

CAC 011

A.I.D. Project No. 497-0333

PROJECT

GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF INDONESIA

AND THE

UNITED STATES OF AMERICA

FOR

PUSPIPTK ENERGY RESEARCH LABORATORY

Dated: August 30, 1982

PROJECT GRANT AGREEMENT

Table of Contents

	<u>PAGE</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1. Definition of Project	
Article 3: Financing	2
SECTION 3.1. The Grant	
SECTION 3.2. Grantee Resources for the Project	
SECTION 3.3. Project Assistance Completion Date	
Article 4: Conditions Precedent to Disbursement	3
SECTION 4.1. First Disbursement	
SECTION 4.2. Notification	
SECTION 4.3. Terminal Date for Conditions	
Article 5: Special Covenants	4
SECTION 5.1. Project Evaluation	
SECTION 5.2. Additional Covenants	
Article 6: Procurement Source	5
SECTION 6.1. Foreign Exchange Costs	
SECTION 6.2. Local Currency Costs	
Article 7: Disbursements	6
SECTION 7.1. Disbursement for Foreign Exchange Costs	
SECTION 7.2. Disbursement for Local Currency Costs	
SECTION 7.3. Other Forms of Disbursement	
SECTION 7.4. Rate of Exchange	
SECTION 7.5. Date of Disbursement	
Article 8: Miscellaneous	8
SECTION 8.1. Communications	
SECTION 8.2. Representatives	
SECTION 8.3. Standard Provisions Annex	
Amplified Description of the Project	Annex 1
Project Grant Standard Provisions	Annex 2

PROJECT GRANT AGREEMENT

Dated: August 30, 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, which is further described in Annex 1, will assist the Government of Indonesia in establishing a viable, professional energy research and development center, which will (a) conduct applied energy research and technology development, (b) provide support to Indonesian energy-related industries, and (c) undertake technical and economic feasibility analyses on potential energy programs, projects and products. 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 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 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.

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

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1989, 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.

(b) Evidence that a director has been designated as head of the PUSPIPTEK Energy Research Laboratory (PERL) with authority to

establish training schedule for PERL personnel and enter into contracts for PERL.

(c) Evidence that a PERL Project office has been established in BPPT with personnel experienced in financial management, contracting and commodity import procedures.

(d) Evidence that arrangements have been made for permanent staffing and operation of PERL.

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

SECTION 5.2. Additional Covenants. Except as otherwise agreed to by A.I.D. in writing, the GOI agrees to (a) provide continuing adequate budgetary and staff support for the Project; (b) consult with A.I.D. semi-annually during the project for the purpose of bringing implementation and plans up to date; (c) select training candidates on the basis of technical qualifications, (d) take appropriate steps to preserve the propriety rights of companies from the United States and other countries for technologies examined using funds of this Project, and (e) establish appropriate mechanisms to elicit the interests and views of the Indonesian private sector in the plans and programs of PERL.

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 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.

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.

(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.

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: Agency for Development and Application of
Technology
Jl. M. H. Thamrin 8
Jakarta, 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

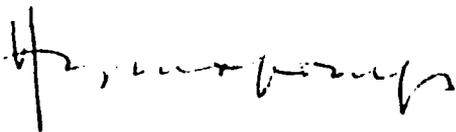
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Chairman of the Agency for the Development and Application of Technology 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



Prof. Dr. Ing-B.J. Habibie
Chairman
Agency for Development and
Application of Technology
(By Harsono D. Puspongoro
Director, Technology Development)

UNITED STATES OF AMERICA



William P. Fuller
Director
USAID/Indonesia

BUDGET FOR GRANT FUNDS (\$000)

AID Grant Funds Resident Advisor to BPPT
(4 person years):

1. Compensation & Fringe Benefits	275
2. Travel & Transportation/Storage	48
3. Housing (including furnishing and utilities)	96
4. Other & Contingencies	81
	<hr/>
TOTAL	\$ 500

GOI will provide office space and support and a car and driver
from its own resources.

ANNEX I

AMPLIFIED DESCRIPTION OF THE PROJECT

I. PROJECT PURPOSES

The purpose of the Project is to assist the GOI in establishing a viable, professional energy research and development center, the PUSPIPTEK Energy Research Laboratory (PERL). PERL will have three objectives: (1) to conduct applied research and technology development in the field of energy; (2) to provide support to Indonesian energy-related industries; (3) to undertake technical and economic feasibility analysis on potential energy programs, projects and products. To accomplish the Project purpose, Project funds will be used to finance: (a) institutional development, (b) technology development, (c) assessment and evaluation studies, and (d) project management and administration. The industrial support objective of PERL will require that PERL have a good understanding of the interests of the Indonesian private sector in manufacturing and marketing energy technology. During project implementation several approaches will be used to achieve this understanding including private sector attendance at seminars held by PERL and the establishment of appropriate mechanisms for private sector input into the plans and programs of PERL.

II. PROJECT ELEMENTS

A. INSTITUTIONAL DEVELOPMENT

Support for the development of PERL into a professional institution stresses: (1) technical advisory services, (2) training needs, (3) seminars and exchange visits, and (4) research grants.

1. Technical Advisory Services

The Project will require extensive in-country advisory services, especially during the initial stages of the Project. Because of the diverse requirements anticipated, it is felt that this service can be provided by several advisors, each of whom would spend considerable time in-country, rather than a single resident advisor. This 'team' of advisors will assist in determining the operational organization of PERL, developing its program plans, purchasing equipment, identifying training candidates, and initiating PERL operations. A total of two person years of effort is scheduled for this work; 50% of this will occur in-country.

2. Training Needs

a. Academic Training

An essential feature of the Project is long-term training of PERL personnel. Ph.D. training will be provided in the U.S. for five people who will be expected to become senior

scientists and research program leaders when they return to PERL. M.S. training in the U.S. and in third countries will be provided for a total of 11 people (5 in the U.S. and 6 in third countries). These participants would be expected to assume positions as project leaders upon completion of their overseas training.

b Non-academic Training

In addition to the long-term academic training, the Project will also provide non-academic, on-the-job training. One year internships would be arranged for PERL personnel to work in U.S. Government and national laboratories, nonprofit and for-profit research organizations and private companies. Twenty-five participants will receive this training.

3. Seminars, Exchange Visits

In order to assure that the technical personnel of the laboratory are kept abreast of regional and world wide progress in relevant technical areas, personnel will be encouraged to attend international and regional conferences and to undertake scientific exchanges with co-workers in other countries and other forms of short-term training. PERL itself will organize and host conferences on appropriate research and technology topics both for national and for regional participation. Technical exchanges with other ASEAN countries will be of particular interest due to Indonesia's leading role in energy issues in the ASEAN community.

4. Research Grants

While PERL will be the focal point of national energy R&D programs, the universities offer a significant pool of trained manpower and much related work will still be conducted on university campuses and by university faculties. It is not the intent that PERL would draw university researchers away from their research and teaching work.

In the operation of PUSPIPTEK, a mutual effort is desired in which university faculty members and students can use PUSPIPTEK facilities for their research and PUSPIPTEK laboratories can call upon universities to conduct directed research studies as part of national programs. This project will support this approach by providing loan funds for PERL to establish a research grant program. A nominal grant will be for \$10,000 in AID funds; about 50 such grants will be awarded.

B. TECHNOLOGY DEVELOPMENT

The operations of PERL will stress investigation into selected energy products and processes that are important for Indonesia's development. The focus will be placed on the effective utilization of Indonesia's non-petroleum energy resources, in particular coal, biomass and solar energy. Project loan funds will be used to purchase equipment and technical assistance for programs in coal, biomass and solar energy and for other technical programs

such as corrosion of materials and heat exchange; for general workshop equipment; and for an analytical laboratory.

C. ASSESSMENT AND EVALUATION

The assessment and evaluation component of the Project will consist of four activities: (1) technology assessment, (2) library reference materials, (3) computer support, (4) coal transportation study.

1. Technology Assessment

PERL will conduct social, economic and technical feasibility analyses to determine national energy technology strategies and programs and to assess effectiveness of specific projects and products. These studies will assist in the formulation of national energy policies and plans and will enable PERL to meet its three objectives of applied R&D, industrial support and economic analysis. The Project will provide loan funds for short-term advisory services and consultancies.

2. Library Reference Materials

A technical library will be established at PERL and coordinated with PDIN (the National Scientific Documentation Center). Under Project funds, PERL will acquire technical periodicals and reference material. Equipment needed for on-line bibliographic searches will be purchased for PDIN and a video terminal and printer hookup between PERL and PDIN will be established. The loan will also fund short-term technical assistance to install the equipment and train the operators.

3. Computer Support

Loan funds will purchase a small computer system for PERL. This system will assist in the management and administration of the various components of the project -- tracking and scheduling training and technical advisory visits, monitoring progress towards project goals, controlling the finances, etc. It will also be used for mathematical analyses and word processing.

4. Coal Transportation Study

Coal is by far the most underutilized energy resource in Indonesia, and yet it holds the greatest potential for meeting Indonesia's energy requirements. Indonesian energy planners are hoping for coal production to increase 40 times over the next eight years. There are many problems to be resolved, though, if Indonesia is to increase coal production to the expected levels.

As a first step toward resolving these problems, a technical study on the necessary infrastructure upgrading and technical processes required for the most efficient use of Indonesian coal will be conducted. This study will be coordinated with the Ministry of Mines and Energy which, under USAID Project

497-0318 (Energy Planning for Development II), will undertake studies and analyses necessary to formulate national energy strategies and policies. This study will be performed under a contract with a technical consulting firm.

D. PROJECT MANAGEMENT AND
ADMINISTRATION

1. Overall Management

The Project will require a general contractor to coordinate the several activities and to provide overall assistance and guidance in the establishment of the laboratory. The contractor would assist PERL in: establishing management policies and administrative procedures; training selected members of the staff in conducting directed research; inaugurating and conducting research programs; establishing good relations with private sector and educational institutions; and identifying training needs and appropriate training and educational programs for PERL staff.

2. Advisor/Liaison to BPPT

The Project will provide grant funds to support a U.S. long-term advisor to BPPT. This advisor will assist BPPT and through it the Government of Indonesia in identifying further opportunities for increased collaboration between the U.S. and Indonesia in scientific research and technology development. A principal emphasis of the advisor's activities will be encouraging greater linkages between the U.S. private sector and Indonesia's scientific and technological development programs, including assembly and manufacture in Indonesia. Energy will be an important, but not exclusive, sector of interest. Employment generation through private sector activities will characterize the linkages sought.

3. Project Evaluation

The Project will include three formal evaluations to be conducted by individuals and organizations not responsible for the project implementation.

4. English Language Training

The staff of PERL will need extensive English Language training in order to satisfy AID requirements for overseas training. Project loan funds will be used to purchase language training materials and services.

III. PROJECT IMPLEMENTATION

A special account for the project will be established by BPPT for making disbursements approved and reimbursable by AID. BPPT will maintain funding for at least three months worth of the project needs in the special account during the life of the project. AID standard direct reimbursement procedures will be followed.

BUDGET (\$000)

	AID	GOI	TOTAL
1. Institutional Development	\$ 2,200	\$ 50	\$ 2,250
2. Technology Development	5,100	1,050	6,150
3. Assessment/Evaluation	805	190	995
4. Project Management	1,385*	60	1,445
5. Building Construction	-	2,600	2,600
Subtotal	<u>9,490</u>	<u>3,950</u>	<u>13,440</u>
Contingencies	460	50	510
Inflation	1,800	-	1,800
TOTAL	<u>\$ 11,750</u>	<u>\$ 4,000</u>	<u>\$ 15,750</u>

* includes \$500,000 grant funds.

Table of Contents
Project Grant Standard Provisions
Annex 2

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

20

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;

DD

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.