

PJHAA 836

A.I.D. Project No. 664-0327

Date: SEP 30 1982

PROJECT GRANT AGREEMENT

Between

THE REPUBLIC OF TUNISIA

And

THE UNITED STATES OF AMERICA

For

AGRICULTURAL RESEARCH

Conformed Copy

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ANNEX 1

PROJECT DESCRIPTION

ANNEX 2

GRANT PROJECT STANDARD PROVISIONS

GRANT AGREEMENT

DATED SEP 30 1962

BETWEEN

The Republic of Tunisia ("Tunisia" or "Grantee")

AND

The United States of America, acting through the Agency for International Development ("A.I.D.").

WHEREAS, the Republic of Tunisia and the United States of America entered into an Agreement for Economic, Technical and Related Assistance dated March 26, 1957 pursuant to which this Agreement is entered into by Tunisia and A.I.D.

NOW THEREFORE, it is agreed as follows:

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 Tunisia of the Project described below and the financing thereof 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 agricultural research activities, the provision of technical assistance and commodities related thereto and participant training in agricultural research subjects. The purpose of the Project is to develop and carry out a pilot program of research on mixed farming production practices and technology in Tunisia. Annex 1, attached, contains the detailed project description cited in this Section and identifies those elements of the Project for which grant financing will be employed.

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

ARTICLE 3: Financing

SECTION 3.1. The Grant. To assist Tunisia 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 Tunisia under the terms of this Agreement not to exceed Three Million Five Hundred Thousand United States ("U.S.") Dollars (\$3,500,000) (the "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. Tunisian Resources for the Project.

(a) Tunisia 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 Tunisia over the life of the Project are estimated to be approximately the equivalent of Three Million Sixty-Two Thousand U.S. Dollars (\$3,062,000), including costs borne on an 'in-kind' basis, but in no event less than twenty-five percent (25%) of the total cost of the Project.



SECTION 3.3. Project Assistance Completion Date.

(a) The Project Assistance Completion Date ("PACD"), which is September 30, 1986, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed 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., by giving notice in writing to Tunisia, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursements, 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, Tunisia 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 Tunisia specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and (b) a statement of the name of the person appointed to serve as the Tunisian Project Director.

SECTION 4.2. Additional Disbursements. Prior to disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made as described below, Tunisia 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) for research operations or for the procurement of research-related commodities: (1) evidence of the establishment of a financial accounting and disbursement procedure to permit the agglomeration of the various Tunisian funds ascribed to the Project and the prompt procurement of goods and services for approved research activities, including the name of the person responsible for managing the funds for those goods and services; (2) evidence of the establishment of the Research Management Team within the Direction de Enseignement Recherche et Vulgarisation (DERV); and (3) evidence that the research program and related budget requirements are sufficiently developed and economically justified, that available resources are properly taken into account and are adequate to complete the research program objectives, that the research program demonstrates a concentrated focus on a limited number of selected topics and that the criteria

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for approving individual research projects has been established;
and

(b) for the second and third years of research operations, evidence that Tunisian funds in the amounts of one-third and two-thirds of the expected project operations costs for the second and third years, respectively, are being made available through the financial accounting and disbursement procedure described in Section 4.2(a) (1) above.

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

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) 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 Tunisia.

(b) If the conditions specified in Section 4.2(a) and (b) have not been met, respectively, within 275 and 700 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 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 Tunisia.

ARTICLE 5: Special Covenants.

SECTION 5.1. Use of Project Commodities. Tunisia agrees that during the life of the Project, all project-funded commodities



(including vehicles) will be used exclusively for direct project purposes, except as may otherwise be agreed in writing, and that thereafter they will be used for purposes closely related to project objectives.

SECTION 5.2. Continuation of Research Program. Tunisia agrees that it will continue and develop further the research program initiated by the Project for a reasonable period after its completion.

SECTION 5.3. 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 periodic 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) recommendations as to how such problems or constraints should be addressed, and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

ARTICLE 6: Procurement Source.

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the cost 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 costs will be financed under the Grant only on vessels under flag registry of the United States or Tunisia, except as A.I.D. may otherwise agree in writing. If A.I.D. determines either that there are no vessels under flag registry of Tunisia generally available for ocean transportation, or that Tunisia has no access to U.S. flag service, A.I.D. in a Project Implementation Letter may agree to finance under the Grant ocean transportation costs on vessels under flag registry of any country included in A.I.D.'s Geographic Code Book 941.

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 Tunisia ("Local Currency Costs").

ARTICLE 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, Tunisia 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 and services or (b) requests for A.I.D. to procure commodities or services in Tunisia'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 Tunisia in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Tunisia 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, Tunisia may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

- (1) by acquisition by A.I.D. with U.S. Dollars by purchase; or
- (2) by A.I.D. (A) requesting Tunisia to make available the

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local currency for such costs, and (B) thereafter making available to Tunisia, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of Tunisia or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by Tunisia, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. Dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. Dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement.

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange.

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

ARTICLE 8: Miscellaneous.

SECTION 8.1. Communications.

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

To Tunisia:

Ministère des Affaires Etrangères
Direction de la Coopération Internationale
Avenue Mohamed V
Tunis, Tunisia

To A.I.D.:

Agency for International Development
c/o American Embassy
144, Avenue de la Liberté 1002 Belvédère
Tunis, Tunisia

Alternate Address for cables : Director, USAID

Amembassy TUNIS

All such communications will be in English or French, Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives.

For all purposes relevant to this Agreement, Tunisia will be represented by the individual holding or acting in the office of Minister of Foreign Affairs and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID to Tunisia, 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 detailed description in Annex 1. The names of the representatives of Tunisia, 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 "Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.4. Language of Agreement.

This Agreement, its Annexes and Project Implementation Letters are prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Republic of Tunisia and the United States of America, each acting through its duly authorized representative(s), 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

" ORIGINAL SIGNED BY "

By: Walter L. Cutler
Ambassador of the
United States of America

" ORIGINAL SIGNED BY "

By: Gerald R. Wein
Acting Director
USAID/Tunis

REPUBLIC OF TUNISIA

" ORIGINAL SIGNED BY "

By: Ahmed Ben Arfa
Director General of
International Cooperation
Ministry of Foreign Affairs

ANNEX 1

PROJECT DESCRIPTION

I. OBJECTIVES

This project supports achievement of the Tunisian Fifth Plan (1982-1986) goals for increases in agricultural production and improvements in the quality of rural life for small and medium-scale farmers.

The Project will do this through the implementation of a program that coordinates and carries out interdisciplinary research on mixed farm production systems. The innovative organization of this program will provide a model for an effective system of coordination and management of research by objectives in Tunisia. The program will be defined and carried out cooperatively by the researchers of the National Agronomic Institute of Tunisia (INAT), the National Agronomic Research Institute of Tunisia (INRAT) and the Ecole Supérieure d'Agriculture du Kef (ESAK) to strengthen these teaching and research institutions, direct their research to meeting farmer needs and provide a solid foundation for extension of the system.

By the end of the project, a continuing interdisciplinary "production systems" research program will be underway under the effective control of the researchers involved, supported by the Ministry of Agriculture's research managers, with the active involvement of researchers and students from the three institutions, and focussed on farmer problems. The research management system developed will be established as an effective method of research coordination in Tunisia, leading to its application to other research areas.

II. PROJECT INTERVENTIONS

1. Establishment of a Research Management System

The primary project output is the establishment of a research management system through the application of management by objectives to a specific program of research.

To achieve this objective, the project will include two elements:

a Research Management Team (RMT)

.. and a Technical Program Team

The RMT, chaired by the Director of Research, Extension and Education Directorate (DERV), will include the directors of the three participating institutions, the Project Director and one or more of the researchers participating in the project. The RMT sets the overall directions of the program and monitors its implementation. It acts on the recommendation of the TPT.

The TPT chaired by the Project Director, includes all researchers active in the project. The TPT develops the research program as well as the related budget and implements the program after it is approved by the RMT. It will then have the authority to approve individual activities, to make adjustments within approved budget limits and in general to manage the execution of research projects.

The key element of the system however, and the main factor differentiating it from other coordinating committees lies in the existence of an implementation team which will enable the researchers

to develop and implement a coherent program of their own.

A second major element of the system is the allocation of funds by objective and not by institution, which will permit a greater flexibility in the utilization of resources. Furthermore, the establishment of a flexible management mechanism will facilitate project operation through the prompt procurement of goods and services.

The establishment of the RMP, is expected to provide a practical means of coordination, to build inter-institutional ties at the management level with representation by the researchers. The TPT will provide a practical means of coordination to build inter-institutional ties at the operational level, and to create a mechanism for developing interdisciplinary research programs clearly focussed on identifiable farmer needs and national goals.

To reinforce these improvements in research management at the three institutions, the project will conduct training seminars, provide technical assistance, and undertake other activities designed to extend the project's management improvements to other research activities.

2. A Program of Production Systems Research in the Northern Drylands

The second major project output is an interdisciplinary program of research directed at increasing production in the northwestern semi-arid region.

This program extends and integrates two ongoing research programs:

- 1) a program of socio-economic research by an INAT/INRAT group to define the production systems of this region, and 2) a program of cereal breeding and

other agronomic research.

By integrating the two programs, redefining the scope and priorities of the combined program, and adding a stronger component of livestock and forage crop research, the scientists of the three institutions will build, in effect, a Production Systems Research Program (PSR) for Zone II.

The PSR program itself will proceed in three stages. First, the socio-economic survey work will be broadened to include agronomic and livestock components, leading to a definition of the major production systems used by farmers in the agroclimatic sub-zones of the region with particular emphasis on farm management problems and opportunities. Second, specific interventions fitting within the current system will be identified based on the work in stage 1 as likely to increase production and incomes and will be tested on-farm in close cooperation with the farmers themselves. Third, the research group will develop and test more significant departures from the current system, based on their improved understanding of farmer goals, risk and production variation in the area, and the potential for more productive uses of the area's land and water resources.

These stages are conceptual rather than strictly chronological. The analytic work begun in stage one does not cease when technology trials begin in stage two, nor does the rethinking of current systems in stage three wait until all marginal changes to that system have been tested in stage two.

3. Increased Capacity in Interdisciplinary Research Methodologies and Research Management

The program will strengthen and institutionalize the current system of informal cooperation by Tunisian researchers across disciplines and institutional boundaries.

This capacity will be reinforced by the project's training activities, both in-country and overseas. Through the project, researchers will receive advanced training in specific methodologies needed to carry out a program of interdisciplinary, applied research on farms and in particular aspects of research management, such as development of project budgets and formulation of research proposals.

4. Strengthened Agricultural Training and Research Institutions

The project will reinforce the three institutions' participation in the research program. Incorporation of graduate student research by INAT ("3^e cycle") students will both strengthen the research program and make their training more relevant to the farmer's needs. The improved integration of teaching and research activities at INAT and ESAK through the active involvement of the students in the research program will build these institutions' capacity to produce agricultural professionals who are receptive to farmer perspectives and who have a field orientation to their work. The participation of extension personnel in the implementation of research projects and in the annual seminars to review research results and further define and direct the research program will be mutually beneficial to both the research and extension institutions.

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III. ADMINISTRATIVE ARRANGEMENTS

The project administrative structure recognizes the dual responsibility of researcher and manager for the development of balanced research programs serving national needs. The structure developed has three main components: 1) the Research Management Team, including both management-level and researcher representatives of the TPT; 2) the Technical Program Team, made up of the researchers, and 3) the day-to-day administration and management mechanism made up of a Project Director selected from among the research members of the RMT supported by the resident advisor and a professional administrator to handle logistical matters.

1. The Research Management Team

The RMT will set the overall guidelines and policies of the research program, upon recommendation from the TPT, and will approve research projects for funding under the project, after they have been reviewed and developed by the TPT. The RMT is expected to meet on a quarterly basis.

In selecting projects for funding, the RMT will follow an agreed-upon set of criteria, to be developed with the assistance of the technical assistance team working with the TPT and the Project Director. Proposals for interdisciplinary research conducted on-farm with the active involvement of students and researchers drawn from more than one of the participating institutions will receive preference over proposals not meeting these criteria.

2. The Technical Program Team

The researcher-members who form the Technical Program Team, will have primary responsibility for developing and implementing the research program funded. Working together, they will develop the program priorities and criteria for selection of activities, review specific research proposals, and monitor the progress of the research.

3. The Project Director

One of the members of the RIT will be selected to serve as Project Director upon appointment by the Minister.

The Project Director will be the counterpart of the long-term advisor as well as the individual responsible on a continuous basis for the management of the project. The Director will carry out the decisions of the RIT and the TPT, in accordance with the responsibility and authority delegated to him by the Chairman of the RIT, the Director of the DERV. If the Project Director is a researcher from IMAT and INRAT, allowance will be made for the time requirements of the position by reducing that person's regular teaching and/or research load.

A project administrator will be hired and assigned to the project on a full-time basis. The duties of the administrator will be to assist the Project Director with the logistical, financial, and other administrative matters related to implementation of the project. The administrator will in particular be responsible for local procurement, for supervising operation of the "regie" to ensure rapid disbursement of research operating expenses and proper accounting, and for overseeing the scheduling of project-funded resources, particularly vehicles.

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The administrator will also assist the Project Director and resident advisor in administrative matters relating to participant training, the holding of conferences and seminars, short-term technical assistance, etc.

The administrator will be assisted by a staff of secretaries drivers, and other support staff assigned to the project office by the GOT.

4. Project Disbursement Mechanism for Research Operation Expenses

Disbursement of project monies, both AID and GOT, will in general follow the accepted procedures followed in other AID-assisted Tunisian projects. Disbursements for research operating expenses, however, will utilize a financial mechanism selected to provide the speed and flexibility with which funds need to be disbursed to effectively carry out agricultural research activities.

A process that permits expenditures to be made rapidly against approved line items in the budget will be established.

An accountant or administrative officer will be assigned to handle the account. He may make disbursements up to a fixed amount for the agreed-upon purposes.

IV. PROJECT FINANCING**1. A.I.D. Financing**

Assistance in the form of A.I.D. grant funds are provided for the following:

	<u>(000 U.S. Dollars)</u>
Technical Assistance	692
Participant Training	230
Commodities	1,100
Research Projects Expenses	365
General Operating Expenses	130
Evaluation	<u>75</u>
Subtotal	2,592
Inflation	656
Contingency	<u>252</u>
TOTAL	3,500

The above budget items may be shifted by the written agreement of the parties hereto, in an amount up to fifteen percent without formal amendment of the Project Agreement.

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2. Government of Tunisia Financing

In kind and Tunisian Dinar Contributions are provided for the following:

	(000 U.S. Dollars equivalent)
	1 TD = \$1.7
Personnel	886
Training	115
Commodities	534
Research Project Funds	296
General Operating Expenses	<u>192</u>
Subtotal	2,123
Contingency	212
Inflation	<u>727</u>
TOTAL	3,062

3. Details of A.I.D. Financing

(1) Technical Assistance

The technical assistance financed by A.I.D. will be for one resident advisor for up to three years and short-term consultants for up to 30 person months. The Ministry of Agriculture will negotiate a contract acceptable to A.I.D. with a U.S. university or consortium of universities to provide these services. The contractor should have experience in procurement of commodities and services in accordance with A.I.D. regulations.

The long-term advisor will be responsible for assisting the RMT to put together an integrated, well designed research program on production systems in the semi-arid region, for advising the team on the management of the research program and for assisting the DIERV in designing an improved system of agricultural research coordination. He will be supported in

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commodity procurement, placement of participants, and arranging for the services of short-term consultants by the university or consortium awarded the technical assistance contract.

Short-term technical assistance will provide: a) specialized management advice and conduct workshops in research management (approximately 8 person months), and b) assist the Tunisian scientists in the design and implementation of the individual research projects (approximately 22 person months).

(2) Training

The participant training financed by A.I.D. will include approximately 30 person months of U.S. short-term courses to upgrade researchers' skills in particular areas related to the coordinated research plan. It will also include training for approximately 16 junior researchers and research technicians in agricultural research methodologies and specific subject matter areas for 6 months each in the United States or at one of the International Agricultural Research Centers.

(3) Commodities

U.S. financed commodities will have their source and origin in the United States except for "shelf items" in Tunisia as allowed under standard A.I.D. regulations. They will include up to six automobiles (to be procured in accordance with the USAID/Tunisia project vehicle standardization plan), research laboratory and field equipment, computer terminals, and library reference and resource books and journals. Detailed commodity list will be developed by the TPT and approved by the RMT. Priority will be given to those commodities needed to promote, facilitate and carry out on-farm research in the project area.

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(4) Research Project Expense

Since the research activities of this project will represent an increase over currently budgeted research activities, A.I.D. will co-finance the operating expenses with the GOT. A.I.D. will provide 100 percent of the operating expenses in the first year (1983-84) up to \$90,000, 66 percent in the second year (1984-85) up to \$225,000 and 33 percent in the third year (1985-86) up to \$210,000.

(5) Other Expenses

Other inputs financed partially by A.I.D. will include in-country conferences and seminars, and participation of Tunisian researchers in international seminars related to this project.

4. GOT Inputs

a. Personnel

The GOT will finance the researchers, students, and other professional and support staff necessary for project implementation. In addition to the management staff and researchers from INAT, INRAT, and ESAK active in the research program and/or working with the management team, the GOT will finance a project administrator who will handle the administrative details of the project under the direction of the Project Director and additional drivers and support staff needed by the project.

b. Participant Training

The GOT will finance international transportation and staff salaries in support of the project's training program. All short-term participants, including students, will continue to receive their salaries (or student stipends, as appropriate) during training.

c. Commodities

To promote establishment of a regularized research investment budget, the GOT will contribute a share of the commodities budget ranging from a low of around 20 percent in the case of basic research equipment and documentation (exclusive of current facilities available to the project), to over 50 percent in the case of vehicles. The GOT will purchase research equipment using local currency and will provide mopeds and heavier vehicles to supplement the AID-funded vehicles.

d. Research Project Expenses

The GOT share of research expenses, as described above, will increase from zero in the first year to 67 percent in the third year and 100 percent thereafter.

e. Other Expenses

The GOT will finance vehicle operations and the in-country expenses associated with operation of the project office, the management team, and in-country seminars and conferences.

They will fund the participation of GOT officials in the two external evaluations planned for the project as their contribution to the evaluations.

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V. PROJECT EVALUATION

Both internal and external evaluations will be conducted as part of the project. An internal evaluation mechanism will be developed within the project itself and will take the form of regular workshops and seminars organized by the institutions concerned to discuss project progress, air problems on a timely basis and identify actions needed at the management level.

Two external evaluations, one at the project mid point and one at the end of the project, will be carried out under the joint responsibility of A.I.D. and the GOT. They will measure the progress of development of the project through discussion with the researchers and others. They will address the essential questions of whether interdisciplinary work has been effective and supportive of research, whether the research program is demonstrably directed to farmers and whether useful results have been obtained through field-oriented research.

The four year life of project should allow sufficient time to permit the end of project evaluation to address the following questions:

1. To what extent is research conducted under this project providing useful information to improve production in the target area?
2. To what extent have research and teaching become more closely linked to each other at INAT and ESAK?
3. To what extent has communication been improved between researchers, teachers, extension agents and farmers?
4. To what extent has the project's approach created the necessary interest for replication in different research areas and teaching departments?

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ANNEX 2

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

SECTION B.3. Utilization of Goods and Services.

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

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

SECTION B.4. Taxation.

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

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

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

The Grantee will:

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

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

(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 caused 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 (and their personal effects) 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 pre-qualification 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;

(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.

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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.

(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.

(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 insurance will be issued on terms and conditions

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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 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 payments 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 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., 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 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.

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(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.