

PDKAE 687

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A.I.D. Project No. 538-0030

PROJECT
GRANT AGREEMENT
BETWEEN
THE CARIBBEAN DEVELOPMENT BANK
AND THE
UNITED STATES OF AMERICA
FOR
THE BASIC HUMAN NEEDS-EMPLOYMENT SECTOR PROJECT

Dated: August 31, 1979

FISCAL DATA

Appropriation No: 72-11910210.5
Allotment No: 945-54-538-00-69-91
Amount Obligated: \$4,000,000

CONFORMED COPY

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PROJECT GRANT AGREEMENT

Dated August 31, 1979

Between

The Caribbean Development Bank ("Grantee")

And

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

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the Parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will develop within each participating country, and also on a regional basis in the Caribbean a capacity to define, design and execute sub-projects which meet the dual objectives of facilitating employment opportunities and improving infrastructure bottlenecks. A fund will be established to implement selected eligible Projects. Annex 1, attached, amplifies the above definition of the Project.

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

SECTION 2.2. Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds, to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended agrees to grant the Grantee under the terms of this Agreement not to exceed Five Million Five Hundred Thousand United States ("U.S.") Dollars (\$5,500,000) ("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. Of the Grant funds, not less than \$4,000,000 will be used for school construction, maintenance and related support activities.

SECTION 3.2. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1982, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

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

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part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) Evidence that Grantee has established an appropriate system for disbursing the Basic Human Needs Fund.

(c) A Plan for staffing a Project Management Team within the Grantee's organization.

SECTION 4.2. Disbursement for Project Activities in a Participating Country

Except as A.I.D may otherwise agree in writing, prior to disbursement, or the issuance of any documentation pursuant to which disbursement will be made to finance

any Project activities in a particular participating country, the CDB will provide A.I.D. in form and substance satisfactory to A.I.D.:

(1) Evidence that the CDB has contracted with consultants to assist such country with sub-project design, implementation and monitoring; and

(2) An executed agreement with such participating country setting forth the terms and conditions of such country's participation in the Project.

SECTION 4.3. Disbursement for Skills Training Fund.

Prior to any disbursement or to the issuance of any documentation pursuant to which disbursement will be made for the Skills Training Fund, the CDB shall require the Government of Barbados to obtain from A.I.D. and the CDB approval of a specific two-year operational plan for the pilot skills training program.

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

SECTION 4.5. 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 Grantee.

Article 5: Special Covenants

Except as A.I.D. may otherwise agree in writing, the CDB covenants that:

SECTION 5.1. Project Supervisor. Prior to disbursement to a participating country for any project activities in such country, it will obtain from such country evidence that a Project Supervisor has been designated and assigned full-time to project activities in such country.

SECTION 5.2. School and Other Public Infrastructure Sub-Projects.

Prior to disbursement to a participating country for any sub-project activity, the CDB will obtain from such country:

(a) specific project proposals for CDB review and approval which satisfy the appropriate sub-project selection criteria;

(b) evidence that any facility to be renovated is government owned and operated, that the land upon which a new facility is to be situated belongs to the government and/or that the activity to be conducted under the project will occur on publicly owned property;

(c) evidence of a commitment to continue maintenance of the sub-project activity and an explanation of how this maintenance will be provided for; and

(d) evidence of a plan to adequately staff public facilities to be constructed or renovated, (e.g. schools, health centers).

SECTION 5.3. School Sub-Projects.

(a) Prior to disbursement to a participating country for school construction, rehabilitation, or maintenance, the CDB will have reviewed and approved a time phased plan for bringing all primary schools under an improved maintenance system in such country.

(b) Prior to disbursement to a participating country for school furnishings, the CDB will have reviewed and approved an itemized listing (including specifications) of such furnishings.

SECTION 5.4. Environmental Analysis. Prior to disbursement to a participating country for any sub-project activity which the CDB finds to have potentially significant environmental effects, the CDB will submit to AID for AID's review the CDB's findings on the environmental effects of such sub-project and the CDB's financing of each such sub-project shall be subject to AID approval.

SECTION 5.5. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and

at one or more points thereafter:

- (a) evaluation of progress towards attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursement pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in 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) and Grantee member countries except Canada and the United Kingdom ("Foreign Exchange Costs"), 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 except as A.I.D. may otherwise agree in writing. If A.I.D. determines that there are no such vessels generally available for ocean transportation, A.I.D. in a Project Implementation Letter

may agree to finance under the Grant ocean transportation costs on vessels under flag registry of another country. Up to a cumulative total of \$500,000 of the funds provided under this Agreement and the corresponding Loan Agreement may be used to purchase goods and services, other than shipping, having their source and origin in the United Kingdom and Canada, if those nations will give their assurances satisfactory to A.I.D. that during the life of this project they will make available a similar amount of Loan or Grant funds under this or other Caribbean Development Bank projects, which will be available for expenditure in the United States, in addition to which other nations may be specified, on a non-discriminatory basis.

SECTION 6.2. Local Currency Costs. Disbursement 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 country where the activity is located ("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 methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) 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 Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting

to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

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

(1) by acquisition by A.I.D. with U.S. Dollars by purchase;

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or his designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, 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 a participating country 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 local currency at the highest rate of exchange which, at the time the conversion is made, is not there unlawful.

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 the Grantee:

Mail Address:

President
Caribbean Development Bank
P.O. Box 408
Wildey
St. Michael, Barbados

Alternate address
for telegrams:

"CARIBANK"
Telex: WB 287

To A.I.D.:

Mail Address:

AID/Representative
USAID/Barbados
C/o U.S. Embassy
Bridgetown, Barbados

Alternate address
for telegrams:

USAID/American Embassy
Bridgetown, Barbados

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.

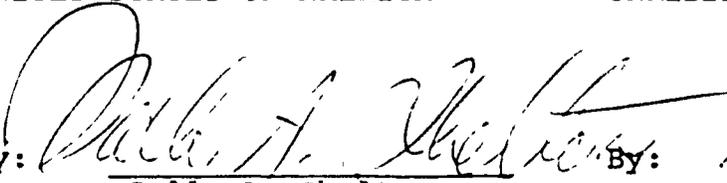
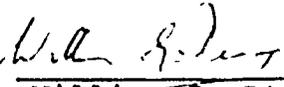
SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of President and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative, each of whom, by written 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 by A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

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

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

UNITED STATES OF AMERICA

CARIBBEAN DEVELOPMENT BANK

By:  By: 
Sally A. Shelton William G. Demas

Title: Ambassador

Title: President

By: 
William B. Wheeler

Title: AID Representative

ANNEX I

PROJECT DESCRIPTION

I. PROJECT OBJECTIVES

The goal of the Project is to improve the economic and social status of lower income groups of the Eastern Caribbean LDCs and Barbados, thereby assisting them to meet their basic human needs. In support of regional policies to stem the tide of growing unemployment and underemployment, especially among the lower age groups and new entrants into the labor force, the Project is designed to allow the earliest possible start-up of selected infrastructure sub-projects, thereby responding to what is perceived as the major social and economic problem facing the region.

Contributing to the achievement of the goal, the Project has two primary purposes: (1) to increase, in the short run, the productivity and income of the unemployed/under-employed in the Eastern Caribbean LDCs and Barbados, through the implementation of an appropriate system for executing labor intensive sub-projects; and (2) to expand and conserve the stock of economic and social infrastructure which is essential to future growth and/or to the provision of basic services in these countries.

II PROJECT DESCRIPTION

A. Project Administration

The CDB will be the executing Agency for the Project and as such will be responsible for the overall management/implementation of all project activities. To assist it in carrying out those functions, the CDB will appoint from within its Projects Department a team to provide necessary services in connection with the implemen-

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tation of the Project. Together with a Project-financed engineer, technical assistant and secretary, this team will assist in:

- (i) processing the selection of consultants in accordance with CDB guidelines and supervising these consultants;
- (ii) preparing and monitoring sub-project implementation plans for each participating country;
- (iii) recommending for the approval of CDB management all sub-project proposals submitted by participating countries; and
- (iv) evaluating and recommending modifications of sub-project procedures and practices, as necessary.

The Ministries of Communication and Works (MCW) will be the Project's main operational unit within each participating country. Each country will appoint a Project Supervisor who will be responsible for the day-to-day management and supervision of sub-projects undertaken in individual countries and for providing permanent liaison with the CDB's Project Management Team. Project funding will be provided to finance these Project Supervisors.

Consulting firms, as needed, will be contracted by the CDB from Project funds. These consultants will work closely with the Project Supervisors on the individual islands in sub-project identification, planning and design, cost-estimating, implementation, inspection and reporting, maintenance and record keeping and overall monitoring of the procedures to be utilized.

B. Project Elements

1. Infrastructure and Skills Training

Project financing will be utilized to establish within the CDB a Basic Human Needs Fund, which will be provided on

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a grant and loan basis to participating countries for priority labor-intensive economic and social infrastructure projects which meet basic selection criteria. This Fund will be used to finance sub-projects in the following categories:

a) School Construction Grant Funds will be allocated for primary school construction and rehabilitation needs in the Eastern Caribbean LDCs. Educational authorities estimate that total regional needs for school construction and rehabilitation are in excess of \$20 million; funds allocated from the BBNF, in conjunction with the 3.6 million already allocated under the Caribbean Educational Development Grant, will ensure that priorities identified by a Survey Team during intensive review of the Education Grant can be financed. In addition to the construction/rehabilitation and maintenance activities to be undertaken, a series of regional educational specifications for primary school facilities will be developed and disseminated and a self-help syllabus will be devised for use in all territories.

b) School Maintenance Grants Project funds will be added to the \$200,000 Educational grant funds previously made available to facilitate the implementation of programs for improved school maintenance in the Eastern Caribbean LDCs. The lack of recurrent budget funds in the majority of the LDCs has led to a situation where preventive maintenance is almost universally lacking; once major breakdowns occur, costs are high and the ministries are unable to finance the extraordinary expenses involved. This general pattern has led to the current situation where a large percentage of primary schools are structurally unsound and in a serious state of disrepair.

c) Other Physical and Social Infrastructure Project funds (both loan and grant) will be channeled through the BINF for financing other infrastructure projects. While financing of some new projects is contemplated, the bulk of funds will be used to rehabilitate and maintain existing infrastructure. During the Project preparation phase, A.I.D.-financed consultants visited all seven Eastern Caribbean LDCs and Barbados, and made a preliminary identification of 86 potential sub-projects, totalling approximately \$9.0 million, which met initial criteria. Although the actual infrastructural needs far exceed the 86 identified, these sub-projects were seen by each government to be of greatest urgency within Project guidelines. Of these, 53 were rated by the consultants as of "highest priority", with total required financing estimated at approximately \$6.0 million. Priority sub-projects identified during this initial phase included projects involving inter alia, drainage, roads, health centers, public buildings and historical sites, water supplies and reforestation and soil conservation. Of total project funds allocated to this category, the BINF will loan finance \$2.0 million in sub-projects in Barbados with the remainder to be allocated among the LDCs.

d) Skills Training Fund

The Government of Barbados has requested assistance in establishing a pilot program for training young persons in entry level skills for the construction trades. Although the LDCs are not currently facing a shortage of moderately skilled manpower, Barbados is encountering difficulty in this area. Detailed information on manpower requirements by trade, numbers needed and skills levels are not currently available but the findings

of surveys in process by the Barbados Institute of Management and Productivity and the Barbados Ministry of Labor and Community Services are expected to be available in October. The Government would then structure a program upon this data base. Up to \$250,000 from the BHMN Project would be made available to assist in the development and/or expansion of skill training in the construction trades for unemployed youth. The Ministry of Labor has agreed that to the extent feasible, these funds will be directed at pilot efforts which could be replicated in the LDCs. Prior to disbursement by the CDB to Barbados for this purpose, the GOB will propose for CDB review and approval a two year operational plan for all activities to be carried out in this skills training program.

2. Program Support

The CDB will receive assistance to assist it in executing an appropriate implementation system under which sub-projects will be identified and prepared for financing within a minimum time frame. It is anticipated that nine person years of assistance will be provided with Project funds to include the services of one civil engineer, one technical assistant, and one secretary, each for three years. Together with an architect, civil engineer and technical assistant provided under the previous Education Grant, they will form part of the CDB Project Management Team.

MCWs will also receive Project funding to assist them with program support. The Project will finance Project Supervisors for each country. In the event the Ministry prefers to designate a properly qualified member of its staff to perform this function, the Project will pay the salary and related benefits of this individual for the period of full-time service on the Project.

In addition, some 245 person months of engineering consulting services will be provided to the individual MCWs. It is expected that the CDB will enter into a contract with a consulting firm or firms for these services. These consultants will work closely with the Project Supervisors on the individual islands.

In order to improve upon the availability and quality of information regarding employment opportunity as a result of local public works, Project funds will be made available to each of the LDCs and Barbados to set up a pilot information program which will advertise works to be financed under the Project. The individual MCWs will coordinate the utilization of funds in conjunction with the Ministries of Labor in each country. Special messages will be directed at youth and women, in an effort to increase their participation in Project activities.

3. Evaluation

Project grant funds will be utilized to contract for assistance in conducting two Project evaluations. A first evaluation, to be conducted approximately six months after first disbursement of funds, will identify implementation bottlenecks, evaluate the early effectiveness of the appropriate implementation system, and make recommendations as to how the system could be improved during the next year and a half of implementation. A final evaluation will be conducted, using outside consultants working with RDO/C's Capital Development Office, to determine whether the Project's objectives, as stated in the Logical Framework, have been achieved.

C. Sub-Project Eligibility Criteria

The CDB will use the following criteria to evaluate school

construction and rehabilitation sub-project proposals submitted to it by each country:

- (i) the degree of community self-help effort to be incorporated within the activities;
- (ii) the severity of the need for the improvement (overcrowding, health hazard, etc.);
- (iii) the number of students benefitted and the extent of the physical improvement as compared to the costs required;
- (iv) the territory's primary school population as a proportion of regional primary school population.

The following factors have been (and will continue to be) used to prioritize the other physical and social infrastructure sub-project proposals submitted to CDB by each country.

- (i) Local labor content of Project
(45% or more = 10 points)
- (ii) Government priority
- (iii) Social and economic need
- (iv) Environmental benefits
- (v) Recurrent costs to government (inverse factor)
- (vi) Maintenance saving capacity
- (vii) Availability of technical input before implementation
- (viii) Immediacy of implementation
- (ix) Management competence
- (x) Availability of alternative funding (inverse factor).

No project which has a labor content of less than 45% of total sub-project cost will be financed under the project.

D. Implementation Procedures

1. Appropriate System

Relatively quick implementation and disbursement will be critical to the Project's success. However, the CDB's normal procedures for loan project approval and overall implementation do not lend themselves well to the pace of grant project execution foreseen. For this reason, a more appropriate system for the Project has been designed and accepted by the CDB which will feature considerably greater in-country sub-project design, supervision, inspection and reporting. The sub-project approval process will be made more flexible by giving the management of the CDB authority to approve sub-projects, after appropriate review, against a previously agreed upon line of credit to the country. A substantial pool of consultants will be available in-country for technical and managerial support on each sub-project. Potential financial constraints to procurement by the participating countries will be covered by providing for full sub-project funding through a commercial bank letter of credit mechanism. Finally the Project will provide funds for additional staffing in each country to facilitate the supervision and monitoring of all Project activities.

2. Sub-Project Implementation Procedures

Before CDB disburses Project funds for any purpose in a participating country, consultants will be contracted to assist that country with sub-project design, implementation and monitoring. In addition, prior to disbursement in a participating country, CDB will obtain from that country the following:

- (a) A signed agreement with the participating country specifying the terms and conditions for participating in the project.
- (b) Evidence that any facility to be renovated is government owned and operated, that the land upon which a new facility is to be situated belongs to the government and/or that the activity to be conducted under the Project will occur on publicly owned property.
- (c) Evidence of a commitment from the participating country to continue maintenance of the sub-project activity and an explanation of how this maintenance will be provided for.
- (d) Evidence of a plan to adequately staff public facilities to be constructed or renovated (e.g. health centers).
- (e) A plan whereby the participating country will publicize project activities and implement a public information program to employ the unemployed on project activities.

In addition, prior to making a disbursement for school construction, rehabilitation, furnishing or maintenance in a participating country, the CDB will obtain from that country the following:

- (a) A time phased plan for bringing all primary schools under a revised and improved maintenance system. Such a plan will outline the specific measures to be taken and anticipated costs involved.

- (b) When school construction is to be undertaken:
 - (i) specific proposals for review, approval and funding by the CDB which fall within the prioritized scheme set forth in the School Construction Survey;
 - (ii) evidence of a plan to adequately staff the facilities to be constructed or renovated;
 - (iii) evidence that the country will provide appropriate personnel to carry out each component activity.
- (c) When school furnishings are to be financed: a complete itemized list with specifications for such furniture and/or furnishings.

E. Illustrative Allocation of Project Funds

While final allocation of Project funds will be determined by separate agreements between the CDB and each participating country, the following tentative allocations have been made based on preliminary sub-project review and the magnitude of the unemployment problem on the individual islands:

	Schools	Other Physical and Social Infrastructure	Skills Training Fund	Total
Antigua	577,125	495,000		1,072,125
Dominica	577,125	495,000		1,072,125
Grenada	577,125	495,000		1,072,125
Montserrat	182,250	160,000		342,250
St. Kitts/Nevis	577,125	495,000		1,072,125
St. Lucia	577,125	495,000		1,072,125
St. Vincent	577,125	495,000		1,072,125
Barbados	-	2,000,000	250,000	2,250,000
	<u>3,645,000</u>	<u>3,130,000</u>	<u>250,000</u>	<u>9,025,000*</u>

III. FINANCIAL PLAN

The total cost of the Project is \$10 million. The estimated breakdown of cost of the Project is shown in the following Table. The Project will be implemented over three years from the date of signing the Agreement.

* Any increase or decrease of greater than 20% from the suggested allocations for each country will require prior A.I.D. approval.

PLANNED A.I.D. FINANCING FOR PROJECT

BASIC HUMAN NEEDS FUND

<u>PROJECT ELEMENTS</u>	<u>TOTAL</u>
1. <u>Infrastructure and Skills Training*</u>	
School Construction (G)	\$ 3,245,000
School Maintenance (G)	400,000
Other Physical and Social Infrastructure	
a) Barbados (L)	2,000,000
b) LDCs (G)	3,130,000
Skills Training Fund	250,000
2. <u>Program Support (all Grant)</u>	
7 Project Supervisors for 3 Yrs. 1 for 2 Yrs. @ \$10,000/Yr.	230,000
CDB Direct-Hire Personnel; 9 Person Yrs.	126,000
245 Person Months of Consultants @ \$2,200/mth.	539,000
Public Information Program	30,000
Contingencies and Travel	26,000
3. <u>Evaluation</u>	24,000
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TOTAL	\$10,000,000
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*Figures in this category include a 1½% fee to the CDB for indirect costs.

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 I.

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.

Article B: General Covenants (Continued)

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 participating countries.

(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 participating countries, 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, book 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

Article B: General Covenants (Continued)

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

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

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

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

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

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 a participating country 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.

Article C: Procurement Provisions (Continued)

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

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

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

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

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

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

(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

Article C: Procurement Provisions (Continued)

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

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

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

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of participating countries 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

Article C: Procurement Provisions (Continued)

financed by A.I.D. and transportation 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. 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 a country by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods 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 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

Article D: Termination; Remedies (Continued)

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 participating member countries; are in a deliverable state and have not been offloaded in ports of entry.

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 days after receipt of a request therefor.

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

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that do not conform to specifications, or to services that are 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.

Article D: Termination; Remedies (Continued)

(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.