

A.I.D. Project Number 383-0063

AMENDMENT NUMBER TWO

TO

PROJECT LOAN AND GRANT AGREEMENT

BETWEEN

THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

AND

THE UNITED STATES OF AMERICA

FOR

MARKET TOWN WATER SUPPLY. - JAFFNA

Dated: November 18, 1981

AMENDMENT NUMBER TWO

TO

PROJECT LOAN AND GRANT AGREEMENT

AMENDMENT NUMBER TWO, dated November 18, 1981 between the Democratic Socialist Republic of Sri Lanka ("Cooperating Country") and the United States of America, acting through the Agency for International Development ("A.I.D."):

WHEREAS, the Cooperating Country and A.I.D. entered into a Project Loan and Grant Agreement for Market Town Water Supply - Jaffna dated August 29, 1980; and

WHEREAS, the Cooperating Country and A.I.D. desire to amend the Agreement to increase the amount of the Grant;

NOW THEREFORE, the parties hereby amend the said Agreement as follows:

1. Article 3: Financing

SECTION 3.1 The Grant. Delete the words "not to exceed one million five hundred seventeen thousand United States ("U.S.") Dollars (\$1,517,000) ("Grant")", and substitute in lieu thereof the words "not to exceed two million United States ("U.S.") Dollars (\$2,000,000) ("Grant")".

2. Except as amended herein, the Agreement remains in full force and effect.

THE DEMOCRATIC SOCIALIST  
REPUBLIC OF SRI LANKA

UNITED STATES OF AMERICA

By: W.M. Tilakaratna

Name: W.M. Tilakaratna  
Title: Secretary,  
Ministry of Finance & Planning

By: Donald R. Toussaint

Name: Donald R. Toussaint  
Title: American Ambassador

**A.I.D. Project No.383-0062**

**AMENDMENT NUMBER ONE**

**TO**

**PROJECT GRANT AGREEMENT**

**BETWEEN**

**THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

**AND**

**THE UNITED STATES OF AMERICA**

**FOR**

**NATIONAL INSTITUTE OF HEALTH SCIENCES**

**Dated: November 18, 1981**

AMENDMENT NUMBER ONE

TO

PROJECT GRANT AGREEMENT

AMENDMENT NUMBER ONE, dated November 18, 1981 between the Democratic Socialist Republic of Sri Lanka ("Cooperating Country") and the United States of America, acting through the Agency for International Development ("A.I.D."):

WHEREAS, The Cooperating Country and A.I.D. entered into a Project Grant Agreement for National Institute of Health Sciences dated August 29, 1980; and

WHEREAS, the Cooperating Country and A.I.D. desire to amend the Agreement to increase the amount of the Grant;

NOW THEREFORE, the parties hereby amend the said Agreement as follows:

1. Article 3: Financing

SECTION 3.1. The Grant. Delete the words "not to exceed five hundred thousand United States ("U.S.") Dollars (\$500,000) ("Grant") and substitute in lieu thereof the words "not to exceed two million two hundred thousand United States ("U.S.") Dollars (\$2,200,000) ("Grant")".

2. Except as amended herein, the Agreement remains in full force and effect.

THE DEMOCRATIC SOCIALIST  
REPUBLIC OF SRI LANKA

UNITED STATES OF AMERICA

By: W.M. Tilakaratna

Name: ~~W.M. Tilakaratna~~  
Title: ~~Secretary,~~  
Ministry of Finance & Planning

By: Donald R. Toussaint

Name: Donald R. Toussaint  
Title: American Ambassador

A.I.D. Project Number: 383-0062

*dis. intended*

**PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE DEMOCRATIC SOCIALIST REPUBLIC OF  
SRI LANKA  
AND THE  
UNITED STATES OF AMERICA  
FOR  
NATIONAL INSTITUTE OF HEALTH SCIENCES**

**Dated: August 29, 1980**

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Project Grant Agreement

Dated: August 29, 1980

Between

The Democratic Socialist Republic of Sri Lanka ("Cooperating Country")

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 Cooperating Country 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 expand the physical facilities of the National Institute of Health Sciences (NIHS).

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 stated in this Agreement, A.I.D., based upon consultation with the Cooperating Country 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 Cooperating Country 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 Cooperating Country 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 Cooperating Country Resources for the Project.**

(a) The Cooperating Country 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 the Cooperating Country for the Project will not be less than the equivalent of U.S. \$ 1,220,000, including costs borne on an "in-kind" basis.

SECTION 3.3 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 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.

(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 Cooperating Country, 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 Cooperating Country 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 Cooperating Country specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) Evidence of the commitment of other donors to the program of assistance to the NIHS.

(c) Evidence that adequate budgetary resources are being made available for 1981 and assurances that further budgets for 1982-84 will provide adequate funding for the physical expansion of the facilities at NIHS and for the expanded program of instruction.

**SECTION 4.2. Conditions Precedent to Disbursement for Construction.**

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 for construction, the Cooperating Country 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 revised and updated plan for the development of NIHS which shall include, among other things: (1) construction details and schedule

for the entire NIHS complex, including utilities, drainage, etc.;

(2) program for staff increases and upgrading; (3) training program for all courses; (4) curriculum revision; and (5) usage of consultants.

(b) Evidence that the Cooperating Country has delegated to the Director of NIHS appropriate authority and autonomy to schedule its training, new program development, staff improvement and research.

(c) Evidence that NIHS has an interim long term resident advisor for administration to assist the Director of NIHS until such time as a Sri Lankan can be selected and trained in institutional management.

(d) Evidence that appropriate authority has been delegated to the Director of NIHS to establish a facilities operations and maintenance office with sufficient staff and budget to operate and maintain all of the physical facilities of NIHS.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Cooperating Country.

SECTION 4.4. Terminal Dates for Condition Precedent. If all of the conditions specified in Section 4.1. have not been met within 90 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 the Cooperating Country.

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 area of constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. The Plan. The Cooperating Country covenants that it will implement the revised plan submitted in satisfaction of the condition precedent Section 4.2 (a) and as the plan may be modified from time to time with the approval of A.I.D.

SECTION 5.3. Faculty Appointments. The Cooperating Country covenants that the Director of NIHS will be consulted and his recommendations given due consideration in the appointment and removal of NIHS faculty members.

Article 6 : Procurement Source.

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or 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.

Ocean transportation will be financed under this Grant only on vessels under flag registry of the United States except as A.I.D. may otherwise agree in writing.

SECTION 6.2 Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Sri Lanka ("Local Currency Costs"). To the extent provided for under this Agreement, Local Currency Costs may also include the provision of local currency resources required for the Project.

Article 7: Disbursement.

SECTION 7.1 Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Cooperating Country 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 good or services, or, (B) requests for A.I.D. to procure commodities or services in the Cooperating Country'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 the Cooperating Country in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Cooperating Country 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 of Local Currency Costs.

(a) After satisfaction of conditions precedent, the Cooperating Country 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. the 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:

- (1) or acquisition by A.I.D. with U.S. Dollars by purchase;
- (2) by A.I.D. requesting the Cooperating Country to make available the local currency for such costs, and thereafter reimbursing an amount of U.S. Dollars equal to the amount of local currency made available by the Cooperating Country.

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

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Sri Lanka by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Cooperating Country will make such arrangements as may be necessary so that such funds may be converted into currency of Sri Lanka at the highest rate of exchange which, at the time of conversion is made, is not unlawful in Sri Lanka.

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 Cooperating Country:

Mail Address: Director, External Resources Department  
Ministry of Finance and Planning  
Colombo 1, Sri Lanka

Alternate Address for cables:

FORAID  
COLOMBO, SRI LANKA

To A.I.D.:

Mail Address: Director, USAID, Colombo  
American Embassy, Colombo  
Sri Lanka



Alternate Address for cables:

USAID, AMEMBASSY  
COLOMBO, SRI LANKA

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 Cooperating Country will be represented by the individual holding or acting in the office of Director, External Resources Department, Ministry of Finance and Planning and A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D. Mission to Sri Lanka, 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 Cooperating Country 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 parts of this Agreement.

IN WITNESS WHEREOF, the Cooperating Country 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.

GOVERNMENT OF THE SOCIALIST REPUBLIC  
OF SRI LANKA

GOVERNMENT OF THE UNITED STATES  
OF AMERICA

by: W.M. Tilakaratna

Name: W.M. Tilakaratna

Title: Secretary  
Ministry of Finance & Planning

by: Donald R. Toussaint

Name: Donald R. Toussaint

Title: American Ambassador

## NATIONAL INSTITUTE OF HEALTH SCIENCES

## AMPLIFIED PROJECT DESCRIPTION

A. MULTI-DONOR PROGRAM

The A.I.D. Assistance, as further described below, is the participation of the Government of the United States in a multi-donor program of assistance to increase the capacity of the National Institute of Health Sciences (NIHS) to train the quantity and quality of health care workers required to improve Sri Lanka's health delivery services and environmental sanitation. The contributions of all donors are needed to achieve the overall purpose of the Program. Therefore, the AID Project is presented within the context of the total multi-donor program shown in Table 2.

B. THE PROJECT1. Purpose

The purpose of this project is to expand the physical facilities of the National Institute of Health Sciences (NIHS) in support of the multi-donor program described above.

2. Expected Outputs

To achieve the purpose of this project, the following buildings including the installation of utilities should have been completed, furnished and equipped.

A.I.D. Financed

Auditorium.  
Library  
6 Lecture Halls  
2 Seminar Rooms  
6 Laboratory Rooms  
Audio-Visual Laboratory  
Demonstration Room  
Cafeteria  
Utilities  
Building Equipment

Cooperating Country Financed

Anatomy Block  
Administration Block for Hospital  
New Surgical Ward  
25-Bed Ward  
4 Grade V Quarters  
Peripheral Unit  
Director's Bungalow  
First Aid-Stores-Garages

Modifications in the expected outputs which contribute toward obtaining the purpose may be made by written agreement of the Parties without amendment to this Project Description.

3. Expected Inputs

In order to achieve the expected outputs, the following inputs will be provided with the magnitude of inputs shown in the Financial Plan, Table 1 to this Annex:

- (a) Design and Supervision of Construction
- (b) Construction
- (c) Evaluation

C. PROJECT IMPLEMENTATION

1. Design and Supervision of Construction: The NIHS will contract with a Sri Lankan firm to design the buildings, utilities, etc. and to supervise construction. An expatriate consultant may be financed under the Grant if needed to provide short term guidance in planning the facilities layout, design, approach, etc.

2. Construction: Construction will be carried out by one or more Sri Lankan construction firms in accordance with the Cooperating Country's bidding and contracting rules and procedures.

3. Evaluation: Periodic evaluation of the entire multi-donor program will be made with the participation and cooperation of all donor organizations and the Cooperating Country. Funds are provided in the Grant for the use of outside consultants or experts for the evaluation if they should be needed.

4. Project Management: The project is to be implemented by the NIHS. The Director of NIHS and one or more officials within the Ministry of Health will be designated as authorized representatives of the Cooperating Country as provided in Section 8.2 of this Agreement. The Cooperating Country shall call periodic meetings of representatives of all donors to discuss progress of the program and coordination of other donors and the Cooperating Country activities and contributions.

D. FINANCIAL PLAN

By this Project Agreement, A.I.D. is providing a grant of \$500,000. Subject to the availability of funds and mutual agreement of the parties, A.I.D. intends to provide an additional \$1,700,000 of grant funds in future years. Thus, the total A.I.D. life of project contributions to this project is planned to be \$2,200,000. The additional funds will be provided in subsequent years by amendments to this Project Agreement

By this Project Agreement, the Cooperating Country agrees to provide contributions, including in-kind contributions, of not less than the equivalent of approximately \$1,220,000. The contributions include buildings constructed or under construction since the Cooperating Country's Project Proposal of August, 1978, and land purchased for this Project since August, 1978.

Table 1, attached, gives the "Summary Cost Estimate and Financial Plan" of the project. Changes of up to 60%, including allocation for inflation and contingency, in individual line items may be made without formal amendment of this Project Description. Adjustment in the allocation of funds for an individual line item between foreign exchange and local currency costs may be made by written agreement of the Parties without amendment to this Project Description.

TABLE 1

A.I.D. Financed Project  
Summary Cost Estimate and Financial Plan

	AID GRANT		COOPERATING COUNTRY	TOTAL
	FX	LC	LC	
1. Design & Supervision	-	173	-	173
2. Construction	200	430	-	630
3. Surface Drainage	-	-	125	125
4. Land Acquisition	-	-	62	62
5. Utilities & Related Equipment	-	405	-	405
6. Furnishing	-	-	280	280
7. Landscaping	-	15	-	15
8. Evaluation	50	-	-	50
9. Other GSE Investments	-	-	537	537
Sub Total	250	1,023	1,004	2,277
Inflation	60	669	100	829
Contingency	30	168	116	314
Total	340	1,860	1,220	3,420

FX = Foreign Exchange Costs  
LC = Local Currency Costs

THE NATIONAL INSTITUTE OF HEALTH SCIENCES  
(US \$ 000)

	<u>A I D</u>			<u>GSL</u>	<u>W H O</u>			<u>U N I C E F</u>			<u>UNDP</u>	<u>T O T A L</u>
	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>	<u>FX</u>	
1. Design & Supervision	-	173	173	-	-	-	-	-	-	-	-	173
2. Construction	200	430	630	-	-	-	-	-	353	353	-	983
3. Surface Drainage	-	-	-	125	-	-	-	-	-	-	-	125
4. Land Acquisition	-	-	-	62	-	-	-	-	-	-	-	62
5. Utilities & Related Equipment	-	405	405	-	-	-	-	-	-	-	-	405
6. Furnishing	-	-	-	280	-	-	-	237	-	237	-	517
7. Technical Assistance	-	-	-	-	200	-	200	-	-	-	359	559
8. Training	-	-	-	-	85	25	110	180	-	180	141	431
9. Landscaping	-	15	15	-	-	-	-	-	-	-	-	15
10. Evaluation	50	-	50	-	-	-	-	-	-	-	-	50
11. Other GSL Investments	-	-	-	537	-	-	-	-	-	-	-	537
Sub-Total	250	1,023	1,273	1,004	285	25	310	417	353	770	500	3,857
Inflation	60	669	729	100	-	-	-	-	-	-	-	829
Contingency	30	168	198	116	-	-	-	-	-	-	-	314
<b>TOTAL</b>	<b>340</b>	<b>1,860</b>	<b>2,200</b>	<b>1,220</b>	<b>285</b>	<b>25</b>	<b>310</b>	<b>417</b>	<b>353</b>	<b>770</b>	<b>500</b>	<b>5,000</b>

FX = Foreign Exchange Costs  
LC = Local Currency Costs

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Standard Project Agreement  
Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project 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. "Cooperating country" is the Government of the Democratic Socialist Republic of Sri Lanka ("Borrower" and/or "Grantee" as appropriate).

Article A: PROJECT IMPLEMENTATION LETTERS. To assist the Cooperating Country 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 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 Cooperating Country 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 arrangement, and with any modifications therein, approved by A.I.D. pursuant to this Agreement;  
and

(b) provide qualified and experienced management for, and train such staff as many 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 Assistance 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 Assistance, 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 Assistance will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Cooperating Country.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Assistance, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Assistance, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in the territory of the Cooperating Country, the Cooperating Country 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 Assistance.

SECTION B.5. Reports, Records, Inspections, Audit. The Cooperating Country 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 Assistance. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after 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 Assistance.

SECTION B.6. Completeness of Information. The Cooperating Country confirms:

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



(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. The Cooperating Country affirms that no payments have been or will be received by any official of the Cooperating Country in connection with the procurement of goods or services financed under the Assistance except fees, taxes, or similar payments legally established in the territory of the Cooperating Country.

SECTION B.8. Information and Marking. The Cooperating Country will give appropriate publicity to the Assistance of 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 Cooperating Country will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7 (a).

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

SECTION C.2. Eligibility Date. No goods or services may be financed under the Assistance 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 Cooperating Country 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 Assistance, 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 Assistance, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this sub-section

(a) (2) will be identified in Project Implementation Letters.

(b) Documents related to the prequalification of contractors, and to the solicitation of proposals for goods and services financed under the Assistance 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 Assistance 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 Cooperating Country for the Project but not financed under the Assistance, the scope of their services and such of their personnel assignment to the Project as A.I.D. may specify, and construction contractors used by the Cooperating Country for the Project but not financed under the Assistance 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 Assistance. 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 Assistance, the Cooperating Country 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 Cooperating Country may not be financed under the Assistance 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 Cooperating Country, has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Assistance, 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 Cooperating Country, 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 Cooperating Country 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 Cooperating Country may be financed under the Assistance, 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 government of the Cooperating Country, 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, than all goods shipped to the territory of the Cooperating Country financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Cooperating Country will insure, or cause to be insured, goods financed under the Assistance imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any Indemnification received by the Cooperating Country 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 Cooperating Country for the replacement or repair of such goods. Any such replacement 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 Cooperating Country agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Assistance should be utilized. Funds under the Assistance may be used to finance the costs of obtaining such property for the Project.

**Article D: REFUNDS; NONWAIVER OF REMEDIES**

**SECTION D.1. Refunds.**

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

(b) If the failure of the Cooperating Country to comply with any of its obligations under this Agreement has the result that goods or services financed under the Assistance are not used effectively in accordance with this Agreement, A.I.D. may require the Cooperating Country 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 such 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 Assistance, 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 (i) if in connection with a Grant, to reduce the amount of the Grant, or (ii) if in connection with a loan, to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder.

**SECTION D.2. 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.

**Article E: ADDITIONAL PROVISIONS (Grant Assistance Only)**

**SECTION E.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 non-cancellable 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 Cooperating Country, are in a deliverable state and have not been off-loaded in ports of entry of Cooperating Country.

**SECTION E.2. Interest on Funds**

Any interest or other earnings on Grant funds disbursed by A.I.D. to the Cooperating Country 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 E.3. Air Transportation**

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 E.4. Assignment**

The Cooperating Country agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Cooperating Country 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.