

STRATEGIC OBJECTIVE GRANT AGREEMENT No 620-008.01

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF THE FEDERAL REPUBLIC OF NIGERIA

FOR

**STRATEGIC OBJECTIVE NO. 3:
DEVELOP THE FOUNDATION FOR EDUCATION REFORM**

July 11, 2000

Strategic Objective Grant Agreement 620-007.01

Table of Contents

Article 1: Purpose.

Article 2: Strategic Objective and Results to be Achieved

Section 2.1. The Strategic Objective.

Section 2.2. Results to be Achieved

Section 2.3. Annex 1, Amplified Description.

Article 3: Contributions of the Parties.

Section 3.1. USAID Contribution.

Section 3.2. Grantee Contribution.

Article 4: Completion Date.

Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement.

Section 5.2. Notification.

Section 5.3. Terminal Dates for Conditions Precedent

Article 6: Miscellaneous.

Section 6.1. Communications.

Section 6.2. Representatives.

Section 6.3. Standard Provisions Annex.

STRATEGIC OBJECTIVE GRANT AGREEMENT SO 620-008.1

This Strategic Objective Grant Agreement

is made between

THE UNITED STATES OF AMERICA,

Acting through the

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

(Hereinafter referred to as "USAID")

AND

THE GOVERNMENT OF THE FEDERAL REPUBLIC OF NIGERIA,

represented by the CHIEF ECONOMIC ADVISER to the PRESIDENT,

National Planning Commission

(hereinafter referred to as the "Grantee")

Article 1: Purpose.

The purpose of this Strategic Objective Grant Agreement (the "Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective described below.

Article 2: Strategic Objective and Results to be Achieved.

Section 2.1. Strategic Objective.

The Strategic Objective (the "Objective") - "Develop the Foundation for Education Reform,"- is to assist the Government of the Federal Republic of Nigeria (the "GFRN") to lay the foundation for improved educational performance and access by creating the capacity for analysis and assessment, designing strategies based on that analysis, managing the reform process, and fostering partnerships and networks to support these goals.

Section 2.2. Results to be Achieved.

In order to achieve that Objective, the Parties agree to work together to achieve the following Results:

- (a) Education Sector Assessment Conducted and Interventions Initiated.
- (b) Civic Participation in Education Increased.

Within the limits of the definition of the Objective in Section 2.1, this Section 2.2 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Section 2.3. Annex 1, Amplified Description.

Annex 1, attached, amplifies the above Objective and Results to be Achieved. Within the limits of the above definitions of the Objective in Section 2.1 and the Results to be Achieved in Section 2.2, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Article 3. Contributions of the Parties.

Section 3.1. USAID Contribution.

(a) *The Grant.* To help achieve the Objective set forth in this Agreement, USAID, pursuant to the United States Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of the Agreement not to exceed Eleven Million Five Hundred Thousand United States ("U.S.") dollars (\$11,500,000) (the "Grant"). USAID will commit these Grant funds to implement the activities agreed to by the Parties in Annex I to this Agreement without further earmarking or documentation. An additional Five Hundred Thousand U.S. dollars (\$500,000) has been obligated outside of this SOAG to fund the hiring of a USAID program manager.

(b) *Total Estimated USAID Contribution.* USAID's total estimated contribution to the achievement of the Objective will be Eighteen Million Six hundred seventy-five thousand U.S. Dollars (\$18,675,000), which will be provided in increments. Subsequent increments of funding will be granted under this Agreement subject to the achievement of satisfactory progress towards the Objective, to the availability of funds to USAID for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

(c) If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective or specific results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a). Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in 3.1(b).

Section 3.2. Grantee Contribution.

(a) The Grantee agrees to provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the results.

(b) The Grantee's contribution will not be less than the equivalent of One Million Two Hundred Fifty Thousand U.S. Dollars (\$1,250,000), including in-kind contributions. The Grantee will report at least annually in a format to be agreed upon with USAID on its cash and "in-kind" contributions.

(c) If at any time the Grantee determines that any cash contribution it makes under this Section exceeds the amount which reasonably can be committed for achieving the Objective or specific results or activities during the current or next US fiscal year, the Grantee may, upon written notice to USAID, withdraw the excess amount of such cash contribution. Actions taken pursuant to this subsection will not revise the Grantee's total estimated contribution as set forth in Section 3.2(b).

Article 4: Completion Date.

(a) The Completion Date, which is December 1, 2001, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation that would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID not later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing before or after such period. After such period USAID, at any time or times, may give notice in writing to the

Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

Article 5: Conditions Precedent to Disbursement.

Section 5.1. First Disbursement.

Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree to in writing, furnish to USAID in form and substance satisfactory to USAID:

(a) A statement in the name of the person holding or acting in the office of the Grantee specified in Section 6.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 5.2. Notification.

USAID will promptly notify the Grantee when USAID has determined that the condition precedent has been met.

Section 5.3. Terminal Dates for Conditions Precedent.

The terminal date for meeting the condition specified in Section 5.1 is 90 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the condition precedent in Section 5.1 has not been met by the above terminal date, USAID, at any time, may terminate this Agreement upon written notice to the Grantee.

Article 6: Miscellaneous.

Section 6.1. 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, telefax or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To USAID: United States Agency for International Development
1612 Adeola Hopewell
Lagos, Nigeria

Telephone: 61-4412 or 26-14621
Fax: 261-3825

To the Grantee:

National Planning Commission,
The Presidency
New Federal Secretariat
Annex 111, 4th Floor
Shehu Shagari Way, Abuja
Telephone: 09-523-6625
Fax: 09-523-6625

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

Section 6.2. Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Chief Economic Adviser to the President and USAID will be represented by the individual holding or acting in the Office of Mission Director, each of whom, by written notice, may designate additional representatives for all purposes related to this Agreement. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which should 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 6.3. Standard Provisions Annex.

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

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

ON BEHALF OF:

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

Signed: Thomas D. Hobgood

Name: Thomas D. Hobgood
Title: Director, USAID/Nigeria

ON BEHALF OF:

THE GOVERNMENT OF THE FEDERAL REPUBLIC OF NIGERIA

Signed: Philip Chiedo Asiodu

Name: Philip Chiedo Asiodu
Title: Chief Economic Adviser to the President

DATE: July 11, 2000

Appropriation 720/11021.1
BPC GCDX-00-21620-KG13
RCN: N020068
Amount \$2,000,000
Project # 6200008.01

Appropriation 72X1095
BPC: GCDX-00-21620-KG13
RCN: N020069
Amount \$2,000,000
Project # 6200008.01

Appropriation 72X1014
BPC GSSX-00-21620-KG13
RCN: N020070
Amount \$3,500,000
Project # 6200008.01

Appropriation 72X1021.1
BPC: GDVX-00-21620-KG13
RCN: N020071
Amount \$2,000,000
Project # 6200008.01

Appropriation 729/01037
BPC: GES9-00-21620-KG13
RCN: N020072
Amount \$2,000,000
Project # 6200008.01

FUNDS AVAILABLE
Mr. R. Bradley 10/1/00
USAID / Lagos

**STRATEGIC OBJECTIVE GRANT AGREEMENT No 620-008.01
DEVELOP THE FOUNDATION FOR EDUCATION REFORM**

Clearances:

SO3:LGorton LDG date 7/8/00
PDO:DRollins [Signature] date 7/7/00
CONT:MBradley [Signature] date 10/9/00
RLA:JGroarke [Signature] date 8/7/00

STRATEGIC OBJECTIVE NO. 3 – Develop the Foundation for Education Reform

Annex I – Amplified Program Description¹

I. Introduction

The long-term objectives of improving access, quality and equity in Nigeria's education system require that public and civic institutions responsible for organizing education services be reformed. The main objective of this Strategic Objective Grant Agreement (SOAG) is to assist the Government of the Federal Republic of Nigeria (GFRN) to develop the foundation for education reform, as presented in the Federal Ministry of Education (FMoE) document *Implementation Guidelines for the Universal Basic Education (UBE) Programme* (December 1999). The Agreement will fund support for a GFRN led sector-wide assessment, facilitate policy dialogue and develop channels for broad civic participation in the reform process. This two-year transitional program will focus on sector and sub-sector assessments and analyses, in close coordination with other funding and technical assistance agencies supporting the sector wide assessment. The Agreement will also fund activities that develop the capacity for key stakeholder groups, especially at the school, community and local government levels, to effectively participate in the education reform process. The results achieved by the Strategic Objective (SO) will lay the foundation for a longer-term USAID education sector support program.

II. Background

Political developments during the past year, and the commitment by President Obasanjo to make education a priority for national development suggest that Nigeria is poised to rebuild and restore public trust in the education system. Since its independence in 1960 Nigeria's education system has experienced marked periods of expansion and decline. In the 1970s, high levels of economic growth supported the policies for Universal Primary Education that resulted in a dramatic increase in access to Basic Education. In the 1980s and throughout the 1990s an economic decline coupled with successive military regimes resulted in a prolonged period of neglect and decay in the education system. Currently, Nigeria's education system is unable to provide adequate sector financing, service delivery or staff development and training. As a result, learning outcomes and the overall provision of quality education and opportunities for further education have been undermined.

The current situation suggests there is much to do to reform education. Nigeria has approximately 50% of its population, or 50 million children, under the age of 15, yet education's share of the national budget is less than 20%, one of the lowest in sub-Saharan Africa. Primary school enrollments are low, at around 60%, and drop out rates

¹ This annex describes the activities to be undertaken and the results to be achieved with the funds obligated under this agreement. Nothing in this annex I shall be construed as amending any of the definitions or terms of the agreement.

are high, at around 40%. Gender disparity in favor of boys is apparent in the northeastern and northwestern states and for girls in the southeastern states. Primary schools throughout the country lack basic infrastructure, supplies and instructional materials. Teachers are under trained and largely unmotivated as result of low salaries. There is inefficiency in planning, monitoring and supervision of the schools by the Federal and State and Local Government Education Agencies. Management information systems are antiquated and underutilized. There is a lack of participation and distrust in public education by civil society groups and communities due, in part, to dwindling resources, mismanagement, corruption and neglect. Under military rule the severe problems in the education system have also contributed to the high levels of undereducated, unskilled and unemployed youth. With the transition to a democratically elected administration and a commitment to transparency and wide participation in reform, there is an opportunity for overall improvement in Nigeria's education system.

III. Program Rationale

The long-term objectives of improving access, quality and equity in Nigeria's education system requires that public and civic institutions responsible for organizing education services be reformed. This SO---Develop the Foundation for Education Reform---aims to assist the GFRN to conduct a sector-wide assessment, facilitate policy dialogue and develop channels for broad civic participation in the reform process.

Education reform means a significant change in the policy, objectives, programs, management and results espoused by providers of educational services, at the Federal, State and Local levels. Education reform requires that all parts of the system adjust to changes in attitudes and practices in relation to:

- reallocating resources, with a greater proportion of public resources devoted to education;
- reassigning beneficiaries, e.g. focusing on gender, ethnic and geographical disparities;
- reassigning authority and responsibility, e.g. role of NGOs, communities and local education authorities;
- revamping education service delivery, e.g. designing and managing improved systems for teacher training, testing, procurement and distribution of materials, building and maintenance; and
- restoring trust in public education through improved transparency, accountability and quality.

The foundations for education reform are the organizations of public and private financing and institutions that provide education and training services. At present these institutions are unable to provide even basic services, much less lead the process of

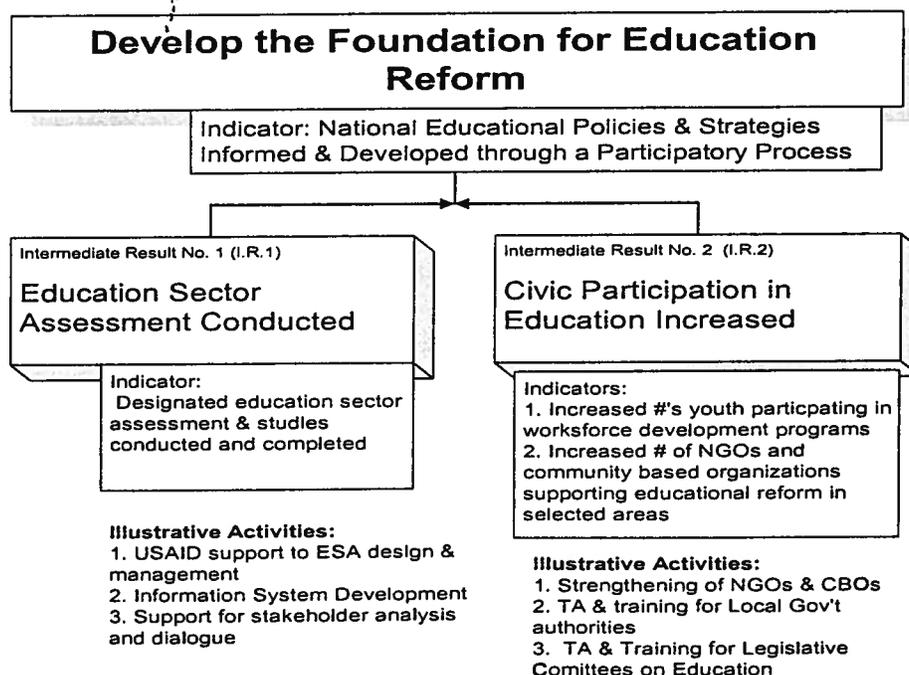
educational reform, which will result in greater access, quality and equity in education. Developing this foundation means creating the capacity for analysis and assessment, designing strategies based on that analysis, managing the reform process, and fostering partnerships and networks to support these goals.

The results achieved by this SO will lay the foundation for a longer-term education sector support program. This two-year transitional program will focus primarily on sector and sub-sector assessments and analyses, as well as close coordination with other funding and technical assistance agencies supporting the sector wide assessment. The proposed program will undertake several important education reform oriented studies that will examine issues such as teacher development, curriculum and assessment, and institutional capacity building for improving school effectiveness. The sector analyses will enable the GFRN to better understand the current education environment, and provide a basis for developing an information based reform program in the medium and long term. Parallel to these assessments and analyses, will be on-the-ground activities aimed at promoting stakeholder participation in the education reform process. The program may also support 'projects as policy experiments', by which limited interventions to reform quality and management of services are initiated to explore feasibility and effectiveness of reform strategies.

IV. Results to be achieved and Illustrative Activities

The strategic objective, intermediate results, illustrative activities and indicators are illustrated in the below Results Framework:

STRATEGIC OBJECTIVE NO. 3



As previously described, the aim of this strategic objective is to assist the GFRN to develop the foundation for education reform. This will be accomplished through the achievement of two Intermediate Results:

Intermediate Result 1: Education Sector Assessment Conducted

The GFRN has indicated that education is a priority for national development and has requested assistance from the USAID and other funding partners to support an education reform program. The initial stage in the reform process is to undertake a sector-wide assessment that identifies the current sector status and needs and provides an information base from which reform strategies and programs can be developed. This IR will support a GFRN-led participatory sector-wide assessment, in collaboration with other international funding and technical assistance agencies.

Illustrative Activities

USAID will facilitate GFRN leadership in organizing and conducting sector analyses and will coordinate technical assistance with other funding agencies participating in the sector wide assessment. Specific USAID supported assessments will be determined in consultation with the GFRN and principal donors through joint sector assessment planning. There are three activity areas proposed to support the FMoE to achieve this result:

1. Support to Education Sector Assessment Design and Management: The FMoE has requested technical assistance for the Education Sector Analysis (ESA). USAID will provide technical assistance for the design, organization and conduct of the ESA. This may include, *inter alia*, technical input into the design and conduct of assessment studies such as sector financing and governance, improving school/classroom quality, models of school-based management and community participation in governance, the process of reform, the impact of HIV/AIDS on the education system, and facilitation of stakeholder dialogue.
2. Information System Development: A high priority for the FMoE is the development of a responsive, comprehensive, robust, timely and quality statistical information system to guide the Universal Basic Education (UBE) and education reform initiatives. Existing systems are presently inadequate, with the latest statistical information on primary schools going back to 1996. This activity includes two components. One component would involve a diagnosis of existing demand, supply and utilization of information for operational, management and strategic purposes. This will involve a survey of the status of data and information systems at the school, district, state and national levels. From this diagnosis, an action plan will be formulated to improve the timeliness, coverage and quality of information.

A second component would provide a rapid system for establishing a baseline, upon which progress towards UBE can be built. This will most likely involve i) technical support for the processing of existing, backlogged data (1997–98), and ii) an intense field work experience---a pupil, teacher and school census---in which all schools will provide required data to initiate a robust database for establishing current baseline statistics.

3. Support for Stakeholder Analysis and Dialogue: A key aspect of the Sector Analysis will be to engage key institutions and groups in the process of analyzing constraints and opportunities for increasing access, quality, equity and efficiency in the education system. This requires the identification of institutions and groups that need to be approached and engaged; the organization of forums or other means of encouraging analysis and dialogue; and the communication and utilization of the findings within the sector analysis. Three discrete tasks will be: i) Work with specific non-governmental and community based organizations such as the Nigerian Union of Teachers, professional associations of educators, PTAs, and religious bodies to encourage analysis and reporting of key issues and opportunities. This activity will be developed jointly with USAID's program in democracy and governance, as it is essentially an exercise in democratic participation in public policy. ii) Building capacity of the House and Senate Education Committees to participate in analysis of educational policies and strategies, including financial and program analysis. This too will be done jointly with the democracy and governance group. iii) The third task area will be to carry out an impact analysis of HIV/AIDS on the education system, and design strategies/programs to cope with that, and to prevent the spread of HIV/AIDS in the school-age population.

While the assessment will look comprehensively at all levels in the education system USAID will support assessment and analyses in areas where it has experience and a strategic focus. These areas include but are not limited to Basic Education, Higher Education and Youth/Workforce Development. Following are illustrative analyses to be completed:

- Assess the state of primary and secondary schools and children in terms of enrollment, retention, equity issues, class size, infrastructure, etc.
- Institutional analysis of key local, state and Federal institutions and functions (e.g. planning, policy making, budgeting, management, assessment, and education management information systems (EMIS))
- Assessment of teacher effectiveness in terms of classroom practices, level of training, education, and incentive schemes

- Assessment of the current curriculum (scope and sequence), instructional materials, assessment tools and their use by teachers in selected classrooms
- Identification of means to integrate important social issues, such as HIV/AIDS, civic education, conflict resolution and the environment into instructional practices
- Assess education management information systems' needs
- Assess and identify strategies to improve teacher development, classroom practices and teacher support systems

IR 1 Indicator: Designated USAID supported education sector assessment completed: yes/no.

Intermediate Result 2: Civic Participation in Education Reform Increased

The rationale behind this IR is based on the development hypothesis that increasing local democratic (open for all groups and voices) participation in governance of educational programs will lead to higher relevance, quality and accountability. School and program management in many cases may be more effectively and efficiently provided by those organizations close to the pupils and parents. This may take the form of NGO support for school-based management (as in community schools), or the form of an NGO initiating community organization and support for increased participation of excluded children, and/or improvements in school quality. The activities in each case are intended to be 'policy experiments' to demonstrate how government, in partnership with civic society organizations, may provide a higher quality of education. Thus the data and lessons learned from IR2 activities should be communicated and utilized by the education sector analysis.

Illustrative Activities

Three activities are proposed to achieve this result: i) a youth skills development and school to work program to address issues of youth unemployment in targeted geographic areas; ii) a grants project with NGOs & CBOs to improve access and quality to basic education for children; and iii) an in-service teacher program, supported through EDDI, to reach teachers in Koranic schools to strengthen the teaching of literacy and numeracy.

1. Youth skills development and school to work program to address issues of youth unemployment in targeted geographic areas. Youth unemployment and unrest represent a significant challenge to Nigeria's stability and democratic policies. This activity would seek to explore ways of strengthening the school to work transition through targeted skills training and identification of employment opportunities. The

development of employment opportunities would involve exploring entrepreneurial and micro-enterprise activities that will generate employment and income. To the extent possible these activities will link with USAID/Nigeria's economic reform programs.

2. A grants program to improve access to and quality of basic education. Over the past five years, other development agencies have piloted successful incentive grants programs in schools and school districts. The program has developed criteria for selecting proposals generated locally, and local management structures for effectively managing and monitoring the grants program. USAID proposes to apply such an approach in selected areas, to address the historically low enrolments and quality of schools. This program is based on the assumption that a demand driven approach to the expansion of enrollments and improving quality will generate more local enthusiasm, ownership and responsibility. The program would require partnership with one or more local organizations, and the State and local authorities.

IR 2 Indicators:

- a. *Increased number of youth participating in workforce development programs.*
- b. *Increased number of Community Based Organizations/Non-governmental organizations supporting educational reform in selected areas.*

NOTE: Geographic locations for program interventions will be determined by USAID/N in collaboration with the FMoE.

The Education for Development and Democracy Initiative (EDDI)

Following the March 1998 visit of President Clinton to Africa, the Education for Development and Democracy Initiative (EDDI) was launched to strengthen African educational systems and to promote Africa's integration into the world community of free-market economies. This White House initiative is managed by an interagency committee composed of representatives from the U.S. Department of State (including the former U.S. Information Agency), U.S. Agency for International Development (USAID), and the Peace Corps. At the country level in Nigeria, EDDI activities are coordinated by an interagency committee composed of the U.S. Department of State ("Embassy"), the Public Affairs Office (the former U.S. Information Agency) and the U.S. Agency for International Development (USAID).

The Nigeria EDDI Committee has agreed to develop program activities that support the USAID/Nigeria Strategic Objective in education, "Develop the Foundation for Education Reform." Illustrative activities include: providing in-service teacher training for teachers in Koranic schools to strengthen the teaching of English literacy and numeracy;

assisting curriculum review toward the inclusion of a civics content in a variety of subject areas; developing a Model Center of university connectivity; providing management skills development for university vice-chancellors; establishing interconnectivity between selected U.S. universities and selected labor NGOs; and strengthening model secondary schools at selected universities.

Under this SOAG, US \$4 million is provided for EDDI activities in Nigeria. A detailed proposal for the activities will be developed by the Nigeria EDDI Committee and submitted to the U.S. interagency EDDI Committee for review and approval. No EDDI funds will be available for proposed activities until such approval is received from the interagency EDDI Committee.

V. Financial Plan

The financial plan for this SOAG is set forth in the below Table 1. The overall funding for this SOAG is \$19,925,000 with \$18,675,000 of the funding to be provided by USAID and \$1,250,000 counterpart funding to be provided by GFRN². USAID has already obligated \$500,000 outside of this SOAG for program management and staffing. This table shows the planned USAID bilateral funds obligated and GFRN obligations (including in-kind) according to the Intermediate Results sought under this agreement.

² Host Country Contribution Requirements have been applied to education sector analysis activities that will directly benefit and directly involve the GFRN. Other activity areas in this SOAG will be obligated through PVOs or NGOs and will provide direct assistance to the people of Nigeria. This determination has been made in accordance with ADS 305, Grants to Foreign Governments, mandatory reference on Assistance Covered by FAA 110.

**TABLE 1 : ILLUSTRATIVE
FINANCIAL PLAN (\$US)**

| Category | USAID Obligations This Agreement | Planned Future Obligations | Total USAID Estimated Contributions | GFRN Contributions | Total Planned Life-of-S.O. Funding |
|------------------------------------------------------------------------------|----------------------------------|----------------------------|-------------------------------------|--------------------|------------------------------------|
| I.R.1: Education Sector Assessment Conducted | 2,500,000 | 2,000,000 | 5,000,000 | 1,250,000 | 5,750,000 |
| 1. Basic Education Project Support, IQC (USAID direct procurement) | | | | | |
| 2. Improving Educational Quality (II) Project IQC (USAID direct procurement) | | | | | |
| I.R.2. Civic Participation in Education Increased | | | | | |
| 1. NGO grants program | 3,000,000 | 2,000,000 | 5,000,000 | 0 | 5,000,000 |
| 2. Youth skills development | 1,000,000 | 2,175,000 | 3,175,000 | | 3,175,000 |
| Total I.R.2 | 4,000,000 | 4,175,000 | 8,175,000 | | 8,175,000 |
| Education for Development and Democracy Initiative (EDDI) | | | | | |
| 1. Teacher training, university connectivity, model secondary schools | 4,000,000 | | 4,000,000 | | 4,000,000 |
| USAID Program Management : TAACS, USPSC, 3 FSNs, selected studies | 1,000,000 | 1,000,000 | 2,000,000 | 0 | 2,000,000 |
| Total Estimated Funding | 11,500,000 | 7,175,000 | 18,675,000 | 1,250,000 | 19,925,000 |

USAID will undertake the financial management for all funds it provides, in accordance with AID contracting, granting, accounting and audit guidelines. The GFRN will be responsible for the financial management, accounting and reporting on its financial and in-kind services and contributions. The GFRN will provide an accounting for any funds or in-kind services it provides on an annual basis.

The budget for projected expenditures by IR is illustrative. Funds made available under this agreement may be used for any of the activities deemed necessary to achieve the SO, insofar as permitted by U.S. law, including Congressional earmarks. Funds may be reallocated among activities throughout the life of this Agreement based upon implementation performance or program needs and priorities as set forth below and as consistent with US law. Changes to a maximum of 15% per line item may be made to the financial plan by representatives of the Parties without formal amendment to the

Agreement, provided such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

VI. Implementation Roles and Responsibilities

A. Management Approach

USAID/Nigeria, the Federal Ministry of Education and the National Planning Commission will have the primary responsibility for implementing and monitoring this Strategic Objective. These three entities will form an Education Sector Technical Committee (EduSeTC) which will review, at least on a quarterly basis, the progress made in implementing the activities that are planned to achieve the objectives of this agreement. In areas where there is mutual interest and benefit, USAID will work with other GFRN entities, civic organizations, NGOs/PVOs and international funding and technical assistance agencies to promote effective implementation and coordination. Due to the short time frame for this SO, USAID/Nigeria will utilize readily accessible technical assistance mechanisms and support from AID/Washington for program assistance. Where possible, USAID/Nigeria will develop program synergies between the education, health and democracy and governance programs.

B. Strategic Objective Management Team

Overall management of the SO will be the responsibility of the Strategic Objective Number 3 (SO3) team under the guidance of the USAID Mission Director and the General Development Officer. Team members will include one Technical Advisor in AIDS and Child Survival (TAACS), one US Personal Services Contractor (Education Specialist), two Foreign Service National (FSN) Senior Education Advisors, one FSN Administrative Assistant and one FSN Driver. The SO3 team will be responsible for program management, policy dialogue, implementation, monitoring and evaluation, reporting, and overall accountability for achieving program results. The team will also review, monitor and approve institutional contracts and grants.

C. Development Partners

1. Federal Republic of Nigeria

The Federal Ministry of Education and the National Planning Commission will be responsible for the GFRN's overall coordination, implementation, and monitoring of the Strategic Objective Grant Agreement, including reviewing and authorizing amendments to the agreement, and revision of program activities. The FMoE and the NPC will participate as members of the USAID/Nigeria extended SO3 Team, which will provide ongoing planning, analysis, implementation, oversight and monitoring of program

activities. The FMoE and NPC will be responsible for leading and coordinating the education sector analysis activities. The FMoE and NPC will also be responsible for ensuring that adequate resources, including appropriate staff, are provided to achieve the program objectives. The FMoE and NPC will be responsible for ensuring that adequate funds are allocated to meet the host country counterpart funding required by the Agreement. USAID will work directly with Federal, State and Local Government Education Authorities to implement program activities. Other GFRN stakeholders include the Ministries of Finance, Planning, Sports and Social Development, and Women's Affairs and Youth Development.

The FMoE will be responsible for providing (1) professional staff to coordinate and implement the Education Sector Analysis activities; (2) semi-annual workplans for conducting education sector analysis activities. These workplans shall include, at a minimum: terms of reference for key sector and sub-sector studies; a timetable for carrying out the analyses; a financing plan; a plan for stakeholder consultation and consensus-building and an organizational plan designating who will be responsible for managing and conducting the analyses, and semi-annual progress reports on education sector analysis activities.

2. Civic Organizations

In working towards achieving the planned results in IRs 1 & 2, civic organizations including, but not limited to, parent teacher associations, community based organizations, local and international non-governmental organizations, and other public and private sector entities may be enjoined to partner with USAID/Nigeria and the GFRN.

3. Multi-lateral and bi-lateral funding and technical assistance agencies

In working towards achieving the planned results for IR 1, Education Sector Assessment Conducted, other bi-lateral and multi-lateral funding and technical assistance agencies will partner with USAID and the GFRN. Specific sector and sub-sector analyses to be implemented under IR 1 will be contracted by USAID/Nigeria and coordinated with the appropriate GFRN Ministry as well as with a joint GFRN-funding agency coordinating unit. In areas where there is mutual interest, USAID will work in collaboration with multi-lateral and bi-lateral funding and technical assistance agencies. The AID Africa Bureau Education Team will provide on-going technical and program assistance to SO 3 and assist with coordination of technical assistance provided through centrally funded programs and other technical assistance mechanisms.

VII. Monitoring & evaluation

Due to the short initial time frame of this SO, the Monitoring and Evaluation (M&E) plan will be appropriately and realistically defined. The SO Team will provide on-going program monitoring of studies and analyses, technical assistance grantees and contractors, training, and other program activities. For IR 1, USAID/Nigeria will also utilize joint M&E plans developed by the GFRN and other principal partners supporting the sector assessment. A program evaluation will be carried out in FY 2001 which will focus on accomplishments achieved as planned by the SO2 Results Framework. This evaluation will form an integral basis of information for further development of a possible long-term education sector support strategy.

VIII. Methods of Financing

As Table 2 illustrates, funds under this Agreement will be managed by USAID through a variety of instruments. The majority of funds will pass through individual direct AID contracts and grants with US and local contractors/grantees. The SO will access central USAID/Washington programs through Task Orders to previously competed Indefinite Quantity Contracts (IQC's).

TABLE 2: Methods of Financing

| Intermediate Result | Activity Area | Method of Financing |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| I.R.1: Education Sector Assessment Conducted | <ul style="list-style-type: none"> •Technical Assistance •sector and sub-sector analyses •information systems development •stakeholder dialogue and analysis | <ul style="list-style-type: none"> •IQC task orders •AID direct contracts (local) •AID direct contracts (international) |
| I.R.2: Civic Participation in Education Increased EDDI | <ul style="list-style-type: none"> •Youth skills development •NGO/PVO school improvement grants •in-service teacher training in selected Northern States • University connectivity •model secondary schools | <ul style="list-style-type: none"> •Annual Program Statement •AID direct grants and cooperative agreements with NGOs/PVOs •Annual Program Statement •To be determined •To be determined |

IX. Other Implementation Issues

Additional and future implementation details and amendments to this Annex I will be made through the issuance of Implementation Letters (I.L.'s). Typically these I.L.'s will detail implementation aspects such as composition of management units, annual implementation plans, schedules and procedures for periodic reviews. An I. L. may be prepared by either USAID or the GFRN and will be submitted to the other Party for review and/or concurrence.

Annex 2
Standard Provisions

Table of Contents

Article A: Definitions and Implementation Letters.

- Section A.1. Definitions.
- Section A.2. Implementation Letters.

Article B: General Covenants.

- Section B.1. Consultation.
- Section B.2. Execution of Agreement.
- Section B.3. Utilization of Goods and Services.
- Section B.4. Taxation.
- Section B.5. Reports and Information, Agreement Books and Records, Audits,
and Inspections
- Section B.6. Completeness of Information.
- Section B.7. Other Payments.
- Section B.8. Information and Marking.

Article C: Procurement Provisions.

- Section C.1. Source and Origin.
- Section C.2. Eligibility Date.
- Section C.3. Plans, Specifications and Contracts.
- Section C.4. Reasonable Price.
- Section C.5. Notification to Potential Suppliers.
- Section C.6. Shipping.
- Section C.7. Insurance.
- Section C.8. U.S. Government-Owned Excess Property.

Article D: Disbursements.

- Section D.1. Disbursement for Foreign Exchange Costs.
- Section D.2. Disbursement for Local Currency Costs.
- Section D.3. Other Forms of Disbursement.
- Section D.4. Rate of Exchange.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

Section E.2. Refunds.

Section E.3. Non-waiver of Remedies.

Section E.4. Assignment.

Article F: Miscellaneous.

Section F.1. Job Loss, Export Processing Zones and Workers'
Rights.

Section F.2. Prohibition on Assistance to Drug Traffickers

Article G: Funding Government Delegations to International Conferences

Standard Provisions

Article A: Definitions and Implementation Letters.

Section A.1. Definitions. As used in this Annex, the "Agreement" refers to the Strategic Objective 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.

Section A.2. Implementation Letters. To assist the Grantee in the implementation of the Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters can also be issued to record revisions or exceptions which are permitted by the Agreement.

Article B: General Covenants.

Section B.1. Consultation. The Parties will cooperate to assure that the Objective and Results of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on progress towards the Objective and Results, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged under the Agreement, and other matters relating to the Agreement.

Section B.2. Execution of Agreement. The Grantee will:

(a) Carry out the Agreement 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 USAID 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 activities financed under the Agreement, and, as applicable for continuing activities, cause those activities to be operated and maintained in such manner as to assure the continuing and successful achievement of the Objective and Results of the Agreement.

Section B.3. Utilization of Goods and Services.

(a) Any goods and services financed under this Agreement, unless otherwise agreed in writing by USAID, will be devoted to the Agreement until the completion or termination of the Agreement, and thereafter (as

well as during any period of suspension of the Agreement) will be used to further the Objective of the Agreement and as USAID may direct in Implementation Letters.

(b) Goods or services financed under this Agreement, except as USAID 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 USAID Geographic Code 935 as in effect at the time of such use.

Section B.4. Taxation.

(a) General Exemption. This Agreement and the assistance thereunder are free from any taxes imposed under laws in effect in the territory of the Grantee.

(b) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to (1) any activity, contract, grant or other implementing agreement financed by USAID under this Agreement; (2) any transaction or supplies, equipment, materials, property or other goods (hereinafter collectively "goods") under (1) above; (3) any contractor, grantee, or other organization carrying out activities financed by USAID under this Agreement; (4) any employee of such organizations; and (5) any individual contractor or grantee carrying out activities financed by USAID under this Agreement.

(c) Except as provided otherwise in this provision, the General Exemption in subsection (a) applies to, but is not limited to, the following taxes:

(1) Exemption 1. Customs duties, tariffs, import taxes, or other levies on the importation, use and re-exportation of goods or the personal belongings and effects (including personally-owned automobiles) for the personal use of non-national individuals or their family members.

Exemption 1 includes, but is not limited to, all charges based on the value of such imported goods, but does not include service charges directly related to services performed to transfer goods or cargo.

(2) Exemption 2. Taxes on the income, profits or property of all (i) non-national organizations of any type, (ii) non-national employees of national and non-national organizations, or (iii) non-national individual contractors and grantees. Exemption 2 includes income and social security taxes of all types and all taxes on the property, personal or real, owned by such non-national organizations or persons. The term "national" refers to organizations established under the laws of the Grantee and citizens of the Grantee, other than permanent resident aliens in the United States.

(3) Exemption 3. Taxes levied on the last transaction for the purchase of goods or services financed by USAID under this Agreement, including sales taxes, value-added taxes (VAT), or taxes on purchases or rentals of real or personal property. The term "last transaction" refers to the last transaction by which the goods or services were purchased for use in the activities financed by USAID under this Agreement.

(d) If a tax has been levied and paid contrary to the provisions of an exemption, USAID may, in its discretion, (1) require the Grantee to refund to USAID or to others as USAID may direct the amount of such tax with funds other than those provided under the Agreement, or (2) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Parties.

(e) In the event of a disagreement about the application of an exemption, the Parties agree to promptly meet and resolve such matters, guided by the principle that the assistance furnished by USAID is free from direct taxation, so that all of the assistance furnished by USAID will contribute directly to the economic development of the country of the Grantee.

Section B.5. Reports and Information, Agreement Books and Records, Audits, and Inspections.

(a) Reports and Information. The Grantee shall furnish USAID accounting records and such other information and reports relating to the Agreement as USAID may reasonably request.

(b) **Grantee Agreement Books and Records.** The Grantee shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred **by the Grantee** under the Agreement, the receipt and use of goods and services acquired under the Agreement **by the Grantee**, agreed-upon cost sharing requirements, the nature and extent of solicitations of prospective suppliers of goods and services acquired **by the Grantee**, the basis of award of **Grantee** contracts and orders, and the overall progress of the Agreement toward completion ("Agreement books and records"). The Grantee shall maintain Agreement books and records in accordance with generally accepted accounting principles prevailing in the United States, or at the Grantee's option, with approval by USAID, other accounting principles, such as those (1) prescribed by the International Accounting Standards Committee (an affiliate of the International Federation of Accountants) or (2) prevailing in the country of the Grantee. Agreement books and records shall be maintained for at least three years after the date of last disbursement by USAID or for such longer period, if any, required to resolve any litigation, claims or audit findings.

(c) Grantee Audit. If \$300,000 or more of USAID funds are expended directly by the Grantee in its fiscal year under the Agreement, the Grantee shall have financial audits made of the expenditures in accordance with the following terms, except as the Parties may otherwise agree in writing:

(1) With USAID approval, the Grantee shall use its Supreme Audit Institution or select an independent auditor in accordance with the "Guidelines for Financial Audits Contracted by Foreign Recipients" issued by the USAID Inspector General ("Guidelines"), and the audits shall be performed in accordance with the "Guidelines"; and

(2) The audit shall determine whether the receipt and expenditure of the funds provided under the Agreement are presented in accordance with generally accepted accounting principles agreed to in section (b) above and whether the Grantee has complied with the terms of the Agreement. Each audit shall be completed no later than nine months after the close of the Grantee's year under audit.

(d) Subrecipient Audits. The Grantee, except as the Parties may otherwise agree in writing, shall submit to USAID, in form and substance satisfactory to USAID, a plan for the audit of the expenditures of "covered" subrecipients, as defined below, that receive funds under this Agreement pursuant to a direct contract or agreement with the Grantee.

(1) A "covered" subrecipient is one who expends \$300,000 or more in its fiscal year in "USAID awards" (i.e., as recipients of USAID cost reimbursable contracts, grants or cooperative agreements and as sub-recipients under USAID strategic objective and other grant agreements with foreign governments).

(2) The plan shall describe the methodology to be used by the Grantee to satisfy its audit responsibilities for covered subrecipients. The Grantee may satisfy such audit responsibilities by relying on independent audits of the subrecipients; expanding the scope of the independent financial audit of the Grantee to encompass testing of subrecipients' accounts; or a combination of these procedures.

(3) The plan shall identify the funds made available to covered subrecipients that will be covered by audits conducted in accordance with other audit provisions that would satisfy the Grantee's audit responsibilities. (A nonprofit organization organized in the United States is required to arrange for its own audits. A for-profit contractor organized in the United States that has a direct contract with USAID is audited by the cognizant U.S. Government Agency. A private voluntary organization organized outside the United States with a direct grant from USAID is required to arrange

for its own audits. A host-country contractor should be audited by the Grantee's auditing agency.)

(4) The Grantee shall ensure that covered subrecipients under direct contracts or agreements with the Grantee take appropriate and timely corrective actions; consider whether subrecipients' audits necessitate adjustment of its own records; and require each such subrecipient to permit independent auditors to have access to records and financial statements as necessary.

(e) Audit Reports. The Grantee shall furnish or cause to be furnished to USAID an audit report for each audit arranged for by the Grantee in accordance with this Section within 30 days after completion of the audit and no later than nine months after the end of the period under audit.

(f) Other Covered Subrecipients. For "covered" subrecipients who receive funds under the Agreement pursuant to direct contracts or agreements with USAID, USAID will include appropriate audit requirements in such contracts or agreements and will, on behalf of the Grantee, conduct the follow-up activities with regard to the audit reports furnished pursuant to such requirements.

(g) Cost of Audits. Subject to USAID approval in writing, costs of audits performed in accordance with the terms of this Section may be charged to the Agreement.

(h) Audit by USAID. USAID retains the right to perform the audits required under this Agreement on behalf of the Grantee by utilizing funds under the Agreement or other resources available to USAID for this purpose, conduct a financial review, or otherwise ensure accountability of organizations expending USAID funds regardless of the audit requirement.

(i) Opportunity to Audit or Inspect. The Grantee shall afford authorized representatives of USAID the opportunity at all reasonable times to audit or inspect activities financed under the Agreement, the utilization of goods and services financed by USAID, and books, records and other documents relating to the Agreement.

(j) Subrecipient Books and Records. The Grantee will incorporate paragraphs (a), (b), (d), (e), (g), (h) and (i) of this provision into all subagreements with non-U.S. organizations which meet the \$300,000 threshold of paragraph (c) of this provision. Subagreements with non-U.S. organizations, which do not meet the \$300,000 threshold, shall, at a minimum, incorporate paragraphs (h) and (i) of this provision. Subagreements with U.S. organizations shall state that the U.S. organization is subject to the audit requirements contained in OMB Circular A-133.

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

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

(b) that it will inform USAID in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Agreement 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 Agreement, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section B.8. Information and Marking. The Grantee will give appropriate publicity to the Agreement as a program to which the United States has contributed, identify Agreement activity sites, and mark goods financed by USAID, as described in Implementation Letters.

Article C: Procurement Provisions.

Section C.1. Source and Origin.

C.1. Source and Origin.

(a) Foreign Exchange Costs. Disbursements for Foreign Exchange Costs will be used exclusively to finance the costs of goods and services required for the Agreement having, with respect to goods, their source and origin and, with respect to the suppliers of goods and services, their nationality, in the United States (USAID Geographic Code 000), except as USAID may otherwise agree in writing.

(b) Local Currency Costs. Disbursements for Local Currency Costs will be used exclusively to finance the costs of goods and services required for the Agreement which meet the requirements of USAID's local procurement policy which will be provided in an Implementation Letter.

(c) 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.

(d) Provisions concerning restricted and ineligible goods and services may be provided in an Implementation Letter.

(e) Transportation by air of property or persons financed under this agreement will be on carriers holding United States certification, to the extent service by

such carriers is available under the Fly America Act. This requirement may be further described by USAID in Implementation Letters.

Section C.2. Eligibility Date. No goods or services may be financed under the Agreement 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 USAID upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation between the Grantee and third parties, relating to goods or services to be financed under the Agreement, 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 USAID on preparation; and

(2) such documentation will also be furnished to USAID, upon preparation, relating to any goods or services, which, though not financed under the Agreement, are deemed by USAID to be of major importance to the Agreement. Aspects of the Agreement involving matters under this subsection (a)(2) will be identified in 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 Agreement will be approved by USAID in writing prior to their issuance, and their terms will include United States standards and measurements;

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

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

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 Agreement. Such

items will be procured on a fair and, to the maximum extent practicable, 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 Agreement, the Grantee will furnish USAID such information with regard thereto, and at such times, as USAID may request in Implementation Letters.

Section C.6. Transportation

(a) In addition to the requirements in Section C.1(a), costs of ocean or air transportation and related delivery services may not be financed under the Grant, if the costs are for transportation under an ocean vessel or air charter which has not received prior USAID approval.

(b) Unless USAID determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, or otherwise agrees in writing:

(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 USAID which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by USAID and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. Insurance.

(a) Marine insurance on goods financed by USAID which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided

(1) such insurance is placed at the most advantageous competitive rate;

(2) such insurance is placed in a country which is authorized under Section C.1(a); and

(3) claims thereunder are payable in U.S. dollars or any freely convertible currency unless USAID agrees otherwise in writing.

If the Grantee (or government of the Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to USAID-financed

procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by USAID hereunder shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do marine insurance business in the United States.

(b) Except as USAID may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Agreement imported for the Agreement against risks incident to their transit to the point of their use under the Agreement; 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 replacement will be of source and origin of countries listed in USAID 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 Agreement may be used to finance the costs of obtaining such property.

Article D: Disbursements

Section D.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for the Foreign Exchange Costs of goods or services required for the Agreement in accordance with its terms, by such of the following methods as may be mutually agreed upon:

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

(2) by requesting USAID to issue Letters of Commitment for specified amounts directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment will be financed under the Agreement unless the Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to may also be financed under the Agreement.

Section D.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, if any, the Grantee may obtain disbursements of funds under the Agreement for Local Currency Costs required for the Agreement in accordance with terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be purchased by USAID with U.S. Dollars. The U.S. Dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by USAID to obtain the local currency.

Section D.3. Other Forms of Disbursement. Disbursements may also be made through such other means as the Parties may agree to in writing.

Section D.4. Rate of Exchange. If funds provided under the Agreement are introduced into the Cooperating Country by USAID or any public or private agency for purposes of carrying out obligations of USAID 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 unlawful in the country of the Grantee to any person for any purpose.

Article E: Termination; Remedies.

Section E.1. Suspension and Termination.

(a) Either Party may terminate this Agreement in its entirety by giving the other Party 30 days written notice. USAID also may terminate this Agreement in part by giving the Grantee 30 days written notice, and suspend this Agreement in whole or in part upon giving the Grantee written notice. In addition, USAID may terminate this Agreement in whole or in part, upon giving the Grantee written notice, if (i) the Grantee fails to comply with any provision of this Agreement, (ii) an event occurs that USAID determines makes it improbable that the Objective or Results of the Agreement or the assistance program will be attained or that the Grantee will be able to perform its obligations under this Agreement, or (iii) any disbursement or use of funds in the manner herein contemplated would be in violation of the legislation governing USAID, whether now or hereafter in effect.

(b) Except for payment which the Parties are committed to make pursuant to noncancellable commitments entered into with third parties prior to such suspension or termination, suspension or termination of this entire Agreement or part thereof will suspend (for the period of the suspension) or terminate, as applicable, any obligation of the Parties to provide financial or other resources to the Agreement, or to the suspended or terminated portion of the Agreement, as applicable. Any portion of this Agreement which is not suspended or terminated shall remain in full force and effect.

(c) In addition, upon such full or partial suspension or termination, USAID may, at USAID's expense, direct that title to goods financed under the Agreement, or under the applicable portion of the Agreement, be transferred to USAID if the goods are in a deliverable state.

Section E.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, USAID, 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 USAID 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 or supported under the Agreement are not used effectively in accordance with this Agreement, USAID may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in U.S. Dollars to USAID within sixty (60) days after receipt of a request therefor.

(c) The right under subsections (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 refunds under subsections (a) or (b), or (2) any refund to USAID from a contractor, supplier, bank or other third party with respect to goods or services financed under the Agreement, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the Agreement, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on funds disbursed by USAID to the Grantee under this Agreement prior to the authorized use of such funds for the Agreement will be returned to USAID in U.S. Dollars by the Grantee, unless USAID otherwise agrees in writing.

Section E.3. Non-waiver 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 E.4. Assignment. The Grantee agrees, upon request, to execute an assignment to USAID 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 which USAID financed in whole or in part out of funds granted by USAID under this Agreement.

Article F: Miscellaneous.

Section F.1. Job Loss, Export Processing Zones and Workers' Rights.

(a) No funds or other support provided hereunder may be used in an activity reasonably likely to involve the relocation or expansion outside of the United States of an enterprise located in the United States if non-U.S. production in such relocation or expansion replaces some or all of the production of, and reduces the number of employees at, said enterprise in the United States.

(b) No funds or other support provided hereunder may be used in an activity the purpose of which is the establishment or development in a foreign country of any export processing zone or designated area where the labor, environmental, tax, tariff, and safety laws of the country would not apply, without the prior written approval of USAID.

(c) No funds or other support provided hereunder may be used in an activity which contributes to the violation of internationally recognized rights of workers in the recipient country, including those in any designated zone or area in that country.

Section F.2. Prohibition on Assistance to Drug Traffickers.

(a) USAID reserves the right to terminate this Agreement or take other appropriate measures if the Grantee or a key individual of the Grantee is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

(b) USAID reserves the right to terminate assistance to, or take or take other appropriate measures with respect to, any participant approved by USAID who is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

Article G: Funding Government Delegations to International Conferences

Funds in this Agreement may not be used to finance the travel, per diem, hotel expenses, meals, conference fees or other conference costs for any member of a foreign government's delegation to an international conference sponsored by a public internal organization, except as provided in USAID ADS Mandatory References "Guidance on Funding Foreign Government Delegations to International Conferences" or as approved by the USAID contracting officer.