A.I.D. Project No. 497-0325

PROJECT

GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF INDONESIA

AND THE

UNITED STATES OF AMERICA

FOR

COMPREHENSIVE HEALTH IMPROVEMENT PROGRAM

PROVINCE SPECIFIC

Dated: August 27, 1982.

PROJECT GRANT AGREEMENT

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A.I.D. Project No. 497-0325

PROJECT GRANT AGREEMENT

Dated: August 27, 1982

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 will assist the Government of Indonesia to strengthen its capabilities to deliver health services in the provinces of D.I. Aceh, Nusa Tenggara Timur and Sumatra Barat by increasing the number of paramedical personnel serving in these provinces and by improving the capabilities of provincial health officials to target, manage and evaluate specific health and nutrition activities. 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.

Article 3. Financing.

SECTION 3.1. The Grant. To assist the Grantee to meet the cost of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Three Million United States ("U.S.") Dollars ($3,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 7.1 , and local currency costs, as defined in Section 7.2 , 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 and all other resources, in addition to the Grant and funds provided by A.I.D. under Project Loan Agreement No. 497-U-067, required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of U.S. $ 9,000,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1986, 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 furnished under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

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

Article 4. Conditions Precedent to Disbursement.

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

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

SECTION 4.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Grantee in writing.

SECTION 4.3. Terminal Date for Conditions Precedent.

If the conditions specified in Section 4.1 have not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. Special Covenants

SECTION 5.1. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6. Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursement pursuant to Section 7.1 will be used exclusively to finance the costs of goods

and services required for the Project having their source and origin in countries included in Code 000 of the A.I.D. Geographic Code Book in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C. 1 (b), with respect to marine insurance.

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

Article 7. Disbursements

SECTION 7.1. Disbursement for Foreign Exchange Costs.

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

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

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to

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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) to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods and services.

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

SETION 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.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency.

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

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SECTION 7.4. Rate of Exchange. Except as may more specifically be provided under Section 7.2, 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.

SECTION 7.5. Date of Disbursement. Disbursement by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Grantee or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

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: Secretary General
Ministry of Health
Jalan Prapatan No. 10
Jakarta Pusat, Indonesia

To A.I.D.:

Mail Address: U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan 5
Jakarta, Indonesia

Alternate address for telegrams: USAID AMEMB JAKARTA

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

SECTION 8.2. Representatives. For all purposes relevant o this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Secretary General, Ministry of Health and A.I.D. will be represented by the individual holding or acting in the office of Director, A.I.D. 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 name of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

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

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

REPUBLIC OF INDONESIA

Dr. Soejoto
Secretary General
Department of Health

UNITED STATES OF AMERICA

William P. Fuller
Director
USAID/Indonesia

Annex 1

DETAILED PROJECT DESCRIPTION

1. Goal and Purpose

The Project will consist of intensive work over five years in health development through a primary health care approach and the provincial health system in three outer island provinces: Nusa Tenggara Timur, Sumatera Barat, and Daerah Istimewa Aceh. The Project will work toward the broadly defined goal of improving the general health and nutrition status of the rural populations in these provinces. In quantitative terms the Parties anticipate that the Project will assist these three provinces reach the following standards by 1990: (a) decrease the infant mortality rate to at least 75 per 1000 live births; and (b) at least double the number of rural women and children receiving effective health and nutrition services. The project is considered as part of the National Health Development in the three mentioned provinces.

Progress toward these goals will require a broad spectrum of project activities, specifically quantitative manpower development, qualitative manpower development and sectoral systems development. Addressing these needs, the purpose of the Project is to accelerate and intensify the upgrading of the health sector services delivery systems of these provinces in order:

- that there will be a significantly increased number of professional rural health workers and that their training will be appropriate for the communities in which they will work;

- that the provincial health system will be better able technically, analytically and managerially to carry out programs for which they are responsible;

- that the health/nutrition intervention programs will be better adapted to the often unique circumstances in these provinces; and

- that provincial initiative is demonstrated in planning, carrying out and evaluating trial interventions for operational service delivery problems with inputs from community organizations.

2. Project Outputs - Summarized for all Provinces

a. Manpower Development

1) Primary Health Nurse (Perawat Kesehatan)

All three provinces will expand the numbers and capabilities of the primary health nurse (PK) working in the Puskesmas. It is anticipated that by 1986 the following additional personnel will have been trained:

- 480 in the 3 year course
- 520 in the 12 month supplemental course

Quality of performance will be further enhanced through: a) on-the-job training received as part of their participation in studies, surveys and intervention trials, b) expanded community participation training, and c) in some cases short-courses for upgrading technical, analytical or managerial skills.

2) Nursing Teachers

Additional teachers will be required to staff adequately the nursing schools where the nurses will be trained. A total of approximately 125 teachers are expected to be trained in the 3 provinces by the end of the project.

3) Rural Sanitarians

Approximately 85 new sanitarians will be trained for D.I. Aceh and NTT.

4) Laboratory Technicians

In D.I. Aceh approximately eighty sanitarians or other Puskesmas paramedical staff will be given a 3-month course at the provincial laboratory technicians training school (Sekolah Analis) in basic laboratory techniques and return to their posts.

5) Laboratory Technician Teachers

Faculty of the Aceh Sekolah Analis will receive some training to upgrade their technical, teaching and administrative skills.

6) Community Volunteers

Villagers (especially women) will receive training in community diagnosis, case finding, simple treatments, case follow-up, illness prevention and health/nutrition/family planning education. Supervisors will receive training in supervisory, motivational and managerial skills.

7) Medical School Faculty

Faculty involved with the community medicine programs of the medical school being developed in D.I. Aceh and the one operating in Sumatera Barat will receive training in community medicine approaches directly from consultants and through short courses, observational tours and perhaps degree training courses.

8) Medical Students

Medical students will receive instruction, including extensive field work, in community medicine. They will also receive technical and managerial training intended to help them design and manage health sector programs as Health Center doctors/managers.

9) Health Center Physicians and other staff

Some Puskesmas physicians and staff will participate in surveys, special studies and intervention trials. Various staff members will take part in observation tours and short courses.

10) Provincial and Kabupaten Health/Nutrition officials

Many of these officials will receive training and improve or upgrade their skills by direct participation in surveys, studies, intervention trials and evaluations, observational tours and short courses and some long-term academic degree programs in public health and management, mostly in Indonesia.

b. Sectoral Systems Development

1) Epidemiological Survey

Various surveys will be carried out in each Province at different levels including, among others, protein-calorie malnutrition, nutritional anemia, goiter and cretinism, nightblindness, diarrheal diseases and tuberculosis.

2) Vital and Health Center Statistics

A simple vital statistics gathering system will be initiated in pilot areas in one or two kabupatens per province. Health Center statistics which were developed in early 1981 will further be strengthened in the three provinces.

3) Diarrheal Disease Control Program

In one kabupaten in D.I. Aceh the epidemiology and patterns of epidemic and endemic diarrheal diseases will be studied, alternative interventions analyzed and a kabupaten-wide control program undertaken.

4) Tuberculosis Control

In D.I. Aceh a province-wide strategy for tuberculosis control will be developed on the basis of surveys and intervention trials.

5) Nutrition Intervention Programs

Province-wide nutrition intervention programs will be developed (or revised) based on analyses of results of nutritional status surveys, food and consumption studies and intervention trials.

6) Role of Women

Opportunities to strengthen the role played by village women volunteers in health/nutrition/family planning improvement program will be studied.

7) Other studies

Some other specialized studies to be carried out include the following:

a) strengthening the school health system (NTT, Sumbar)
b) upgrading the services of traditional birth attendants (all provinces)
c) maximizing coverage of pregnant women with tetanus immunization (all provinces)
d) improving cold chain maintenance for immunization program (Sumbar)
e) rabies control (D.I. Aceh)
f) drug management (all provinces)

8) Role of PKK in Health Sector Delivery System

The function of the PKK village welfare movement and its relationship to the Puskesmas will be analyzed in pilot project areas and findings incorporated in design of community-level programs supported by the Project. (NTT, possibly Sumbar and D.I. Aceh)

9) Community Medicine/Health Services Delivery

In one kabupaten in Sumatera Barat the community medicine program at Andalas University and the provincial and kabupaten health services will collaborate to: a) provide practical training to the medical students and b) provide intensified health services in collaboration with the community.

3. Project Administration

The Project will be administered for the GOI by the Department of Health. A Project Implementation Unit (PIU) will be established at the central level and a central level Project Coordinator will be designated to carry out specific responsibilities: (a) to keep all appropriate sections of the Department informed of project activities in their areas of responsibility; (b) to coordinate the annual central project review and funding approval process; (c) to maintain financial accounting on activities in all three provinces; (d) to expedite contracting and procurement services for all three provinces; and (e) to arrange national-level technical assistance and support for the Project when needed.

A sub PIU will be established in each province, led by the Head of the Provincial Health Services (Kakanwil) as Project Coordinator. The provincial PIU will be technically and administratively responsible for the Project with inputs from the BAPPEDA. The Kakanwil of Sumatera Barat and D.I. Aceh will have overall responsibility for administering funds used for the Medical School Community Medicine project activities as Coordinators of their respective PIUs.

USAID staff from the Office of Health and Nutrition will make regular inputs to Project implementation and management. One full-time, long-term technical advisor in each province is expected to provide major technical and administrative assistance. Indonesian and foreign short-term consultants will be utilized as needed. The Government will facilitate access to the three Project provinces for USAID Office of Health and Nutrition staff and the long and short-term foreign consultants assigned to the Project.

Some of the activities to be carried out under this project are multisectoral and, although coordinated by Ministry of Health, will require coordination with programs at the provincial level of BKKBN and Ministries of Education and Culture, Agriculture, Home Affairs and Religion.

4. Implementation Plans and Financial Procedures

For each year of the Project each provincial PIU will prepare an implementation plan and budgets to be submitted to Depkes in Jakarta as part of their regular annual budgeting process. This is begun in September when DUPs are prepared for activities to begin at the start of the next fiscal year in April. Following review and approval in Jakarta by Depkes and BAPPENAS, DIPs are established providing funds in the Depkes budget for Project implementation. USAID will review and approve the province's annual implementation plans for the Project.

USAID's approval and confirmation that loan and grant funds will be available according to the plans' budgets will be communicated to the Government in Project Implementation Letters (PIL). A separate PIL will be prepared referring to each province program specifically. The PILs will specify what costs will be eligible for reimbursement.

The Government will provide a minimum of 15 vehicles per province for Project management, supervision and implementation, of which one vehicle will be made available for the full time use of the long-term consultant, i.e. in Banda Aceh, in Kupang, and in Padang. The Government will finance the costs of operating and maintaining vehicles for the Project. A delivery plan or schedule for the vehicles will be prepared for each province and agreed upon by the Government and USAID as part of the first year Project implementation plans for each province.

Attachment 1 to Annex 1

FINANCIAL PLAN

In order to carry out the project the Government of Indonesia will utilize the AID loan and grant funds and its counterpart funds according to the budget summarized below, based on the Project Paper.

FINANCIAL SUMMARY
($ 000)

	GRANT	LOAN	GOI	TOTAL
MANPOWER DEVELOPMENT		$2,135	$1,950	$4,085
OTHER TRAINING	300	450	750	1,500
FIELD STUDIES & TRIALS	500	2,500	3,990	6,990
TECHNICAL ASSISTANCE	2,200	-	390	2,590
COMMUNITY MEDICINE		220	420	640
VEHICLES		-	750	750
EVALUATION		300	300	600
CONTINGENCY		395	450	845
T O T A L	$3,000	$6,000	$9,000	$18,000

Cost of commodities, equipment, travel and training procured in code 941 countries will be financed using AID loan funds; procurement in Indonesia will be financed by either Government counterpart or AID loan funds. Technical assistance using AID grant funds will be procured primarily from Code 000, but may be procured from Indonesia. Any requirements for new construction, rehabilitation or rental for the training facilities for manpower development will be provided by the Government from non-project funds. Commodities handling costs within Indonesia will be covered by the Government.

Loan funds will not be used to pay salaries of regular Government employees assigned to the Project. The Government of Indonesia will contribute considerable time of its Health Department staff from central, provincial and local levels whose regular salaries are not included in the Project budget. Specific technical contributions may also be provided by the Directorate of Nutrition, the Directorate of Communicable Diseases Control, the Directorate of Food and Drugs, the Directorate of Community Health, and the Bureau of Planning.

One million five hundred thousand dollars ($1,500,000) of AID grant funds budgeted for technical assistance is intended to cover the costs of three long-term technical advisors to be based in Banda Aceh, Kupang and Padang for approximately four years each. Seven hundred thousand dollars ($700,000) of AID grant funds are intended to cover the costs of short-term consultants as needed, utilizing Indonesian and foreign expertise as appropriate.

The line item amounts shown in the Financial Summary may be adjusted up to 20 percent (20%) of any line item by mutual agreement of the additional representatives designated by the representatives mentioned in Section 8.2, provided that the total AID contribution is not increased or the total Borrower's agreed contribution is not decreased.

Upgraded projections of expenditures by year will be developed by the parties. It is anticipated that the expenditures by year will be as follows:

PROJECTION OF EXPENDITURES BY YEAR
($000)

Year	GRANT	LOAN	GOI	TOTAL
I	500	1,205	1,717	3,422
II	800	1,780	2,078	4,658
III	800	1,610	2,357	4,767
IV +1/2	900	1,405	2,848	5,153
TOTAL	$3,000	$6,000	$9,000	$18,000

Project Duration: Until September 30, 1986

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Project Grant Standard Provisions

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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

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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;

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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 assignement 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.