

PD KAE 337

28 AUG 1984

A.I.D. Project No. 517-0156

GRANT AGREEMENT
Between
THE GOVERNMENT OF THE DOMINICAN REPUBLIC
and
THE UNITED STATES OF AMERICA
for
AGRICULTURAL POLICY ANALYSIS

Dated: July 27, 1984

RECORD COPY

CONFORMED COPY

GRANT AGREEMENT

Dominican Republic - Agricultural Policy Analysis

A.I.D. Project No. 517-0156

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GRANT AGREEMENT dated July 27, 1984 between the GOVERNMENT OF THE DOMINICAN REPUBLIC ("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 the Project. The Project, which is further described in Annex 1, consists of assistance to develop an operational mechanism in the Dominican Republic for formulating agricultural sector policies. The Project will strengthen the administrative capability of the National Agriculture Council (CNA) to obtain and utilize information by financing policy studies, consulting and advisory services, training and other related costs of carrying out the activity. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

ARTICLE 3

Financing

SECTION 3.1 The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Five Hundred Thousand United States Dollars (US\$500,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2 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 by the Grantee for the Project will be not less than the equivalent of U.S.\$1,950,000, including costs borne on an "in-kind" basis.

SECTION 3.3 Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" ("PACD"), which is October 31, 1987, 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

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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 described 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 described 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 A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) an opinion of the Legal Advisor to the Grantee that this Agreement has been duly authorized and executed on behalf of the

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Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) a statement of the name of the person who will represent the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) The name of the project coordinator together with evidence that the coordinator will contribute adequate time and effort for the successful implementation of the project;

(d) Evidence that (1) the Agricultural Policy Analysis Committee (CAPA) and the Agricultural Studies Unit (UEA) have been established within the CNA and (2) a formal, agreed relationship exists between the CAPA and UEA, acceptable to CNA, conducive to carrying out and achieving the purposes of the Project; and

(e) Evidence that CNA will furnish the necessary staff and logistic support to carry out the Project.

SECTION 4.2 Disbursement for Conducting Studies. Prior to disbursement under the Grant, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made for conducting studies, the Grantee will, except as A.I.D. may otherwise agree in writing furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A time-phased implementation plan which describes, to the maximum extent possible, the studies anticipated to be carried out during the Project;

(b) Evidence of the assignment of adequate staff in CAPA/UEA to manage, support and monitor the study activities;

(c) Evidence of establishment of selection criteria and a procurement mechanism and procedures, acceptable to A.I.D., for the selection of specific topics and the selection of consultants to carry out the studies;

SECTION 4.3 Disbursement for Training. Prior to the first disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made for training activities, the Grantee will, except as A.I.D. may otherwise agree to in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a detailed training plan endorsed by the CAPA outlining all training activities.

SECTION 4.4 Notification. When A.I.D. has determined that the Conditions Precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.5 Terminal Date for Conditions Precedent. If the conditions specified in Section 4.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the 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 may otherwise agree in writing, the Program will include a mid point evaluation

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of the Project and at least one more at the Project conclusion. The evaluations will include, but not be limited to:

- (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 problems may be overcome; and
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2 Composition of CAPA. Except as A.I.D. may otherwise agree in writing, the CAPA during the term of the Project, will be comprised of seven members, all drawn from the CNA. Three members will be from the public sector, including the Technical Secretary of the Presidency or his designated representative, the Secretary of Agriculture or his designated representative, and the representative from the Autonomous University (USAD), and four from the private sector, at least two of whom will represent the private university community (Catholic University - UCMM and and Pedro Henriquez Urefia University - UNPHU).

SECTION 5.3 Public Record. The Grantee shall treat studies produced as a result of the Project activity as matters of public record and take the appropriate steps to place all such materials in the public domain.

ARTICLE 6

Procurement Source

SECTION 6.1 Foreign Exchange Costs. Except as A.I.D. may otherwise agree in writing, 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 in and, with respect to services, their nationality 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 as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean transportation costs will be financed on flag vessels of the United States of America.

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 the Dominican Republic ("Local Currency Costs").

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 or other methods as may be mutually agreed upon:

(1) By submitting to A.I.D., with necessary supporting documentation described in Project Implementation Letters, (i)

requests for reimbursement for such goods or services, or, (ii) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) By requesting A.I.D. to issue Letters of Commitment for specified amounts committing A.I.D. to pay U.S. contractors or U. S. suppliers, for such goods or services.

(b) Banking charges incurred by the 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. 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 described in Project Implementation Letters, requests to finance such costs. The Local Currency needed for such disbursements may be obtained through acquisition by A.I.D. with U.S. Dollars or from local currency already owned by the U.S. Government.

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

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 : National Agriculture Council
Centro de los Héroes
Santo Domingo, Dominican Republic

Cable Address : National Agriculture Council
Santo Domingo, Dominican Republic

To A.I.D.:

Mail Address : USAID Mission to the Dominican Republic
Santo Domingo, Dominican Republic

Cable Address : USAID Santo Domingo

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

SECTION 8.2 Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Chairman of the National Agriculture Council, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to the Dominican Republic, 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.

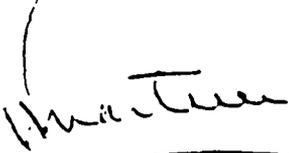
SECTION 8.3 Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.4 Language of Agreement. This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

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

FOR THE GOVERNMENT OF
THE DOMINICAN REPUBLIC:

BY:

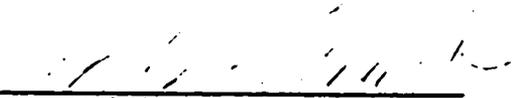


Ing. Agron. Domingo Marte

TITLE: Secretary of State
for Agriculture

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

BY:



Philip R. Schwab

TITLE: Director
USAID Mission to the
Dominican Republic

AGRICULTURAL POLICY ANALYSIS

PROJECT DESCRIPTION

I. Project Goal and Purposes

The goal of the Agricultural Policy Analysis Project is to increase agricultural production, raise farmer incomes, satisfy consumer demand, promote exports and reduce imports. The project will contribute to this goal by improving the availability of timely information to agricultural policy makers.

The project purpose is to assist the CNA and through it the GODR to formulate sound, coherent agricultural sector policies. This will be achieved through the creation of operational mechanisms for analyzing policy issues and alternatives in a thorough, systematic fashion and on a continuing basis.

II. Project Activities

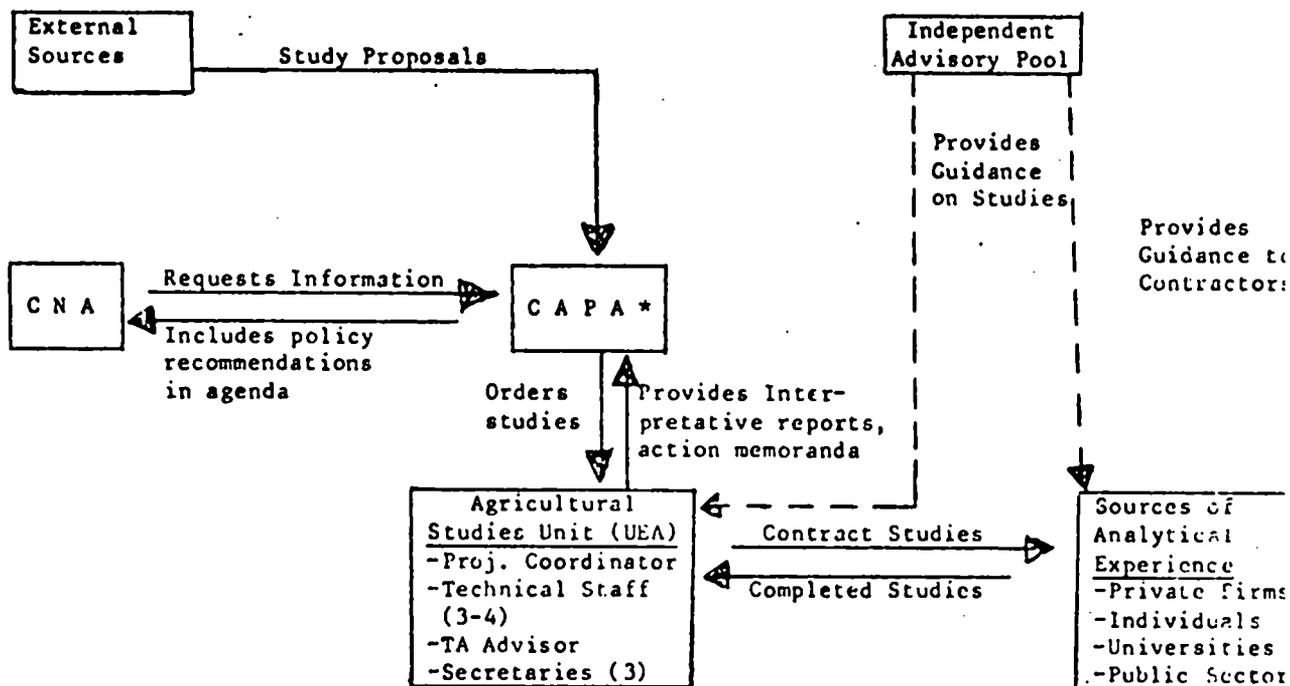
The Agricultural Policy Analysis project will strengthen the existing institutional framework of the CNA. Specifically it will create an Agricultural Policy Analysis Committee (CAPA) and within

it, an Agricultural Studies Unit (UEA), which will provide CNA with agriculture policy recommendations, based on sound data and analysis, about the feasibility, soundness, and advisability of policy alternatives. The institutional framework is laid out schematically in Figure 1.

The project will be funded by an AID grant in the amount of US\$500,000 to the National Agriculture Council (CNA) and by RD\$2.1 million in counterpart contribution by the GODR.

CAPA will function as an executive committee to translate the directly expressed and perceived needs of CNA into an ongoing program of policy analysis and option identification that will facilitate the resolution of problems relating to the agricultural sector. It will have seven voting members, all drawn from the CNA. Three members will be from the public sector and four from the private sector. Representatives of the public sector will be the Technical Secretary of the Presidency, or his designated representative, the Secretary of Agriculture, or his designated representative, and the representative of UASD. The other four members of the Committee will be representatives from the private sector, at least two of whom will represent the Private University Community (UCMM and UNPHU), and two representatives of agrobusiness and/or producers. The President will designate the Chair of the Committee. CAPA will nominate a liaison officer to assure that CAPA's decisions are carried out.

FIGURE 1.
PROPOSED ORGANIZATIONAL STRUCTURES



*CAPA consists of 7 members:

GODR

- SEA (1)
- STP (1)
- UASD (1)

PRIVATE SECTOR

- Agrobusiness and producers (2)
- Private universities - UCMM - UNPHU (2)

To implement the activities of the CAPA, an Agricultural Studies Unit (UEA) will be created within the CAPA office. All operational activities of the unit will be directed by the CAPA as the representative of the CNA. The performance of the unit will thus be fully responsive and dedicated to meeting the needs of the CAPA in the formulation and execution of policy studies and related activities that are required by CNA requirements. In addition to the administrative direction that it will receive from CAPA, the unit will receive technical guidance from an Independent Advisory Pool (Grupo Asesor). The Pool will be made up of experts from the Dominican agricultural sector.

The overriding attributes required of UEA staff will be professional competence and a high level of objectivity in carrying out their functions. UEA staff will include a Coordinator, an Agricultural Policy Analyst, a Financial/Accountant Analyst, an Agricultural Technical Analyst, and three support Secretaries.

After setting up the Institutional framework the project will undertake three sets of closely linked activities:

- A. Research Study Activities. The production of policy studies that deal with problems and issues relevant to

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present or future agricultural policies in the Dominican Republic, especially but not limited to those relating to the productivity of agriculture, strategies for agricultural development; constraints on the development process; the distribution effects of alternative policy actions; the implications of these actions within the context of the macro-economic and social setting for the country as a whole; and other questions within the scope of CNA deliberations. High standard in selecting individuals, firms or institutions to conduct studies is essential to help ensure the credibility of the results, and that the project will meet national needs.

- B. Strengthening the Operational Mechanism. Since being reinstated as a formal body to consider and resolve policy constraints identified with the agricultural sector, CNA has received considerable public visibility. With the support provided by this project, CNA may be able to make policy decisions based on sound analytical evidence and objective and feasible policy options which specify their consequences for performance of the agricultural sector. Improved credibility and capacity of CNA in the policy arena provides a point of departure for a higher level and considerably improved national comprehension of the

policy issues identified with the agricultural sector and of the efficacy of alternative means of resolving constraints to agricultural productivity.

The project proposes to capture the synergism involved in the reactivation of CNA and the flow of information and analysis on agricultural policy issues in order to increase public awareness of the role of agriculture in the national economy, the constraints to agricultural performance, and the major options for relieving these constraints. The project will thus support a program of activities that will broaden the understanding of agricultural policy issues and heighten the level and quality of domestic policy dialogue.

The project will place significant emphasis on data organization. UEA will also be responsible for accumulating and managing data resources to support an improved capability for policy analysis work in the private and public sectors. Since most policy studies contemplated under the project are to be short-term, little time and limited project resources will be devoted to primary data collection. Much of the analytical work envisioned under the project will use existing data bases in the public or private sectors. Presently, these data sets are dispersed throughout the

government, universities, parastatal organizations and private sector firms. No mechanism exists to assess the quality of data from different sources or to assemble policy relevant data in a central repository where it can be evaluated, updated, and managed in order to expedite and improve the quality of policy related research activities.

Two National Conferences on Agricultural Policy Issues will be held near the close of the first and second years of project activity . These conferences will bring together representatives of farmer and agribusiness interest groups and the public sector to discuss and explore the basic policy issues confronting agriculture of the country. They will also address and give perspective to the policy problems of agriculture within the context of the broader national economy.

The UEA will identify and collect for national agency reference, agricultural policy related materials, including but not limited to those produced under sponsorship of the project. Furthermore, in order for the project to reach its full potential impact on agricultural policy making, special efforts will be made to assure that results generated by the effort reach a broad spectrum of Dominican professionals, and

the public at large. A distribution system will be developed for studies completed under the project and for materials developed as a result of conferences, workshops or other public forums that the project sponsors. Distribution will include Dominican universities, public agencies that work in the agricultural sector, and public libraries to the extent necessary to provide for geographic coverage of the country. Copies will also be made available to private sector individuals and firms on a cost basis. Official documents prepared by UEA in support of CNA activities will be similarly distributed or made available.

- C) Training Activities The project will provide training on-the-job as well as refresher courses on policy analysis methods and techniques.

The courses will focus on updating skills and abilities to perform or manage policy analysis work, relatively little emphasis will be given to the presentation of new principles or relationships. The intent of the course will be to enable participants to better use their technical skills with greater effectiveness in addressing agricultural policy problems. Emphasis will also be on improving general understanding of policy problems and analytical approaches.

III. Technical Assistance

To strengthen the GODR agricultural policy making apparatus will require outside technical assistance for the first 18 months of project activities and would be funded from project funds. The Resident Technical Advisor should have several attributes. The advisor should be technically competent in policy analysis methods and techniques, have considerable skill and ability in organization and ongoing management of staff-type policy analysis activities, and should have a full appreciation of the nuances of the environment in which policy decisions are ultimately made by public representatives.

The Project will procure the services of a Resident Technical Advisor who will support and assist UEA in developing a capability to engage in agricultural policy analysis and to reach better policy decisions. The advisor's assistance will range across the full spectrum of activities and organizations involved in the project, and will endeavor to improve the technical capacity and performance of the UEA staff. The advisor will also be available to CAPA to help formulate a program of agricultural policy analysis, to develop strategies for effectively implementing this program, and to establish good working relations with experts in the public, university and private sectors. In addition, the Resident Advisor will be available to the CNA for advice and assistance in crystallizing policy issues, and in refining policy options into policy actions.

IV. Financial Plan

A summary financial plan of the project activities is found on the following tables (1 and 2). The amounts shown are estimates. Changes of any line item in excess of 15% will require formal approval by AID and the CNA.

TABLE 1

Summary Financial Plan
(US\$000)

| Component/Activity | AID | Grant | GODR | Total |
|---|-----|-------|-------|-------|
| | FX | LC | LC | |
| A. <u>Technical Assistance</u> | | | | |
| 1. Long-Term Resident Advisor (18 p/m) | 150 | - | - | 150 |
| 2. Short-Term | | | | |
| a. Agricultural Economics Specialists (2 p/m) | 20 | - | - | 20 |
| b. U.S. Consultants (Studies) | 125 | - | - | 125 |
| c. D.R. Consultants (Studies) | - | - | 800 | 800 |
| B. <u>Commodities</u> | | | | |
| 1. Vehicles | 30 | - | 36 | 66 |
| 2. Office Equipment | 30 | - | - | 30 |
| C. <u>Training</u> | | | | |
| 1. Invitational Travel | 30 | - | - | 30 |
| 2. Short Courses: Seminars/Conferences | 30 | - | 100 | 130 |
| D. <u>Operating Expenses</u> | | | | |
| 1. UEA Staff | - | - | 415 | 415 |
| a. 1 Project Coordinator (36 p/m) | - | - | (100) | - |
| b. 3 Technical Personnel (108 p/m) | - | - | (225) | - |
| c. 3 Secretaries (108 p/m) | - | - | (90) | - |
| 2. Advisor Group Services Honorarium | - | - | 20 | 20 |
| 3. Logistic Support | - | - | 200 | 200 |
| 4. Publications/Distribution | - | - | 45 | 45 |
| E. <u>Project Evaluation</u> | 20 | - | 20 | 40 |
| Subtotal | 435 | - | 1,636 | 2,071 |
| F. Inflation and Contingencies | 65 | - | 314 | 379 |
| Total | 500 | - | 1,950 | 2,450 |

(Total AID - \$500)

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TABLE 2
 Projection of Expenditures by Fiscal Year
 (US\$ 000)

| Source | FY 84 | | | FY 85 | | | FY 86 | | | T O T A L | | |
|--|-----------------------|-----------------|------------|-----------------------|-----------------|------------|----------------------|-----------------|------------|------------|-----------------|--------------|
| | Aug.1/84 - Sept.30/85 | | | Oct.1/85 - Sept.30/86 | | | Oct.1/86 - Aug.31/87 | | | | | |
| | AID | Host Country | Total | AID | Host Country | Total | AID | Host Country | Total | AID | Host Country | Total |
| 1. <u>Technical Assistance</u> | | | | | | | | | | | | |
| a. Long-Term | 100 | - | 100 | 50 | - | 50 | - | - | - | 150 | - | 150 |
| b. Short-Term | 55 | 267 | 322 | 55 | 267 | 322 | 35 | 266 | 301 | 145 | 800 | 945 |
| 2. <u>Commodities</u> | | | | | | | | | | | | |
| a. Vehicles | 30 | 12 | 42 | - | 12 | 12 | - | 12 | 12 | 30 | 36 | 66 |
| b. Equipment | 30 | - | 30 | - | - | - | - | - | - | 30 | - | 30 |
| 3. <u>Others</u> | | | | | | | | | | | | |
| a. UEA Staff | - | 120 | 120 | - | 140 | 140 | - | 155 | 155 | - | 415 | 415 |
| b. Training | 20 | 40 | 60 | 20 | 40 | 60 | 20 | 20 | 40 | 60 | 100 | 160 |
| c. Advisory Group | - | 7 | 7 | - | 7 | 7 | - | 6 | 6 | - | 20 | 20 |
| d. Logistic Support | - | 67 | 67 | - | 67 | 67 | - | 66 | 66 | - | 200 | 200 |
| e. Evaluation | - | - | - | 10 | 10 | 20 | 10 | 10 | 20 | 20 | 20 | 40 |
| f. Publications/Dist. | - | 15 | 15 | - | 15 | 15 | - | 15 | 15 | - | 45 | 45 |
| 4. <u>Inflation & Contingency</u> | 22 | 107 | 129 | 22 | 107 | 129 | 21 | 100 | 121 | 65 | 314 | 379 |
| Total | 257 | 635 | 892 | 157 | 665 | 822 | 86 | 650 | 736 | 500 | 1,950 | 2,450 |

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A.I.D. GRANT AGREEMENT NO. 517-0156

STANDARD PROVISIONS

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

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 the 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 Dominican Republic, 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; 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 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 Dominican Republic 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 to A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating 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) (s) 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 standards and measurements commonly used in the United States.

(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 Dominican Republic 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 Dominican Republic 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

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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 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

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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., 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 (60) days after receipt of a request therefore.

(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.

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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.