Address:

Alternate address for cables:

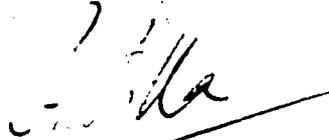
All such communications will be in English , unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

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 Minister of Foreign Affairs and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, each of whom, by writing notice, may designate additional representatives for all purposes other than exercising the power under 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 an forms part of this Agreement.

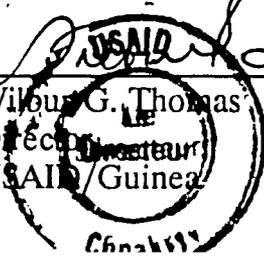
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE REPUBLIC OF GUINEA



Ibrahima Sylla  
Minister of Foreign Affairs  
and Cooperation

THE UNITED STATES OF AMERICA

Wilbur G. Thomas  
Director  
USAID/Guinea

FISCAL DATA

PRJ: 675-0221  
APP: 72-112/31014  
BPC: GSS2-92-21675-KG13  
RCN: E220028  
AMT: \$ 1,000,000

Clearance: D/Controller, ACooke  6/17/77

Agricultural Marketing Investment Project  
A.I.D. Project No. 675-0221

ANNEX 1

AMPLIFIED PROJECT DESCRIPTION

## ANNEX 1

### Amplified Description of the Project

#### 1. Goal and Purpose

The goal of the Agricultural Marketing Investment Project (AMIP) is **to increase per capita income from non-mining activities**. Its purpose is to **promote growth and increased efficiency in agricultural markets**.

The critical assumptions for the achievement of the project goal are: (a) minimal civil unrest will accompany transition to a more participatory government in Guinea; (b) current economic stabilization and adjustment efforts will be sustained; and (c) international economic stability and growth in world markets will sustain the demand for tropical agricultural products.

The Project will have two components to achieve its purpose, the growth and increased efficiency of agricultural markets. The two components will be the Agricultural Marketing Foundation (AMF or "The Foundation") and the Agricultural Marketing Loan Guarantee Fund (AMLGF or "The Fund"). Both the Foundation and the Fund will be overseen by a Board of Trustees (see Section II.C.4 below).

#### 2. The Problem and Constraints

Among the principal constraints to the development and expansion of agricultural markets in Guinea are (a) a defective policy and regulatory environment; (b) ineffective financial intermediation and investment services in the agricultural sector; and (c) the high costs of agricultural marketing. Some of these constraints include lack of financing for rural small-scale enterprises, deficient follow-up services for those who do receive loans, and lack of skills to conduct enterprise feasibility analysis as well as management skills among entrepreneurs. In addition, there is a general confusion among enterprise promoters about the role and nature of the private sector in a market economy. There is a critical need to assist the private sector to play a larger role in policy formulation and to improve financial and business services, particularly in the agricultural marketing sector. This requirement cannot be met by existing public sector institutions.

On the basis of this assessment, USAID considered various options that would address the constraints to growth and efficiency in agricultural markets. By supporting the founding and initial operations of a private sector foundation and by establishing a loan guarantee fund, the Agricultural Marketing Investment Project is the vehicle through which these constraints will be addressed.

### 3. Project Components

The AMIP will be institutionalized and managed by private business investors for the purpose of promoting the growth of private enterprise, and increased efficiency in agricultural markets. The AMIP will achieve its objectives through two components, the Agricultural Marketing Foundation (AMF), and the Agricultural Marketing Loan Guarantee Fund (AMLFG).

The AMF will: (1) assist the Guinean private sector to increase domestic, regional, and overseas export marketing; (2) promote increased investments in agricultural production, processing and related activities; (3) provide a range of business services for loan proposal and application preparation, and proposal feasibility analysis; (4) and serve as a forum for policy dialogue between the government and the private sector in order to bring about GOG policy changes resulting in an environment conducive to increased marketing of agricultural exports.

The general functions of the Foundation will be to:

- (1) promote the development of private enterprise, taking an aggressive and proactive stance in advancing the private sector's marketing of agricultural sector outputs and inputs and other related non-mining products; and
- (2) stimulate and galvanize Guinean agribusiness enterprises and associations to identify and take advantage of export marketing opportunities, both regional and overseas.

The Foundation will be a private sector institution whose membership will be comprised of businessmen and businesswomen, planters, producer associations (e.g. potato-growers associations, federation of horticulturalist), agribusinesses, and trade-marketing associations, e.g., CLIFFEL and Transporter Associations, involved in agricultural production, processing and marketing activities. A strong effort will be made to involve pro-business PVOs such as the Guinean Association of Business Women. There will be two categories of membership: charter members and regular members. Charter members will be individual entrepreneurs, enterprises and associations which make a one time contribution of significant size and also pay annual membership dues. Regular members pay annual membership dues only. They can also become Charter members anytime upon payment of required contributions.

A 9-member Board of Directors (BOD) will be elected principally from the Foundation's membership. Election to the Board of Directors will be held every two years. Members of the BOD will elect a chairman and a vice-chairman. Terms of chairman and vice-chairman will be co-terminus with the duration of the Board of Directors.

The AMLGF will provide resources to stimulate financial institutions to in turn provide short, medium and long term credit. It will also provide the BCRG with experience in managing funds to enhance the long term sustainability of such operations in Guinea. USAID grant funds will provide \$6 million to establish the AMLGF. Initially, the AMLGF will provide guarantees for short term financing for agricultural marketing (trade and export) activities. Guarantees for financing of agricultural marketing activities will include loans for investment capital, plant and working capital, and pre-export and post-export finance.

The AMLGF, standing alongside the Agricultural Marketing Foundation, is an essential component of the overall project concept. Without such a fund, credit constraints to agricultural exports, marketing, and agro-industrial investments cannot be adequately addressed.

The level of guarantee to be provided by the Fund will never surpass 50 percent any bank loan, whether short, medium, or long term. The Fund is intended to leverage the financial resources of the banking and the private sectors.

Careful preparation and review of project proposals, based on reliable information provided by AMF and close monitoring of loan utilization by the lending bank(s) are expected to minimize risk. The loans will be made on the basis of prevailing market rates of interest.

Private sector participants, not the government, will be encouraged to foster and protect private sector interests, even though the business and legal environment in Guinea is difficult.

Access to the benefits of a guarantee program will be controlled by private sector participants with the help of AID. Once the decision to pay the guarantee has been taken, subject to explicit criteria, payment to the bank will be rapid. Payment of the guarantee will not come easily. Private banks will have to demonstrate a good faith effort to collect a delinquent credit, even though the legal regime is rudimentary at best. The guarantee will be a means of increasing the volume of credit available to bankable transactions in the agricultural marketing sector, not of reducing the risk related to essentially uncreditworthy proposals. The extent of guarantee coverage will be such as to encourage utilization by the commercial banks without weakening their obligation to share risks or relieving them of the responsibility for their own credit decisions. The guarantee fund reserve will be put in place before the AMLGF program goes into effect and will be protected from diversion to other uses.

The Fund will be administered so that anticipated guarantee claims will not exceed the existing guarantee reserve. As the AMLGF will be funded incrementally by three successive disbursements from the overall incremental obligations provided by

USAID/Guinea, the guarantee claims will be limited to existing disbursed funds. To make this goal more easily achievable, the fund will be available to cover loan principal only, not interest.

The AMLGF will be created as a part of the overall USAID grant for the AMIP to the GOG, to be incrementally funded over three USG fiscal years. The BCRG will submit to USAID, in form and substance satisfactory to USAID, a Statement of Operating Procedures (SOP) for the AMLGF, prior to disbursement of the first tranche of the \$6 million. This SOP will, require that the grant disbursements for the AMLGF be placed in a blocked, interest bearing account with the Federal Reserve Bank of New York for use as a reserve for the guarantee fund. Withdrawals will only be allowed to pay certain local bank administration fees and to liquidity drawings for guarantee claims. The BCRG will have a management role for the blocked account, but, for all other purposes, will perform primarily as a conduit for guarantee payments.

#### 4. Project Outputs

Successful implementation of the project will result in the following outputs.

- (a) Establishment and functioning of a sustainable private sector institution: "Agricultural Marketing Foundation".
- (b) Establishment and functioning of a loan guarantee fund.
- (c) Increased number of private sector operators trained in agribusiness and marketing. Approximately 150 private sector operators will be trained during the life of project.
- (d) Increased availability of reliable and timely market information on: key export commodities; location of demand; supply sources and competition; prices; quality, shipping and packing requirements, availability of cargo/shipping; cost effectiveness of packaging; importing country policies and requirements.
- (e) Increased capacity of private commercial banks to review loan proposals for financial, economic and technical viability. Approximately 10 banking staff will be trained during the life of project.
- (f) Increased number of agricultural marketing and agribusiness investment feasibility studies conducted with participation (financial and otherwise) by the prospective entrepreneurs. Approximately 15 such studies will be conducted during the life of project.
- (g) Increased number of new or revitalized agricultural export enterprises;

agribusiness; and agricultural marketing support ventures (e.g. transport and packing etc.) launched. Approximately 25 during the life of project are expected to be launched.

(h) Approximately 25 agricultural export loans guarantees provided.

(i) Increased employment opportunities in the agricultural production, marketing and processing sub-sectors. At least 500 new jobs are expected to be created as a direct result of increased marketing, export and processing activity.

(j) Improved quality, reliability and availability of a range of agro-services, including: the sale of agricultural inputs; equipment hiring services; the development of storage, packing, specialized transport, and shipping and handling services.

Another important feature of AMIP will be institution building. This will involve (a) the development of an autonomous and sustainable private sector institution (the Foundation); (b) strengthening the commercial banks capacity to increase lending to agribusiness sector; and (c) strengthening the BCRG's capacity to manage funds to promote private sector growth. Institution-building will be achieved through training and long term technical assistance to AMF and commercial banks participating in the loan guarantee program.

## 7. Project Inputs

To achieve the project purpose and outputs described above, the following inputs will be provided.

### a. Technical Assistance

**Long-Term.** Approximately 144 person months of long-term TA will be provided to AMF. The TA team will consist of: an Organization Development Specialist; a Market Information and Research Specialist; and a Business and Financial Management Specialist. These three long term technical assistants will be located at the AMF and will be responsible for the development, structuring and operations of the AMF with their Guinean counterparts in carrying out the day to day operations of the Foundation.

Also included in long-term TA will be 60 person months for the services of a Banking and Trade Finance Specialist, who will be work with the AMLGF staff, the adminstering/facing bank and the commercial banks, whose loans are guaranteed by the Fund. The primary responsibility of this position will be to ensure that sound lending and trade finance practices are followed by the banks, to assist in training AMLGF staff and to ensure the viability of the loan guarantee program.

**Short-Term.** Approximately forty (40) person-months of short-term TA will be provided to the AMF and the participating banks in areas to be identified and defined during implementation. Areas for AMF staff training will be: preparation of project proposal feasibility studies and analysis; record keeping, accounting and business management. Areas for AMLGF staff will include loan and credit appraisal. Short-term TA from qualified institutions (such as the African Project Development Facility (APDF) located in Abidjan, Cote d'Ivoire) will be sought for its expertise in these areas of business training.

Feasibility studies will be financed on the basis of cost-sharing between the project through financing of short-term TA furnished by the AMF, the Guinean or foreign partner investors involved, and perhaps by the APDF if it is participating in project activities. It is anticipated that the market related information (demand, supply, prices, and quality requirements) on various commodities will be provided free of cost to the AMF membership. However, product/commodity specific feasibility studies will be financed on the basis of cost-sharing between the project and Guinean private sector. Among the principal initial tasks of the TA team will be to develop a policy in this regard in consultation with the AMF. The policy to be developed will be based on a study of similar practices followed by APDF and other institutions in the region.

#### b. Training

The project will provide short term training both in-country and off-shore locations in U.S., Europe and West Africa region. Training will be open to the AMF and AMLGF staff, private sector business individuals, and to bank personnel. There will also be some training for GOG officials on a selective basis.

Off-shore training will be funded in the amount of \$337,000, by US grant funds and will be available to both private sector entities participating in the foundation and banking staff participating in the implementation of the AMLGF. The training will consist of market exploration trips, participation in agricultural trade fairs, and observation tours of successfully operating private sector agricultural marketing institutions in other LDCs. Costs of training will be shared on a sliding scale. Policies and procedures related to sharing of costs, for short term overseas training, between the project and participant entrepreneurs will be developed by the TA team in consultation with the AMF board of directors. It is anticipated that at least 35 percent of the cost of such training will be borne by the participant entrepreneurs. Eight to ten private sector participants per year will benefit from short-term overseas training.

In-country training, in the amount of \$134,000 (FG equivalent), will be funded in the project budget. Three to four in-country training sessions will be conducted per year, benefiting a total of 20-35 private sector participants per year. Both Guinean and expatriate consultants will be used to conduct in-country training. Topics will be selected

for immediate relevance to credit, marketing and export activities, including: small business management practices; developing business plans and proposals; trade finance instruments and procedures; credit and contracting terms for sale and shipment of products; and basic accounting and record keeping.

c. Commodities

Under the Commodities budget line item, the project will provide the following commodities, estimated to cost approximately \$237,000: vehicles, office furniture, computers, photo copier and fax machine. These commodities will be provided to the AMF as an element of technical assistance. A modest amount, \$126,900, of commodities (line item: Commodity Support) will be provided for project monitoring to MARA, which will be the GOG entity initially associated with project implementation.

d. The Foundation

AMF Operating Costs: The project will provide funding for the recurrent costs (including personnel, operations and service center costs) for the Foundation. To support the operations of the AMF, and meet its recurrent costs, GOG will provide approximately \$1,500,000 equivalent in local currency for PYs 1, 2, and 3. AMF recurrent and operating costs for PYs 4 and 5 will be provided by the interest income earned by the Endowment and for other revenues, such as membership fees and user fees.

AMF Endowment Fund: To ensure the long-term viability and sustainability of the Foundation, the GOG will provide approximately \$6 million equivalent in local currency from counterpart funds, to set up an Endowment in PY 3. **It is important to note that the establishment of the Endowment will be contingent upon the results of a mid-term project evaluation, which will determine if the foundation is well-established operationally and if its track record, at that point in time, is credible and indicates that is likely to succeed or continue as a viable entity.** If the mid-term project evaluation determines that AMF has performed well and has established itself as a viable entity, the GOG will provide \$6 million to fund the Endowment before the end of PY3. Interest earned from the Endowment will provide resources for the recurrent costs of the AMF in PYs 4 and 5, and be available to sustain Foundation operations into the future. GOG allotment of these funds for the AMF endowment from P.L. 480 counterpart funds will be a Performance Indicator for the shipment of commodities in the third year of the 1992-1994 PL 480 Title III Multi-Year Program.

AMF Development and Support Costs: Approximately \$50,000 will be provided for the initial costs of development and organization of the AMF. It is anticipated that following the registration of the AMF as an NGO, a number of activities need to be implemented to make the AMF operational. These costs will supplement the AMF operating costs to be provided by the GOG counterpart funds.

e. Loan Guarantee Fund

The Project will establish a \$6.0 million Agricultural Marketing Loan Guarantee Fund (AMLGF) for agricultural marketing, processing and export activities, as well as for transport, storage and packaging services. Grant monies will be used to incrementally fund the Loan Guarantee Fund in PYs 2, 3 and 4, with \$2 million to be disbursed in each of those years.

f. Project Management Support

To manage the implementation of the project at USAID level, the project will fund, under personal services contracts, a full time expatriate project manager, 2 FSN assistant project managers and a secretary. The project manager will work under the supervision of the USAID Rural Development Officer. S/he will have qualifications and proven experience in implementing private sector development projects in one or more of the following areas: agribusiness and marketing; banking and finance; and institutional development. S/he will be responsible for the day-to-day implementation actions of the project and will closely monitor: the technical assistance team; progress in establishing the AMF, AMF Endowment and AMLGF; and coordination with other donor-funded projects in the agricultural marketing/export sub-sector. A scope of work and qualifications of the Project Manager are presented in Annex K. The 2 FSNPSC assistant project managers will have specialty backgrounds in trade/finance and business/banking, respectively. They will, together with the FSNPSC secretary and the ex-pat Banking and Finance Trade Specialist, will constitute the AMLGF staff.

g. Audits and Evaluations

The project will provide \$300,000 for audits and evaluations to be conducted during the LOP. (see Project Paper, Section IV.B.3.). Annex 2 to this Agreement further amplifies audit requirements.

6. Summary Project Budget

The following table summarizes the AMIP Budget by component:

<b>AMIP Budget By Fiscal/Project Year (millions)</b>						
	<b>FY 1992 PY 1</b>	<b>FY 1993 PY 2</b>	<b>FY 1994 PY 3</b>	<b>FY 1995 PY 4</b>	<b>FY 1996 PY 5</b>	<b>TOTAL</b>
<b>A. <u>AID Funding</u></b>						
▶TA/Mgmt/Com	\$ 1.0	\$ 2.0	\$ 1.0	\$ 1.0	\$ 1.5	\$ 6.5
▶AMLGFund	----	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>		<u>6.0</u>
<b>Sub-Total A</b>	<b>\$ 1.0</b>	<b>\$ 4.0</b>	<b>\$ 3.0</b>	<b>\$ 3.0</b>	<b>\$ 1.5</b>	<b>\$12.5</b>
<b>B. <u>GOG Funding</u></b>						
▶Recurrent Costs	\$ .5	\$ .5	\$ .5	----	----	\$ 1.5
▶Endowment Fund	----		<u>6.0</u>	----	----	<u>6.0</u>
<b>Sub-Total B</b>	<b>\$ .5</b>	<b>\$ .5</b>	<b>\$ 6.5</b>	<b>----</b>	<b>----</b>	<b>\$ 7.5</b>
<b><u>PROJECT TOTAL</u> (A+B)</b>	<b><u>\$ 1.5</u></b>	<b><u>\$ 4.5</u></b>	<b><u>\$ 9.5</u></b>	<b><u>\$ 3.0</u></b>	<b><u>\$ 1.5</u></b>	<b><u>\$20.0</u></b>

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Agricultural Marketing Investment Project  
A.I.D. Project No. 675-0221

ANNEX 2

PROJECT GRANT STANDARD PROVISIONS

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## ANNEX 2

### Project Grant Standard Provisions Annex

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

#### Article A: Project Implementation Letters

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

#### Article B: General Covenants

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

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

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

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

such manner as to assure the continuing and successful achievement of the purposes of the Project.

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 an pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspectors, Audit.

(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 and 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 extend 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.

(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 the completion of each audit arranged 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 audit responsibilities with respect to subrecipients 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 nonprofit 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 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 cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

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

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

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

Article C: Procurement Provisions

SECTION C.1. Special Rules.

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

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

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

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

(e) 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 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 subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

#### SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in 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 material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

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

Article D: Termination; Remedies.

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

SECTION D.2. Refunds.

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

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

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