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A. I. D. PROJECT NO. [REDACTED]

PROJECT
GRANT AGREEMENT
BETWEEN
THE REPUBLIC OF INDONESIA
AND THE
UNITED STATES OF AMERICA
FOR
AGRIBUSINESS DEVELOPMENT

DATE: September 28, 1991

A.I.D. Project No.497-0368

PROJECT GRANT AGREEMENT

Dated: September 28, 1991

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 consist of various activities designed to strengthen Indonesia's institutional capability to (a) enhance public sector support to agribusiness, and (b) strengthen the private agribusiness sector, especially agribusiness organizations. 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. Subject to the conditions stated in this subsection, it is anticipated that the total amount of grant financing that will be made available by A.I.D. for the project will be U.S. \$20,000,000.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Three Million Three Hundred Six Thousand United States ("U.S.") Dollars (\$3,306,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., of goods and services required for the Project; and to finance the local currency costs (as defined in Section 6.2) of goods and services required for the project as authorized in Annex 1 hereto or as may be otherwise agreed to by A.I.D. in writing.

SECTION 3.2. Grantee Resources for the Project.

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

(b) The resources provided or caused to be provided by the Grantee for the Project will be not less than the equivalent of U.S. \$7,642,000, including costs borne on an "in-kind" basis. Of this amount, it is expected that not less than the equivalent of U.S. \$2,475,000 will be contributed by Indonesian private sector participants in the project.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1997, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to

the Grantee, may at any time or times reduce the amount of the Grant by all or any part 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 statement of the names of the persons 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. For Project Activities other than Technical Assistance. Prior to disbursement under the Grant for any purpose other than technical assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made with respect thereto, 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., written evidence of the establishment of the Project Steering Committee and the Project Implementation Unit. This documentation will include a description of the structure, staffing and responsibilities of each of these two units.

SECTION 4.3. For Activities Implemented by the Ministry of Agriculture and the Ministry of Industry in Project Years Beginning April 1, 1992. Prior to the disbursement of fund under the Grant for activities to be implemented by the Ministry of Agriculture and the Ministry of Industry in each year of the Project starting on April 1, 1992, and thereafter, or to the issuance of documentation pursuant to which disbursement will be made with respect thereto, 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., an annual work plan and budget covering both Grantee and A.I.D. contributions to the activities for that year.

SECTION 4.4. For Assistance to Not-for-Profit Agribusiness Associations. Prior to disbursement of funds under the Grant for assistance to not-for-profit agribusiness associations, or to the issuance of documentation pursuant to which disbursement will be made with respect thereto, the Grantee as represented by BAPPENAS 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 description of the specific implementation arrangements for such assistance.

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

SECTION 4.6. Terminal Dates for Conditions Precedent.

(a) If the condition specified in Section 4.1 has 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 Grantee.

(b) If the condition specified in Section 4.2 has not been met within 180 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 cancel, in whole or in part, the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5. Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas 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. Equipment Maintenance. The Grantee agrees to provide sufficient funds in its annual development (DIP) or routine recurrent budgets to adequately and properly maintain all equipment financed under the Grant.

SECTION 5.3. Staffing. The Grantee covenants to provide all GOI personnel required to implement the Project in an effective and timely manner. Unless otherwise agreed by A.I.D., (1) all Project Steering Committee members will be appointed by the

Grantee not later than 180 days from the date of the signing of this Agreement; and (2) the staff of the Project Implementation Unit will be appointed not later than June 30, 1992.

SECTION 5.4. Ineligible Activities. The Grantee understands and agrees that none of the funds provided under the Grant may be used for certain types of assistance related to the production of agricultural commodities for export from Indonesia if such exports would cause substantial injury to U.S. exports or compete with U.S. products in U.S. or third country markets. The specific types of assistance prohibited and the types of commodity exports covered by this provision will be further detailed in Project Implementation Letters.

Article 6. Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in the United States (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. Ocean transportation costs will be financed under the Grant only on vessels under the 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 for authorized local procurement 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 the Republic of Indonesia ("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 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 the 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 good 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 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 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 disbursement may be obtained: (1) by acquisition by A.I.D. with U.S. Dollars by purchase; or (2) from local currency already owned by the U.S. Government. The U.S. dollar equivalent of the local currency made available hereunder will be 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. 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 the Republic of Indonesia

at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

Article 8. Miscellaneous

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

To the Grantee:

Mail Address: Secretary General of Agriculture
Ministry of Agriculture
Jl. Harsono R.M. 3
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 the Secretary General, Ministry of Agriculture, and A.I.D. will be represented by the individual holding or acting in the office of Mission 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 names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

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

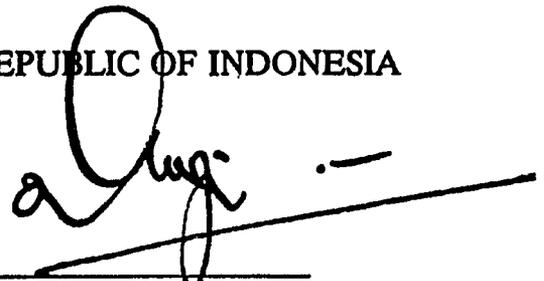
IN WITNESS WHEREOF, the Republic of Indonesia and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA



Lewis P. Reade
Director
U.S.A.I.D. Indonesia

REPUBLIC OF INDONESIA



Ir. Nusyirwan Zen
Secretary General
Ministry of Agriculture

ANNEX 1
AMPLIFIED PROJECT DESCRIPTION
AGRIBUSINESS DEVELOPMENT PROJECT (ADP)

The contents of this annex may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 of this Project Agreement without formal amendment of the agreement, provided that such changes are within the general scope of the Project as set forth in Article 2 of this Agreement.

I. PROJECT DESCRIPTION

A. Project Goal and Purpose

The Agribusiness Development Project (ADP) is a six-year effort with a goal of generating sustainable increases in employment and income by increasing the competitiveness, efficiency and growth of the agribusiness sub-sector. The Project purpose is to:

- (1) enhance public sector support to agribusiness; and
- (2) strengthen the private agribusiness sector, especially agribusiness organizations.

To achieve these purposes the ADP will implement two complementary components:

- (1) The public sector component will assist the Ministry of Agriculture (MOA) and the Ministry of Industry (MOI) examine policy issues at macro and micro levels, expand their ability to be facilitators and regulators of agribusiness and achieve better communication and cooperation with private agribusiness firms.
- (2) The private sector component will strengthen the capacity of private sector agribusiness trade/producer associations or other organizations to provide services to their members and provide input to the Government in policy and regulatory reform.

B. Project Outputs

The Project is designed to deliver the following outputs:

- (1) Agribusiness policy and regulatory units in MOA and MOI capable of analyzing agribusiness deregulation issues and options and implementing necessary actions.
 - At least two major policy studies completed each year.

- (2) New GOI institutional framework and services in place to assist and promote the agribusiness sub-sector.
- MOA/MOI offering two new services (e.g. policies/grades/standards) to the private sector.
- (3) Public and private sectors effectively collaborating to assist and promote agribusiness development.
- Approximately 10 public/private forums and 25 joint promotion activities conducted.
- (4) Private sector agribusiness organizations providing highly-valued, self-financed services to members and input to GOI on policy and regulatory matters.
- Five agribusiness organizations financially self-supporting in delivery of valued agribusiness services.
 - Five agribusiness organizations viewed by GOI as full partners in development, implementation and monitoring of policy/regulations.

C. Project Components

(1) Public Sector Component

The GOI promotes agribusiness development in three main ways. First, it sets the policies and regulations. Second, it encourages private sector activities, essentially by providing information (e.g. research and development, market information, market intelligence, market penetration, etc.). Third, the GOI implements its own production, processing and distribution programs (mainly through state-owned enterprises). The ADP will help in all three of these areas, but the emphasis will be on the first and second functions.

(a) Initial Policy Agenda

An Initial agenda of policy items, which has already been developed will be formalized via Implementation Letter at the outset of the Project. It will define the topics of policy-related analyses that should be carried out, as well as the communication linkages that should be fostered.

(b) Monitoring and Analyzing Current Policies

Working with the Initial Policy Agenda, the ADP will assist the GOI to :

- Catalog past and present policies, regulations, decrees, provincial rules, and unwritten conditions that effect agribusiness;
- Improve the GOI institutional capacity to analyze the implications of current and proposed policies and regulations.
- Help prioritize policies and regulations that should be changed, and then examine alternative approaches that would eliminate or mitigate constraints;
- Help the GOI prepare position papers for Indonesian policy-makers (at least 2 major ones per year on average);
- Encourage a process of input and feedback from the private sector (domestic and international) and areas outside Jakarta on policy and regulatory changes that need to be made.

(c) Future Policy Agendas

The Initial Policy Agenda for the ADP will be reviewed and revised annually. The up-dated agenda will help to guide Project studies.

(d) Public Sector Programs

The Minister of Agriculture in 1991 announced that, "It is the responsibility of the government and every institution concerned to develop market oriented and commercial agriculture enterprises." To improve the operation of public sector programs in line with the Minister's challenge, the Project will provide modest assistance to the MOA and MOI to accomplish the following:

- Improve the operation of state-owned enterprises (SOEs) so that they can serve as models for how private sector companies can be more "socially beneficial" without sacrificing efficiency.
- Promote, monitor, and evaluate agribusiness activities which may serve as models for how to improve linkages between farmers and agribusiness entrepreneurs. This will include:

- i) **Analysis of how the Nucleus Estate Smallholder System can be modified to provide more encouragement to collaboration between plantations and small holders.**
- ii) **Assess how to better utilize the "Foster Parent System" whereby 1%- 5% of the net profits of state-owned companies are set aside for development of small-scale industry, and 20 percent of bank credits are targeted to small-scale business.**
- iii) **Assess marketing and processing options for the crops promoted under the Poverty Alleviation Program.**

(e) GOI Support to Private Sector Agribusiness

In addition to providing modest assistance to the GOI to improve the operation of some of their public agribusiness programs, the ADP will encourage the Ministries of Agriculture and Industry to serve as facilitators and service providers to the private sector in a more open market setting. The ADP will work to:

- **Develop options papers for the MOA and MOI on ways to support the private sector directly.**
- **Develop options papers on how to increase private sector support for public sector schemes such as the nucleus estate and the Bapak Angkat programs.**
- **Support the development of private agribusiness organizations so they are better able to provide services to their members.**
- **Encourage joint GOI-private sector agribusiness promotion activities.**
- **Develop case studies of how agribusinesses make the leap from low levels of production for the domestic market to the higher levels of quality and quantity that the foreign market requires.**
- **Develop improved communication between the public and private sector by undertaking joint studies and other activities which have their origin in the private sector.**
- **Identify and support private sector initiated schemes for intensive development of particular high value-added products.**

- **Improve and harmonize grades and standards for products and packaging.**
- **Improve market intelligence and penetration.**

2. The Private Sector Component

(a) Targeting the Private Sector Component

The Project will provide assistance to private sector not-for-profit agribusiness organizations which emphasize the importance of promoting equity along with growth. Potential Project counterparts include trade and producer associations and associations of other non-profit organizations, cooperatives, input suppliers, business service providers or groups of individual processors and exporters.

ADP will target a few critical agribusiness product lines selected using commercial, economic, socio-economic, strategic, legal, policy and regulatory criteria. Linkages in these product lines will be sought with PIR, Bapak/Angkat or other GOI schemes which are sensitive to the needs for smallholder participation.

Two agribusiness product lines have been initially selected for emphasis - fisheries and horticulture. Once the Project is operational, this selection will again be reviewed to assure that it remains valid. Other product lines such as livestock and estate crops will be added later as justified by available financial and manpower resources.

Within these two product lines, agribusiness organizations will be selected for possible assistance using criteria as set forth in the project paper. Once support to initially selected organizations is running smoothly, other organizations will be evaluated for possible assistance.

(b) Detailed Description of Key Private Sector Activities

Strategic Planning. Several organizations will be helped to develop discrete activities which focus on key domestic and export products with strong market potential and which can be produced and processed in large volume.

Development of Information Systems. The project will assist private organizations to access and disseminate effectively and efficiently key information on markets, technology, grades and standards, quality control, management systems and training methodologies.

Management Systems. ADP will assist selected organizations to enhance their management and financial capability as well as to assist their membership with these issues.

Relations with Government. The Project will help improve the communications between the public and private sectors.

Support of Smallholder Development Schemes. The Project will work with the public and private sector to develop specific products and processes which will be introduced to smallholders through training and technical assistance.

Training Systems. Technical support will be provided to develop comprehensive training programs responsive to the needs of each industry.

Market Development. Selected organizations will be helped to develop quickly a thorough knowledge of key markets. This will involve periodic visits to the markets, participation in key trade shows, and assistance to buyers, equipment suppliers and others.

Linkage with the U.S. ADP will foster linkages between agribusiness organizations in Indonesia and the United States. Joint activities with these associations may include: (1) participation in trade fairs; (2) exchange of market and technical information; (3) help by the Indonesian association for visiting representatives of companies in U.S. associations; (4) training of Indonesian association members in the U.S.; and (5) assistance by the Indonesian associations in establishing a presence for the American associations in Indonesia.

II. Implementation Responsibilities

The ADP will be managed by the Ministry of Agriculture. The Project will be under the direct guidance of the MOA's Secretary General, and programmatically supported through the Project Steering Committee.

A. Project Management and Implementation

Management and implementation units will include a Steering Committee, a Project Implementation Unit (PIU) and Agribusiness Promotion Offices.

(1) Steering Committee (SC)

The Project's Steering Committee will be chaired by the MOA's Secretary General. The Vice Chairman will be the Secretary General of Ministry of Industry. The Secretary of the Steering Committee will be the Director of Bureau of Planning-MOA. The

membership of the Steering Committee will include one representative from each of the following:

- . BAPPENAS
- . Bureau of Planning-MOI
- . D.G. Food Crops
- . D.G. Fisheries
- . D.G. Livestock
- . D.G. Estate Crops
- . Bureau of Intenational Cooperation-MOA
- . USAID
- . D.G. Small Scale Industry
- . D.G. Multifarious Industry
- . D.G. Domestic Trade
- . National Agency for Export Development (NAFED)
- . PAIWC Secretariat
- . Private Sector
- . Center for Agro Socio-Economic Research
- . TA Team Leader

Other ministries that may be represented later include Ekuin, Cooperatives, and Health. The Senior Agribusiness Policy Advisor/Chief of Party will serve as an ex-officio participant in meetings of the Steering Committee, along with one representative from USAID.

The SC will be responsible for overseeing project implementation. It will review and approve annual work plans and budgets for the project. In addition, the SC will also serve as a policy forum for discussion of agribusiness issues. As such it will coordinate formulation of agribusiness development policies.

(2) Implementation Unit (PIU)

A Project Implementation Unit (PIU) will be formed under the direction of the Secretary General Ministry of Agriculture as Chairman of the Project Steering Committee. Plans to be implemented by the PIU will be approved by Project Steering Committee. Overall coordination of project management and implementation functions will reside in the PIU. A Project Leader (PIMPRO) from MOA will be appointed to head this unit. Other members of the PIU will include representatives from BOP/MOA, BOP/MOI, Directorates of Binus from D.G.s Food Crops, Fisheries, Estate Crops, Livestock, D.G.s Multifarious Industry and Small Scale Industry, USAID, and the TA Team. TA team advisors assigned to this unit will include the Senior Policy Advisor/Chief of Party and the Project Administrator.

The PIU will coordinate overall administrative and financial management functions for the project. The PIU will develop annual work plans and budgets (covering both USAID and GOI contributions) for consideration and approval by the Steering Committee. On a monthly basis, or more often as required, the PIU will review and approve activities proposed by the PIMPRO and the Team Leader. This will include implementation functions associated with the In-country Training, Policy Studies, and Workshops/seminars elements. Official project communications between USAID and the GOI will be through this Unit.

(3) Agribusiness Promotion Office (APO)

An Agribusiness Promotion Office (APO), forming an operational link with the private sector, will be established on a test basis. In terms of overall policy and procedures, the APO staff will work under the direction of the PIU and, hence, the Steering Committee.

Initially, it will be staffed by three long-term TA team members, along with local staff, including temporary assignments by GOI agribusiness staff who will continue to be solely employed by the GOI.

The APO will not be a new legal entity; rather it will be sponsored by the MOA and supported by USAID via the prime contractor. During Year 2 of the Project, two more small APOs will be established outside of Jakarta, most probably in Surabaya and Ujung Pandang. These offices will report administratively to the Jakarta APO. Other APOs may be established in later years.

B. Training

Approximately 30 percent of the work of the Long Term Technical Assistance, and 45 percent of the Short Term Technical Assistance team-members will be in the form of training. In addition, formal and informal training programs will be conducted.

Formal, short-term agribusiness training courses (totally 1141 person/months of training) will be provided to GOI agribusiness staff and private sector participants. Informal training may include study tours to visit agribusiness projects; participation in trade fairs and other agreed learning experiences. No long-term participant training is planned. To the maximum extent possible, training courses will include both public and private sector trainees. Fees may be charged to private sector participants in order to help defray training costs, and the funds will be held in a special account and used solely in support of training programs. An effort will be made to target 30 percent of training in terms of person-months for women.

(1) In-country Training

660 person/months of formal in-country training courses will be coordinated and implemented by the PIU. Possible courses include public sector management and program development, policy analysis, agribusiness sub-sector overviews, research and development methodology, international marketing, post harvest technologies, phyto-sanitary procedures, transportation, packaging and management information systems. More applied training courses will focus on agribusiness management aspects of production, processing and marketing. The TA contractor may provide short-term TA in the form of trainers and instructors. The prime TA contract will also cover expenses such as training facilities, training materials, and communications. The GOI will pay per

diem and travel expenses of GOI employees as part of their 25 percent contribution to the Project.

(2) Regional Training

220 person/months of regional (e.g. ASEAN) agribusiness training courses and study tours are planned. The TA contractor will be responsible for administering this element (preparation of PIO/Ps, etc.), based on selection decisions made by the PIU. Funds will be provided for travel, per diem and course fees. While it is A.I.D. policy to encourage overseas training in the U.S., there will be cases where regional training will have a greater developmental value and be more cost effective. Consistent with A.I.D. policy, ADP will not fund, except on an exceptional basis, training in countries which are also donors to Indonesia's development programs or to countries not included in A.I.D. Geographic Code 941.

3) U.S. Training

165 person months of agribusiness training courses and study tours are planned in the U.S. The TA contractor will also be responsible for administering this element (preparation of PIO/Ps, etc.), based on selection decisions made by the Steering Committee. Funds will be provided for travel within the U.S., per diem and course and other fees costs.

C. Technical Assistance (TA)

A direct AID umbrella TA contract with an institutional contractor will be utilized to provide technical assistance which will:

- (1) plan and conduct in-country training and workshops;
- (2) arrange administratively off-shore short-term training and study tours;
- (3) develop scopes of work, contract, and monitor policy studies;
- (4) create agribusiness promotion offices;
- (5) participate in the selection of counterpart organizations, and prepare work-scopes for potential assistance to not-for-profit agribusiness associations.

Table 1 summarizes the long term TA inputs as well as long term local administrative support. The direct AID Contractor will be selected jointly by AID and the GOI.

(1) Long Term TA

The Contractor will field a seven person long-term TA team, consisting of four expatriate and three local-hire positions, totalling 35 person/years of TA. In addition, this umbrella contractor will hire locally full-time a Management Information Systems Specialist, an Accountant, and a Training /Short Term TA Coordinator.

Table 1
Long-term TA Advisors, their Primary Work Location and Estimated Work Allocation

LONG-TERM TA POSITION	PRIMARY LOCATION	EST. WORK ALLOCATION (as %)	
		GOI	PRIV. SECTOR
Policy Advisor/C. of Party	GOI/PIU	75	25
Project Administrator (expatriate local hire)	GOI/PIU	75	25
Organizations Advisor	Priv. Sector/APO	25	75
Agroprocessing Advisor	Priv. Sector/APO	25	75
Marketing Advisor	Priv. Sector/APO	25	75
Extension Specialists (2 local)	Priv. Sector/APO	25	75
ADMIN SUPPORT			
MIS Specialist (local)	GOI/PIU	70	30
Accountant (local)	GOI/PIU	50	50
Training/T.A.Coordinator (local)	GOI/PIU	75	25
Clerical/Drivers (local)	GOI + APO	40	60

(2) Short-Term TA

TA contractor will be responsible for providing or sub-contracting for expatriate and local short-term technical assistance to both GOI counterpart ministries and private sector agribusiness organizations. Approximately 40 person/months per year each of expatriate and local short-term TA will be provided, totalling 220 person/months for the life-of-project. Such short-term technical assistance will offer a flexible mechanism for providing specialized TA as needs arise.

Agribusiness associations will receive substantial short-term TA which will strengthen their ability to assist their members with production, post-harvest handling and packing, cold storage, processing, transportation, product standards, packaging, and marketing.

GOI counterpart ministries will also use short-term TA to help carry out training, agribusiness studies (including, but not limited to, commercial law and international trade analysis), or market promotion activities.

Short-term environmental-related TA will be provided to encourage the development of environmentally sound agribusiness activities and assist in implementing A.I.D. environmental objectives.

D. Not-for-Profit Association Strengthening Assistance

In order to provide a flexible mechanism for support to not-for-profit agribusiness associations, \$1.5 million has been set aside. Criteria which will guide the evaluation and selection of organizations to be supported are as indicated in Section I.C.2. (a). Final implementation procedures for these funds will be agreed upon before disbursement of funds.

E. Policy Studies

ADP will provide funding for approximately 20 major in-country policy studies. These studies will examine government programs and analyze options for government assistance to agribusiness development. Section I.C.1 (d) of this Annex provides additional details. These funds will be included under the TA contract and managed in collaboration with the PIU.

F. Workshops and Seminars

ADP will fund approximately 11 major workshops and seminars. These are an effective mechanism for information gathering, dissemination, and consensus attainment. These funds will be managed by the prime contractor in collaboration with the PIU.

G. GOI Agribusiness Programs

The GOI will provide to the ADP the equivalent of \$2 million generated from the profits of the state-owned enterprises for improvement of agribusiness programs. These funds will be used to assist in the development of small and medium-sized agribusinesses. Agribusiness programs including contract farming, the nucleus estate system, Bapak Angkat, etc., will be improved to mesh with the technical and market requirements of agribusiness products that have been identified as having immediate commercial potential. Section I.C.1(d) of this Annex provides additional details concerning the objectives of these programs.

III. Implementation Plan

The following table identifies key implementation action dates:

Table 4: Dates of Key Implementation Actions

NO.	ACTION	DATE(S)
1.	Project Agreement Signed	Sept 1991
2.	GOI Project Staff Designated and Initial PILS Issued	Sept-Dec 1991
3.	RFP Issued for Umbrella TA Contract	Nov 1991
4.	Short-term bridging TA begins	Nov 1991
5.	Procedures for Preparing/Approving Annual Work and Financial Plans Established and 1992/93 Plan Drafted	Dec 1991
6.	Prime TA Contractor Proposals Reviewed	Jan-March 1992
7.	Initial Policy Studies Started	Feb 1992
8.	Prime TA Contract Awarded	March 1992
9.	TA Team Mobilized	June 1992
10.	Start-Up Workshop - Implementation Procedures Established	June 1992
11.	Agribusiness Promotion Office (APO) Established	June 1992
12.	Work-scopes Finalized for Assistance to Agribusiness Associations	June 1992
13.	Steering Committee Semi-Annual Review - 1993/94 Plan Established	June 1992
14.	Steering Committee Semi-Annual Review	Dec 1992
15.	Formal Review of Policy Agenda Progress and Revision	June 1993
16.	Two additional APOs established	June 1993
17.	Steering Committee Semi-Annual Review - 1994/95 Plan Established	June 1993
18.	Steering Committee Semi-Annual Review	Dec 1993
19.	Project Evaluation	Aug 1994
20.	Steering Committee Semi-Annual Review - 1994/95 Plan Established	Dec 1994
21.	Formal Review of Policy Agenda Progress and Revision	June 1995
22.	Steering Committee Semi-Annual Review	June 1995
23.	Steering Committee Semi-Annual Review - 1995/96 Plan Established	Dec 1995
24.	Steering Committee Semi-Annual Review	June 1996
25.	Steering Committee Semi-Annual Review - 1996/97 Plan Established	Dec 1996
26.	Steering Committee Semi-Annual Review	June 1997
27.	Final Evaluation	July 1997
28.	Project Assistance Completion Date	Sep 1997

IV. Financial Responsibilities

A Financial Plan

The total cost of the Agribusiness Development Project is US\$ 27,642,000 (calculated in U.S. dollars and including the GOI contribution). The financial plan for the project as shown in Attachments A and B to this Annex is illustrative and changes may be made to it by representatives of the parties named in Section 8.2 of the Project Grant Agreement without formal amendment to the Agreement. Adjustments of up to 15% of any budget

line item may be made by authorized representatives of the Parties. However, any such changes may not cause (1) A.I.D.'s contribution to exceed the amount specified in section 3.1 of the Agreement, or (2) Indonesia's contribution to be less than the amount specified in section 3.2 of the Agreement.

B. Republic of Indonesia Contributions

Inputs to the Project provided by the GOI and the participating Indonesian private sector trade/producer associations will include:

- (1) project staff and logistic support for the technical assistance staff.
- (2) funds, staff and facilities for in-country workshops, training programs and policy study planning, management and implementation;
- (3) international airfares for short-term training for GOI personnel;
- (4) travel and per diem for short-term training inside Indonesia for GOI personnel;
- (5) office facilities, as practical, and staff for APOs; and
- (6) funds from state-owned-enterprises' set aside for small agribusiness development.

C. USAID Contributions

USAID-financed contributions will include:

- (1) long-term and short-term technical assistance;
- (2) per diem, course fees and other costs for regional and U.S. short-term training, study tours, trade fairs, etc.;
- (3) airfares for travel within the U.S.;
- (4) support costs for in-country training, study tours, workshops and policy studies;
- (5) costs of agribusiness promotion offices including rent, if necessary, telephone/utilities, furniture, equipment and expendable office supplies for APOs;
- (6) evaluations and audits as needed; and
- (7) grants/contracts to agribusiness organizations per paragraph II.D.

Through the technical assistance contract, USAID will provide funds to finance office space for the APO, project administrative staff training, policy studies, and seminars.

D. Private Sector Contribution

As indicated above, it is anticipated that private agribusiness associations and firms will be involved in the project. They are expected to contribute staff, use of equipment, facilities and operating costs. These contributions will be specified in the implementing agreements for activities.

E. Project Financing Procedures

Commitment, and subsequent disbursement of funds used for most project activities, other than technical assistance and training in the U.S., will be based upon the preparation and presentation of annual plans and budgets. The GOI procedures and timetable used for the Development Budget (DUP and DIP) will be used in this Project. Annual plans and budgets should be capable of modification throughout the year to respond to emerging agribusiness opportunities/needs.

In the case of contracts or other agreements entered into directly by USAID, USAID will make payments directly to the contractor or recipient. Disbursement procedures for other project activities will be agreed upon by GOI and USAID in PILs.

V. Local Source Procurement

Local source financing is authorized under the Grant for:

- 1) locally required technical assistance, local costs of training, seminars and workshops, policy studies, and local administrative and logistic services, as more fully described in the Agribusiness Project Paper;
- 2) local procurement of other commodities and services as listed in paragraph 18A1c, Chapter 18, AID Handbook 1, Supplement B; and
- 3) such other locally required goods and services as may be agreed to by AID in project implementation letters.

VI. Evaluation and Audit

A. Evaluation

The Project Steering Committee, Project Implementation Unit and USAID will be collectively responsible for monitoring and evaluation of Project activities. Informal evaluations will be made at the end of each year of Project operation. These evaluations will identify problems in Project implementation and make recommendation for improvement to the Project Steering Committee. An external mid-term evaluation will be carried out during the ADP's third year of implementation. This evaluation will focus on the progress of the project against original targets and objectives.

An external final evaluation of the Project will be carried out during the Project's final year (Year 6) of implementation. This evaluation will document ADP's End of Project Status and will identify "Lessons Learned." It will include any recommendations for future assistance.

B. Audit

It is anticipated that selected Project activities may need to be audited to facilitate implementation and ensure that project accounts are correct. Provision is made in the budget for periodic audits.

Annex1:09/25/91

Attachment A

Agribusiness Development Project No. 497-0368
Illustrative Financial Plan: FY 91 Obligation
(In U.S. \$000)

Project Element	A.I.D. FY 91 Obligation	Life of Project Contributions*		Project Cost Total A.I.D. and G.O.I.
		A.I.D.	G.O.I.	
Technical Assistance	3,000	15,418	6,642	22,060
Assistance to Not-for-Profit Associations	0	1,500	1,000	2,500
Other Procurement	106	1,190	0	1,190
Inflation/Contingencies	200	1,892	0	1,892
T o t a l	3,306	20,000	7,642**	27,642

* It is planned that the project will be incrementally funded between 1991 and 1995. Future obligations are subject to the availability of funds and mutual agreement of the parties to proceed.

** Includes \$ 2,475,000 in anticipated contributions from Indonesian private sector participants. This amount also includes "in-kind" contribution from both the G.O.I. and the Indonesian private sector in the amount of \$1,950,000 and \$1,125,000 respectively.

ATTACHMENT B

**SUMMARY OF ADP COSTS
by Output
(in U.S. \$000)**

	USAID CONTRIBUTION	PERCENTAGE
Agribusiness Climate Improvement	3,775	19
Long-Term T.A.	1,695	
Short-Term T.A.	330	
Policy Studies	1,750	
Human Resources Development	6,390.58	32
Long-Term T.A.	1,493.58	
Short-Term T.A.	792	
In-country (formal)	1,320	
Regional	660	
U.S.	825	
Study Tours	750	
Workshops/Seminars	550	
Agribusiness Expansion	6,100.42	30
Long-Term T.A.	2,496.42	
Short-Term T.A.	1,078	
Agrib. Promotion Office	1,026	
Trade/Producer Assoc.	1,500	
Miscellaneous	3,734	19
Local-hire Support Staff	1,081	
- M.I.S.		
- Accounting Specialist		
- Training Coordinator		
- Project Administrator		
- Clerical Staff		
Vehicles/Drivers	186	
Office Equipment	175	
Evaluation	300	
Audit	100	
Inflation/Contingency	<u>1,892</u>	
TOTAL	20,000	100 percent

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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.5. (b)

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

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

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

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

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

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

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

Article C: Procurement Provisions

SECTION C.1. Special Rules.

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

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

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

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

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

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

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

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

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

SECTION C.3.

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

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

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

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

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

SECTION C.6. Shipping.

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

SECTION C.6.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

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

SECTION C.7. Insurance.

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

SECTION C.7.

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

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

Article D: Termination; Remedies.

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

SECTION D.2. Refunds.

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

SECTION D.2.

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

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

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

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

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

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

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