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A.I.D. Project Number 538-0032

PROJECT
GRANT AGREEMENT
BETWEEN
THE CARIBBEAN DEVELOPMENT BANK
AND THE
UNITED STATES OF AMERICA
FOR
ALTERNATIVE ENERGY SYSTEMS

Dated: August 25, 1979

FISCAL DATA

Appropriation No.: 72-1191021
Allotment No.: 946-54-538-00-69-91
Amount Obligated: U.S. \$1,000,000

CONFORMED COPY

~~CONFIRMED COPY~~

Table of Contents
Project Grant Agreement

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1. Definition of Project	1
SECTION 2.2. Incremental Nature of Project	1
Article 3: Financing	1
SECTION 3.1. The Grant	1
SECTION 3.2. Grantee Resources for the Project	2
SECTION 3.3. Project Assistance Completion Date	2
Article 4: Conditions Precedent to Disbursement	2
SECTION 4.1. First Disbursement	2
SECTION 4.2. Additional Disbursement	3
SECTION 4.3. Notification	3
SECTION 4.4. Terminal Dates for Conditions Precedent	3
Article 5: Covenants	3
SECTION 5.1 Project Evaluation	3
SECTION 5.2 Additional Covenants	4
Article 6: Procurement Source	4
SECTION 6.1. Foreign Exchange Costs	4
SECTION 6.2. Local Currency Costs	4
Article 7: Disbursements	4
SECTION 7.1. Disbursement for Foreign Exchange Costs	4
SECTION 7.2. Disbursement for Local Currency Costs	5
SECTION 7.3. Other Forms of Disbursement	5
SECTION 7.4. Rate of Exchange	5
Article 8: Miscellaneous	5
SECTION 8.1. Communications	5
SECTION 8.2. Representatives	5
SECTION 8.3. Standard Provisions Annex	5

Table of Contents

Project Grant Standard Provisions Annex

	<u>Page</u>
Article A: Project Implementation Letters	1
Article B: General Covenants	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of Project	2
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	2
SECTION B.5. Reports, Records, Inspections, Audits	2
SECTION B.6. Completeness of Information	3
SECTION B.7. Other Payments	3
SECTION B.8. Information and Marking	3
Article C: Procurement Provisions	3
SECTION C.1. Special Rules	3
SECTION C.2. Eligibility Date	4
SECTION C.3. Plans, Specifications, and Contracts	4
SECTION C.4. Reasonable Price	5
SECTION C.5. Notification to Potential Suppliers	5
SECTION C.6. Shipping	5
SECTION C.7. Insurance	6
SECTION C.8. U.S. Government-Owned Excess Property	6
Article D: Termination; Remedies	6
SECTION D.1. Termination	6
SECTION D.2. Refunds	7
SECTION D.3. Nonwaiver of Remedies	8
SECTION D.4. Assignment	8

PROJECT GRANT AGREEMENT

Dated August 25, 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 establish an institutional capability in the Caribbean region for strengthening national energy planning. It includes conducting country energy needs assessments, conservation studies and renewable energy resource assessments; and the designing, testing, adapting and disseminating of alternative energy technologies. 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 One Million United States ("U.S.") Dollars (\$1,000,000) ("Grant"). As shown in the budget contained in Annex 1, A.I.D. plans to provide future increments of funding to the project up to a total of \$3,002,700. Such funding is subject to availability of funds to A.I.D. for the project and mutual agreement of the Parties to proceed with the project. 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 Grantee for the Project will be not less than the equivalent of U.S.\$395,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 1984, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

(c) Requests for disbursement, accompanied by necessary documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

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

SECTION 4.2 Additional Disbursement: Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for any purpose other than Technical Assistance and professional staff salaries with supporting administrative costs, 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) Evidence that the Grantee has planned for an adequately staffed Energy Unit or Group and has a detailed plan governing its operation including permanent staffing arrangements, and a time-phased work plan governing the use of project funds for the Policy, Training, Communications and Technical Programs.

(b) A contract for technical services to provide both CARICOM and CDB with expertise necessary for program development and implementation.

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

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

(b) If all of the conditions specified in Section 4.2 have not been met within 150 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5: Covenants:

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Project funded evaluations will be conducted during the second and fifth years of Project Implementation. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) evaluation of progress toward attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas of constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems;
- (d) evaluation, to the degree feasible, of the overall development impact of the Project; and
- (e) evaluation during the second year of the potential utility and cost effectiveness of creating a national, or regional, energy center to continue alternative energy development after completion of the Project. This evaluation will also identify potential institutions to carry out this function.

SECTION 5.2 Additional Covenants. Except as the Parties may otherwise agree in writing, Grantee agrees to:

- (a) Maximize communications between the energy groups in CARICOM and CDB through consultations on work plans, sub-projects and terms of reference;
- (b) Utilize guidelines developed by the Project's Advisory Committee;
- (c) Report periodically to the Advisory Committee regarding project implementation;
- d) Use every effort to secure funds from regular budgetary sources to support the continuation of the energy group staffs beginning in the third year of the Project; and
- (e) Use its best efforts to procure goods and services from Eligible Source Countries, as defined in Section 6.1 of this Agreement, prior to procuring from code 899 countries.

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 and Caribbean Member Countries of Grantee. ("Eligible Source Countries"), except that goods and services having a cumulative value of not to exceed \$500,000 may be procured in A.I.D. Geographic Code 899 countries assuming that best efforts to procure them in eligible source countries have been unsuccessful. Marine Insurance shall be procured as provided in the Project Grant Standard Provisions Annex, Section C.1 (b). 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 vessels under U.S. flag registry available, 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.

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 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 or from local currency already owned by the U.S. Government; or

(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 its 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 addresses:

To the Grantee:

Mail Address:

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

Alternate address for
cables:

CARIBANK
Telex WB 287

To A.I.D.:

Mail Address:

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

Alternate address for
cables:

USAID/American Embassy
Bridgetown, Barbados

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

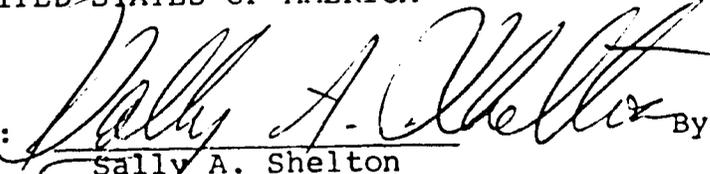
SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of President and A.I.D. will be represented by the individual holding or acting in the office of AID Representative, each of whom, by written notice,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

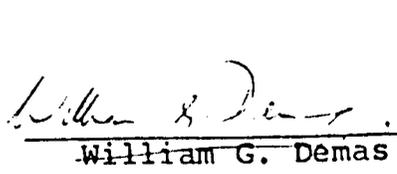
SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the 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 of the day and year first above written.

UNITED STATES OF AMERICA

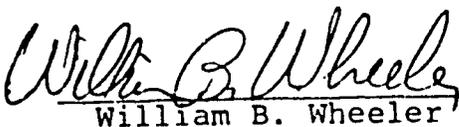
CARIBBEAN DEVELOPMENT BANK

By: 
Sally A. Shelton

By: 
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 develop a capability to utilize renewable energy sources in the Caribbean as alternatives to imported fossil fuels and to encourage energy conservation measures. This goal can be achieved by introducing cost effective, renewable energy technologies and conservation programs. The project responds to the desires of the MDCs and LDCs of the region to reduce energy dependency and to alleviate the balance of payments problems nearly all of them face because of rising petroleum prices.

The purpose of the project is to establish an institutional capability in the Caribbean region for carrying out energy planning, including conducting country energy needs assessments, and for designing, testing, adapting and disseminating alternative energy technologies. Participating countries will be the Caribbean member countries of the CDB.

II PROJECT DESCRIPTION

A. Executing Agencies

The executing agencies for the project will be CARICOM and the CDB. These organizations will have overall responsibilities for planning and management under the project while specific activities (field testing and applied research, training, and assessments) will be carried out by regional and national institutions.

Due to the specialized abilities of CARICOM and CDB, the principal project components will be divided as follows:

CARICOM

- Policy planning/energy assessment component
- Training component

CDB

- Communications/energy information network component
- Energy technologies component

In addition, an Energy Advisory Committee will be established. Its purpose will be to ensure that all project activities are undertaken in a coordinated fashion and to provide policy and project advice to both the CDB and CARICOM. It will be chaired by CARICOM and consist of representatives of the member countries of CARICOM plus the Bahamas, Dominican Republic, Haiti and the CDB. Representative

of the Committee will be selected by the participating governments and institutions of the region. Technical support to this committee may be provided by the Commonwealth Science Council or outside consultants as is required.

During the project's initial phase of implementation and to support technical advisory activities, a joint contract for five person years of consulting services will be executed between CARICOM/CDB and a U.S. consulting firm. This joint contract will be financed with A.I.D. Grant funds and provide CARICOM and CDB with technical expertise in support of program execution and assistance in the coordination of the program as agreed to by CDB and CARICOM.

B. CARICOM Project Components

1. Policy Planning and Energy Assessments

Grant funds will be used to establish and strengthen the regional and national capabilities in energy planning and policy formulation. CARICOM will negotiate and finance technical assistance to the region and the countries for the preparation of energy assessments, programs of energy conservation, and energy policy review and development. Grant funds will support activities to be carried out by institutions, firms and individuals aimed at improving energy policies and developing energy assessments.

2. Technical and Analytical Training

Grant funds will be used to develop within the region a cadre of trained personnel in energy planning, assessment, and renewable energy technology design, project development and maintenance. The training program includes two training areas (1) policy, and (2) technical. CARICOM will utilize experienced regional institutions such as the Center for Energy and Environment Research (CEER) and the University of the West Indies (UWI) to provide both policy and technical training. In areas where no regional expertise exists, professionals will be sent outside the region to obtain the training. The program will utilize institutions within the region as much as possible to expand and improve the availability of regional training. Individual candidates will be selected for the program based upon governmental and institutional recommendations to the training program coordinator of CARICOM. Grant funds will also provide for the training of two energy specialists to work with CARICOM.

C. CDB Project Components

1. Communication and Energy Information Network

The communications activities funded under this grant will be directed at strengthening CDB's existing networks and

capabilities for dissemination of renewable energy information. The communication program supports and will be administered by the CDB Technology Information Unit. Specific activities include country visitation, alternative energy workshops, and special communications activities such as seminars, abstracts and newsletters.

2. Field Testing of Applied Energy Technologies

Grant funds will finance field testing of a variety of small scale renewable energy technologies appropriate for community or individual applications. These tests are a key step in the acceptance and commercialization of renewable energy systems in the region. The CDB will contract with various regional institutions and outside contractors for applied technology design and purchase and installation of existing non-conventional energy systems. In each participating country, up to two demonstration sub-projects that meet criteria related to the country's energy policy, technical and economic situation, possible commercialization, and social and environmental requirements will be funded under the grant.

D. Program Support

The Staffs of both the CARICOM and the CDB will be augmented to provide for management of the program. The Grant to CARICOM will finance approximately thirty-eight person years of staff and consultant support while the Grant to CDB will finance about forty years of staff and nine person years of consultant services. Both CARICOM and CDB will in most cases utilize other institutions and consultants for implementing project activities.

III FINANCIAL PLAN

The total estimated cost of the project is \$8,126,000. The estimated breakdown of costs of the project by component is shown in the following table. The CARICOM, CDB and countries are providing \$876,000 of in-kind support. The project will be implemented over a five year period commencing on the date of signing the Grant Agreement.

BEST AVAILABLE DOCUMENT

PLANNED FINANCING FOR PROJECT

	U.S. \$000's				
	<u>AID</u>	<u>CARICOM</u>	<u>CDB</u>	<u>COUNTRIES</u>	<u>TOTAL</u>
Policy Program	\$ 938				\$ 938
Training Program	1,324			56	1,380
Communication Program	613				613
Technical Program	2,326			320	2,646
Institution Building CARICOM	985	105	395		1,090
CDB	<u>1,064</u>	<u> </u>	<u> </u>	<u>-</u>	<u>1,459</u>
	<u>\$7,250</u>	<u>105</u>	<u>395</u>	<u>376</u>	<u>8,126</u>

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.

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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.

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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.