

PD CAB 718

A.I.D. Project No. 497-0293

AMENDMENT NO. 2 TO

GRANT AGREEMENT BETWEEN THE

REPUBLIC OF INDONESIA

and the

UNITED STATES OF AMERICA

for

EASTERN ISLANDS AGRICULTURAL EDUCATION

PROJECT

Dated: JULY 27 1980

CONFORMED COPY

THIS AMENDMENT No. 2 dated July 2, 1980, is entered into between the REPUBLIC OF INDONESIA ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

WITNESSETH:

WHEREAS, the Grantee and A.I.D. entered into a grant agreement designated as A.I.D. Grant No. 497-0293, on July 31, 1979, ("Grant Agreement"), whereby A.I.D. agreed to grant to the Grantee up to five hundred thousand United States dollars (\$500,000); and

WHEREAS, said Grant Agreement was amended on September 27, 1979 to increase the amount of the grant by five hundred thousand United States dollars (\$500,000); and

WHEREAS, the Grantee and A.I.D. desire to further amend the Grant Agreement to reflect an increase of one million five hundred thousand United States dollars (\$1,500,000) making the total grant amount of \$2,500,000;

NOW THEREFORE, the Grantee and A.I.D. hereby agree to amend the Grant Agreement as follows:

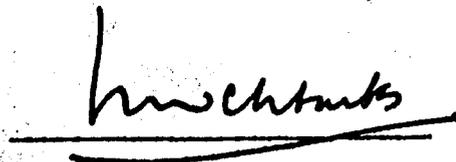
1. Section 3.1 is hereby amended by substituting the words "two million five hundred thousand United States ("U.S.") dollars (\$2,500,000)" for the words "one million United States ("U.S.") dollars (\$1,000,000)" as previously amended.

2. Except as hereinabove expressly amended, the Grant Agreement remains in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representative have caused this Amendment No. 2 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA

UNITED STATES OF AMERICA



Prof. Dr. Mochtar Kusumaatmadja  
Minister for Foreign Affairs



Edward E. Masters  
Ambassador

Project No. 497-0252

AMENDMENT NO. 1 TO  
GRANT AGREEMENT  
BETWEEN THE  
REPUBLIC OF INDONESIA  
AND THE  
UNITED STATES OF AMERICA  
FOR  
SEDERHANA (SIMPLE) IRRIGATION  
AND  
LAND DEVELOPMENT II

Dated: JULY 2, 1980

This AMENDMENT NO. 1 dated July 2 , 1980, is entered into between the REPUBLIC OF INDONESIA ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D. ").

WITNESSETH:

WHEREAS, the Grantee and A.I.D. entered in a grant agreement designated as A.I.D. Project 497-0252, on August 31, 1978, ("Grant Agreement"), whereby A.I.D. agreed to grant to the Grantee up to four million five hundred thousand United States dollars (\$4,500,000) to assist the Grantee in carrying out a program to plan and implement Sederhana (Simple) Irrigation Systems including both the physical systems and the social infrastructure which are essential for adequate operation and maintenance of the systems; and

WHEREAS, the Grantee and A.I.D. desire to amend the Grant Agreement to reflect an increase of \$4,500,000 in the amount of the Grant from \$4,500,000 to \$9,000,000;

NOW, THEREFORE, the Grantee and A.I.D. hereby agree that the Grant Agreement for A.I.D. Project No. 497-0252 is hereby amended as follows:

1. Section 3. 1 of the Grant Agreement is hereby amended by substituting the words "nine million United States ("U. S.") dollars (\$9,000,000)" for the words "four million five hundred thousand United States ("U.S.") dollars (\$4,500,000)."

2. Table III to Annex 1 to the Grant Agreement is amended to reflect the addition to the Grant.

3. Except as hereinabove expressly amended, the Grant Agreement remains in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its respective duly authorized representative, have caused this Amendment No. 1 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA



By: Prof. Dr. Mochtar Kusumaatmadja  
Minister for Foreign Affairs

UNITED STATES OF AMERICA



By: Edward E. Masters  
Ambassador

**AMENDED TABLE III**  
**Financial Plan (US \$ Millions)**

	AID Funding				Total	GOI*	Total
	Grant		Loan				
	FX	LC	FX	LC			
I. Major Works (Est. 80,000 Ha - 79/80 - 80/81)	Ø	Ø	Ø	14.5	14.5	14.5	29.0
II. On-farm Development (Est. 100,000 Ha)	Ø	Ø	Ø	6.0	6.0	6.0	12.0
III. Land Development (Est. 25,000 Ha)	Ø	Ø	Ø	2.5	2.5	2.5	5.0
IV. Pilot Project Support	Ø	0.1	Ø	0.2	0.3	0.3	0.6
V. Training							
A. DGWRD	0.2	0.1	0.2	0.35	0.85	0.35	1.2
B. DGFC	0.2	0.1	0.2	0.35	0.85	0.35	1.2
VI. Vehicles	Ø	Ø	Ø	0.7	0.7	Ø	0.7
VII. Consultant Services							
A. DGWRD	2.5	1.2	Ø	Ø	3.7	.3	4.0
B. DGFC	2.75	1.20	Ø	Ø	3.95	.2	4.15
VIII. Mgmt. Information System	0.5	0.15	Ø	Ø	0.65	Ø	0.65
<b>TOTAL</b>	<b>6.15</b>	<b>2.85</b>	<b>0.4</b>	<b>24.6</b>	<b>34.0</b>	<b>24.5</b>	<b>58.5</b>

A.I.D. Grant \$ 9.0 million  
A.I.D. Loan \$25.0 million

Total \$34.0 million

Notes: FX - Foreign Exchange Costs  
LC - Local Currency Costs



PROJECT AGREEMENT

BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)  
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND

*HOW*  
*293*

The Department of Education & Culture

AN AGENCY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

Under the terms of the Economic Cooperation Agreement signed October 16, 1950, as amended, and the agreements and provisions noted below, it is agreed to carry out a project in accordance with the terms set forth herein.

Agreement (Specify) Eastern Islands Agricultural Education Grant  
 Standard Provisions Annex.  other (Specify) \_\_\_\_\_

1. Project No. 497-0293 2. Agreement No. 061.9009797-0293 3. Original or Revision No.  1

4. Project/Activity Title Eastern Islands Agricultural Education 5. Project Descrip. (Annex A) \_\_\_\_\_

6. Appropriation. 72 - 1191021 7. Allotment 543-50-497-00-69-91

B. AID (OR) OR FINANCING (Cost Component)	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
a. PERSONNEL COSTS				
(1) U.S.				
<u>PASA</u>				
Contract	450,000	450,000		900,000
(2) LOCAL AND TECH				
<u>PASA</u>				
Contract				
b. PARTICIPANTS				
AID DIRECT				
<u>PASA/Contract</u>				
c. COMMODITIES				
AID Direct				
<u>PASA/Contract</u>				
d. OTHER COSTS				
AID Direct				
<u>PASA/Contract</u>	50,000	50,000		100,000
e. TOTAL (ALL COSTS)	500,000	500,000		1,000,000
9. LOCAL CURRENCY FINANCING (\$1.00 - Rupiah)	//////	//////	//////	//////
a. U.S. OWNED RUPIAH				
b. GOI TRUST FUND (AID ADM)				
c. GOI (SHOW SOURCE BELOW)				

10. REFERENCES AND REMARKS : The purpose of this Amendment is to provide an additional \$500,000 funding in FY 1979. This increase provides additional Technical Assistance under the Washington State University contract for this project.

11. DATE OF ORIGINAL AGREEMENT July 31, 1979 12. DATE OF THIS REVISION September 27, 1979 13. ESTIMATED FINAL CONTRIBUTION DATE June 30, 1984

14. FOR THE COOPERATING GOVERNMENT OR AGENCY  
 SIGNATURE Prof. Dr. Dody A. Purnama Amidjaja  
 TITLE Director General Higher Education DATE 9/27/79

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT  
 SIGNATURE Thomas C. Niblock  
 TITLE Director DATE 9/27/79

AID BALANCE  
 10/1/79  
 10/1/79  
 10/1/79  
 10/1/79

**Project No. 497-0293**

**PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE REPUBLIC OF INDONESIA  
AND  
THE UNITED STATES OF AMERICA  
FOR  
EASTERN ISLANDS AGRICULTURAL EDUCATION**

**Date: July 31, 1979**

**EASTERN ISLANDS AGRICULTURAL EDUCATION  
Project Grant Agreement**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Article 1. The Agreement	1
Article 2. The Project	1
SECTION 2.1 Definition of Project	1
SECTION 2.2 Incremental Nature of Project	2
Article 3. Financing	2
SECTION 3.1 The Grant	2
SECTION 3.2 Grantee Resources for the Project	3
SECTION 3.3 Project Assistance Completion Date	3
Article 4. Conditions Precedent to Disbursement	4
SECTION 4.1 First Disbursement	4
SECTION 4.2 Notification	4
SECTION 4.3 Terminal Dates for Conditions Precedent	5
Article 5. Special Covenants	5
SECTION 5.1 Project Evaluation	5
Article 6. Procurement Source	5
SECTION 6.1 Foreign Exchange Costs	5
SECTION 6.2 Local Currency Costs	6
Article 7. Disbursement	6
SECTION 7.1 Disbursement for Foreign Exchange Costs	6
SECTION 7.2 Disbursement for Local Currency Costs	7
SECTION 7.3 Other Forms of Disbursement	8
SECTION 7.4 Rate of Exchange	8
Article 8. Miscellaneous	8
SECTION 8.1 Communications	8
SECTION 8.2 Representatives	9
SECTION 8.3 Standard Provisions Annex	9
Amplified Description of Eastern Islands Agricultural Education Project	Annex 1
Project Grant Standard Provisions Annex	Annex 2

PROJECT GRANT AGREEMENT

Date: July 31, 1979

Between THE REPUBLIC OF INDONESIA ("Grantee") and THE UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. The Agreement

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

Article 2. The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, consists of a program, including professional services, training, and related materials and equipment, to upgrade selected science, technology, research and technical service centers, policies and programs of the Association of Eastern Islands Universities and its member institutions to enhance their ability to provide leadership, trained manpower, research and extension activities in the agricultural education sector. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

**SECTION 2.2. Incremental Nature of Project**

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date states 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 five hundred thousand United States ("U.S.") dollars (\$500,000) ("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 total Project (both Grant and Loan) will be not less than the equivalent of U.S.\$ 4,000,000, including costs borne on an "in-kind" basis.

**SECTION 3.3. Project Assistance Completion Date**

(a) The "Project Assistance Completion Date" (PACD), which is June 30, 1984, 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.

or services, or (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

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

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

These disbursements may be made by A.I.D.:

- (1) In U.S. dollars equivalent to the local currency cost,  
or
- (2) In local currency acquired by A.I.D. by purchase or  
from local currency already owned by the U.S. Government.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. If funds provided under the Grant are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

#### Article 8. Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee: Director General of Higher Education  
Jalan Jendral Sudirman  
Senayan  
Jakarta

To A.I.D.: Director  
US Agency for International Development  
c/o American Embassy  
Jl Medan Merdeka Selatan 5  
Jakarta, Indonesia.

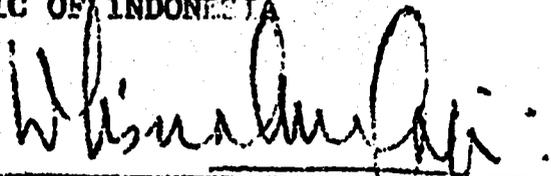
**SECTION 8.2. Representatives.** For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Director General of Higher Education and A.I.D. will be represented by the individual holding or acting in the office of Director, United States Agency for International Development Mission to Indonesia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instruments signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

**SECTION 8.3. Standard Provisions Annex.** A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this agreement.

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.

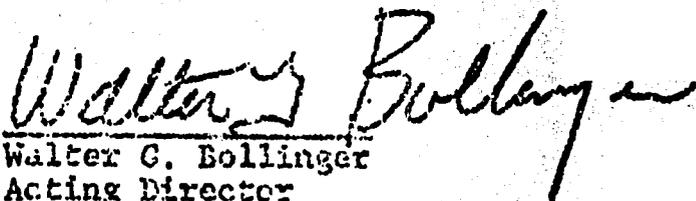
REPUBLIC OF INDONESIA



By:

Prof. Dr. Doddy A. Tisnaamidjaja  
Director General Higher Education

UNITED STATES OF AMERICA



By:

Walter C. Bollinger  
Acting Director  
USAID Mission to Indonesia

**AMPLIFIED DESCRIPTION OF THE PROJECT**  
**(Same for Loan and Grant Agreements)**

1. **Purpose**

This project is to upgrade the Association of Eastern Islands Universities and its member institutions so that they are able to provide and produce the leadership, trained manpower, research and extension activities in the agricultural field necessary for the rural development of Eastern Indonesia, especially in terms of the employment, income, and food production - consumption capabilities of the rural poor.

2. **Financing**

The project will be financed from funds provided by AID and the Government of Indonesia (GOI). AID will provide in U.S. FY 1979 up to \$5,000,000 in loan funds and up to \$500,000 in grant funds.

Subject to the availability of funds to AID for this purpose and the mutual agreement of the parties to proceed, an additional \$1,000,000 of grant funds will be provided in U.S. FY 1980 and another \$1,000,000 in grant funds will be provided in U.S. FY 1981. This would increase the U.S. grant funding to up to \$2,500,000 for a total AID contribution of \$7,500,000. The GOI agrees to provide in cash or in-kind not less than \$4,000,000 of the total project costs as described in the attached Financial Plan. Thus subject to the availability of funds, the total contribution of AID and the GOI would be no less than \$11,500,000.

Changes up to 30 percent may be made to line items amounts shown in the Financial Plan (attached) without formal amendment provided that AID approves such changes in writing, and that the total AID contribution is not increased or the Borrower's/Grantee's agreed contribution is not decreased below that shown on the Financial Plan.

3. **Targets**

Project focus will be on the programs in the agrosience and related pedagogical support services. By the end of the project, agricultural programs to the Sarjana Muda and diploma levels (three years) at each institution will have been strengthened to meet regional needs. Agricultural programs to the Sarjana level (four years) will be strengthened in selected fields at selected universities to serve the entire region. Upgrading of these programs will involve work with curricula, teaching methods

and materials, and use of experimental stations. By the end of the project, laboratories and libraries will be improved at each institution in order to support its programs. Package courses in the basic subjects will have been designed for use at all the institutions in the region. Through better student selection, more relevant curricula, better instructional materials and better overall instruction, dropout and repeater rates will have been reduced significantly in the agrosience programs. Academic staff for the agrosience fields will have been upgraded so that 15% have master's degrees.

Appropriate research and public service centers will have been upgraded at the institutions to serve their regional needs. Provincial centers will reflect such provincial problems as those concerned with forestry, fisheries, rice production, and will be responding to the minimal needs of their community and area of specialization in coordination with the Ministries of Agriculture and Education.

In order to implement the upgrading of the agrosience and public service programs at the eight institutions of higher education in eastern Indonesia, the Association will be strengthened. A viable secretariat will be established in Ujung Pandang to serve the needs of the member institutions; local representatives will be active at each campus. There will be regular periodic meetings among the rectors and association representatives to evaluate the project's development and set guidelines. Networks made up of special interest groups will be established from the member institutions to foster the exchange of information and ideas to stimulate university progress towards quality and relevance.

The universities will have centralized their administrative structures to limit duplication of resources and strengthen programs common to several faculties. Each of the institutions will be in the process of implementing, according to national schedule, the development programs of the Directorate General of Higher Education and its Consortium for Agricultural Sciences.

#### 4. Implementation

To reach these objectives the project will provide, subject the availability of grant funds from A.I.D., an estimated 19 person years of long-term expert consultants in various agricultural fields such as agronomy, rural sociology, ecology, forestry, management of family resources, and basic services. One of the consultants will serve as team leader and will work directly with the administrators of the Association to coordinate the project activities. The consultants will be stationed at various universities according to the consultant's specialty and the field of emphasis

of the university. Each consultant will be advisor to the Association network for his area of expertise and will visit the various universities of the Association as may be required to assist the network.

A major responsibility of the consultants will be to help develop linkages among the universities and with the other institutions in their communities involved in agricultural development. This will include linkages with the agricultural secondary schools, agricultural extension service, and agricultural research institutions.

The long-term consultants will be complemented by short-term consultants (estimated 20 person-months) and graduate assistants (estimated 18 person-years) in their areas of expertise and in English language teaching.

In addition to the technical assistance, a second major thrust of the project is participant training which is to take place in the U.S., other Southeast Asian countries, and at the Graduate Agricultural School in Bogor, Indonesia. Up to 75 faculty members may receive graduate academic instruction, in most cases leading to an M.S. degree but for the outstanding scholars to a Ph.D. An estimated 35 instructors and administrators will receive specialized, short-term (6 weeks to 6 months) training in the U.S. or third countries. One of the major purposes of all the training will be to upgrade instructional methods in the universities.

To support the technical assistance and training programs, the project will provide for essential equipment and supplies. These will include the printing of lecture notes, the production of textbooks and other learning materials, the purchase of library books and journals, the procurement of audiovisual, laboratory and experimental farm equipment.

In addition to the above, the project will provide for the development and operations of networks in the several subject fields (agronomy, forestry, etc) and special areas (administration, library development, English teaching, etc). Funds will permit an exchange of faculty members and students among the Association universities and with universities outside of the Association. The project will assist in upgrading and expanding the community service programs of the universities. It will help the development of experimental farms and community laboratories. It will provide for the necessary transportation needed to carry on effectively all of the above activities.

The project will give help to strengthen and expand the operations of the Association of Eastern Islands Universities by providing for

sufficient, qualified staff, office expenditure, and special services such as an Association newsletter.

5. Project Management

The Association of Eastern Islands Universities under the Directorate General for Higher Education will have overall responsibility for general guidance and implementation with the assistance of the technical advisory team being financed by AID and of the AID Project Manager. The university rectors and agricultural faculty deans will be responsible for carrying out those phases of the project taking place in their respective institutions.

6. Project Duration

July 1979 through June 1984.

7. Implementation Disbursements

The Association of Eastern Islands Universities monitors this project with AID to insure compliance with jointly approved project plans and implementation schedules. An AID direct contract will be made with a U.S. University under the Title XII Program to provide the technical assistance and training out of Indonesia as well as to assist with in-country training and administrative development of the Association of Eastern Island Universities. The university contractor may also procure certain instructional material and other commodities for the project. Disbursements may be by letter of credit or by direct disbursement.

EASTERN ISLANDS AGRICULTURAL EDUCATION PROJECT

Summary Cost Estimate and Financial Plan

(US \$000)

As of June 1979

INPUT	A I D				GOI	TOTAL
	L o a n		G r a n t			
	FK	LC	Obligated	Anticipated		
			FK	FK		
Training	1,300	320			565	2,185
Instructional Materials	800	200			300	1,300
Travel	240				250	490
Other Costs		700			1,400	2,100
Technical Assistance			350	1,300	366	2,066
Backstop Support			50	240		290
Evaluation				20		20
Contingency	244	128			232	604
Inflation	702	366	100	440	887	2,495
<b>TOTAL</b>	<b>3,286</b>	<b>1,714</b>	<b>500</b>	<b>2,000</b>	<b>4,000</b>	<b>11,500</b>

Table of Contents  
Project Grant Standard Provisions  
Annex 2

	<u>Page</u>
<b>Article A: Project Implementation Letters</b>	1
<b>Article B: General Covenants</b>	1
<b>SECTION B.1. Consultation</b>	1
<b>SECTION B.2. Execution of Project</b>	1
<b>SECTION B.3. Utilization of Goods and Services</b>	2
<b>SECTION B.4. Taxation</b>	2
<b>SECTION B.5. Reports, Records, Inspections, Audit</b>	2
<b>SECTION B.6. Completeness of Information</b>	3
<b>SECTION B.7. Other Payments</b>	3
<b>SECTION B.8. Information and Marking</b>	3
<b>Article C: Procurement Provisions</b>	4
<b>SECTION C.1. Special Rules</b>	4
<b>SECTION C.2. Eligibility Date</b>	4
<b>SECTION C.3. Plans, Specifications, and Contracts</b>	4
<b>SECTION C.4. Reasonable Price</b>	5
<b>SECTION C.5. Notification to Potential Suppliers</b>	5
<b>SECTION C.6. Shipping</b>	5
<b>SECTION C.7. Insurance</b>	6
<b>SECTION C.8. U.S. Government-Owned Excess Property</b>	7
<b>Article D: Termination; Remedies</b>	7
<b>SECTION D.1. Termination</b>	7
<b>SECTION D.2. Refunds</b>	7
<b>SECTION D.3. Nonwaiver of Remedies</b>	8
<b>SECTION D.4. Assignment</b>	8

Project Grant Standard Provisions Annex

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

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

**Article B: General Covenants**

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

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

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

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

**SECTION B.3. Utilization of Goods and Services**

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

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

**SECTION B.4. Taxation**

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

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

**SECTION B.5. Reports, Records, Inspections, Audit.**

The Grantee will:

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

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after

**SECTION B.5.(b)**

the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

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

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

(a) that the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

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

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

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

**Article C: Procurement Provisions**

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

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

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

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

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

**SECTION C.2. Eligibility Date.** No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

**SECTION C.3. Plans, Specifications, and Contracts.** In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

**SECTION C.3.**

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

**SECTION C.4. Reasonable Price.** No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

**SECTION C.5. Notification to Potential Suppliers.** To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

**SECTION C.6. Shipping.**

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

**SECTION C.6.**

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried:

(1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or  
(2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

**SECTION C.7. Insurance.**

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

**SECTION C.7.**

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurances will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

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

**Article D: Termination; Remedies.**

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

**SECTION D.2. Refunds.**

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D.,

**SECTION D.2.**

notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

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

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

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

**SECTION D.3. Nonwaiver of Remedies.** No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

**SECTION D.4. Assignment.** The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.