

AID/W

A.I.D. PROJECT NO. 497-0350

PROJECT
GRANT AGREEMENT
BETWEEN
THE UNITED STATES OF AMERICA
AND THE
REPUBLIC OF INDONESIA
FOR
HIGHER EDUCATION DEVELOPMENT SUPPORT

DATED: August 15, 1990

PROJECT GRANT AGREEMENT

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PROJECT GRANT AGREEMENT

Dated: August 15, 1990

Between the REPUBLIC OF INDONESIA ("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 improve the responsiveness of university programs to Indonesia's development requirements by (a) enhancing the quality of university administration and instruction in key academic disciplines and geographical regions; and (b) by strengthening linkages between such universities and the job market.

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 to the Grantee under the terms of this Agreement not to exceed Six Million Twenty Thousand United States ("U.S.") Dollars (\$6,020,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., and local currency costs, as defined in Section 6.2., of the goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of U.S. \$7,000,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), July 31, 1996, 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 supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees 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. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Date for Conditions Precedent. If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. Special Covenants.

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except

as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6: Procurement Source.

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under the flag registry of the United States, except as A.I.D. may otherwise agree in writing.

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 Republic of Indonesia ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

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 the 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 the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(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 disbursement may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government. The U.S. Dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by A.I.D. to obtain the local currency.

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 the Republic of Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of Indonesia at

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

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: Director General of Higher Education
Directorate General for Higher Education
Jl. Pintu Satu, Senayan
Jakarta, Indonesia

To A.I.D.:

Mail Address: U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan 5
Jakarta, Indonesia

Alternate address for telegrams: USAID AMEMB JAKARTA
Alternate address for FAX : 62 (21) 380-6694

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

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Director General of Higher Education, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, A.I.D. Mission to Indonesia, 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.

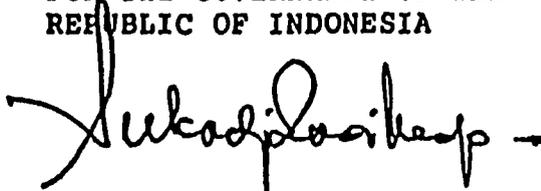
IN WITNESS WHEREOF, the Republic of Indonesia and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA



Lee Twentyman
Acting Director
USAID/Indonesia

FOR THE GOVERNMENT OF THE
REPUBLIC OF INDONESIA



Prof. Dr. Sukadji Ranuwihardjo, MA
Director General for
Higher Education
Department of Education and
Culture

HIGHER EDUCATION DEVELOPMENT SUPPORT

PROJECT 497-0358

AMPLIFIED PROJECT DESCRIPTION

Article I. General Description

A. Goal

Indonesia has adopted an export-lead growth strategy which requires skilled human capital. The goal of this \$27 million, six-year project is to promote an efficient and high quality human resources development system in Indonesia that effectively links both public and private higher education outputs to human resources requirements.

B. Purpose

The purpose of the HEDS Project is to improve the responsiveness of university programs to job market needs by (a) enhancing the quality of university administration and instruction in selected academic disciplines and geographical regions critical to national development and, (b) by strengthening linkages between such universities and the job market.

C. Outputs

1. University lecturers receive MS and PhD degrees.
2. University lecturers/admin. staff receive short-term training in U.S.
3. University lecturers/admin. staff receive special training in Indonesia.
4.
 - Lecturers trained in English to TOEFL level 550 minimum.
 - Better managed language centers.
5.
 - Improved instructional programs in targeted disciplines of math, physics, chemistry, biology and business management.
 - Replicable short courses
 - Language centers better managed
 - University management responsive to new directions
 - Programs conducted using students in local businesses.
 - Universities seeking more consulting work with local businesses

6. Policy support to following GOI concerns:

- Improved financial management.
- Financial autonomy strengthened.
- University relationship to labor demands more responsive.
- Institutionalization of tracking graduates.
- Business community utilizing and paying for university services.
- Academic quality and internal efficiency improved by developing models that minimize time for degree programs.
- Improved accreditation system for private universities implemented
- Enhanced cooperation between public and private universities through research collaboration and interaction in project activities
- Equity issue addressed by assisting DGHE in research and social mapping in order to determine rational distribution of educational opportunities throughout archipelago

7. Networks functioning in appropriate fields

8. - Job placement centers operating in universities.
- Universities have established regularized contacts with business community.

9. Mechanism in place to study and monitor local demands for university graduates.

D. Participating Universities

Universities receiving assistance under this project have been divided into two levels based on the degree of assistance available from A I D and GOI sources. The role of private universities in the Indonesian higher education system is expanding rapidly. In recognition of this role other private universities not listed in Levels One or Two may be considered for assistance as the project progresses.

Level One: These universities will receive the full range of project activities supported by HEDS. These include resident long-term, as well as short-term, technical assistance, participant training, university-business linkages programs, institution-building activities, short courses, networks and policy support programs. There will also be limited carry-over activities from the Western Universities Agriculture Education (WUAE) Project including continued funding of selected participants, short-term technical assistance and network activities.

SUMATRA

PUBLIC

SYIAH KUALA U - Aceh
U. OF NORTH SUMATRA - Medan
U. OF LAMPUNG, Bandar Lampung
U. OF RIAU - Pekanbaru
U. OF BENGKULU - Bengkulu

PRIVATE

NOMENSEN U. - Medan
ISLAMIC U. OF NORTH SUMATRA - Medan
DARMA AGUNG U. - Medan
U. OF MEDAN AREA - Medan

Level Two The remaining universities in the Badan Kerja Sama/Barat (BKS/B) listed in Level Two are not scheduled to receive resident technical assistance or be eligible to send long-term participants abroad. They are eligible to participate in short-courses, networks and university-business linkages programs. Additional non BKS/B public and selected private universities on Sumatra and Kalimantan are eligible to attend specific short courses and to participate in network meetings. There will also be limited carry-over activities from the WUAE Project including continued funding of selected participants, short-term technical assistance and network activities.

SUMATRA

PUBLIC

IKIP - Medan (BKS/B)
ANDALAS U. - Padang (BKS/B)
IKIP - Padang (BKS/B)
U OF SRIWIJAYA - Palembang (BKS/B)
U. OF JAMBI - Jambi (BKS/B)

PRIVATE

KALIMANTAN

U. OF TANJUNGPURA - Pontianak (BKS/B)
U. OF LAMBUNG MANGKURAT - Banjarmasin
U. OF PALANGKARAYA - Palangkaraya

PANCA BHAKTI U. - Pontianak
ACHMAD YANI U. - Banjarmasin
SEKOLAH TINGGI ILMU EKONOMI
INDONESIA - Banjarmasin

E Disciplines Targeted

The project will concentrate on the specific subjects of mathematics, chemistry, physics, biology and business administration. However, as a continuation of the WUAE Project participants returning to Indonesia after the PACD of that project in the faculties of agriculture, fisheries, veterinary sciences, animal husbandry, agriculture engineering and forestry may participate in programs designed to provide professional upgrading, such as networks, short courses.

F. Project Activities

1 Participant Training and Education The project will fund approximately 175 Master Degrees and PhDs. In addition, the project may assume funding for WUAE participants who have yet to complete their degree requirements by the end of the PACD, i.e. 31 May 1991. Selection of the participants will be done by the HEDS Project Steering Committee (PSC). The institutional contractor will place all participants and be responsible for the administration of the program.

Placement of the first wave of participants may be administered either by the Overseas Training Office (OTO) or other mechanisms, as appropriate, until the prime contractor is in place.

Intensive English training will be provided to all US-bound participants either in Indonesia prior to departure, or in the United States. English language advisors will not only directly teach prospective participants, they will assist and work with university officials and language center directors' in programs to upgrade the efficiency of English language training

Participants for long-term training shall be selected from the target faculties of mathematics and basic sciences, economics (i.e. business management and business administration) and in special cases agriculture. The Project Steering Committee shall send criteria for participant selection to the rector of each eligible university. Participants will be nominated by each university with endorsements from the rector and appropriate dean. In addition to grade records, English scores (if any) etc., each rector and dean is required to assess the abilities of the individual named, including leadership characteristics, initiative, academic potential, efficiency, relationships with students etc. The rector will also indicate how each nominated individual fits in with the overall development of the particular faculty from which the candidate comes. Teams of interviewers, consisting of representatives of the DGHE, the AID, PSC members, etc., shall visit each university at least once a year to interview candidates. Methodology for evaluating potential participants has already been developed under the WUAE project. All candidates will be ranked within their own university and then against each other across all project universities. The final selection shall be made by the Project Steering Committee. All candidates must take either the TPA or GRE.

The Higher Education Development Support project has a target of 30 percent female participants in long-term training. We recognize, however, that due to family and cultural constraints, this target may be difficult to reach. To encourage broader female participation, it has been determined that 20 percent of the total candidate pool be comprised of women who will not necessarily be required to compete with the total pool, but with each other.

Training will also be provided to managerial and administrative staff in areas such as financial management, registration, computerization of records, physical plant maintenance.

2 Staff and Program Development The objectives of this component are to (a) provide mechanisms by which professional staff can build their academic and technical skills to formulate, initiate and carry out qualitative improvements in their respective programs, and (b) provide an environment which supports professional development. Technical assistance will be provided to assist the universities in upgrading curricula, course content and teaching methodology in the targeted disciplines.

The project will fund short-term training in the U.S., in third countries and in Indonesia. This training can be either technical or administrative in nature and each course will focus on a single subject area. The training will be designed to help the attendee improve his or her job skills, and in appropriate

cases, strengthen institutional leadership. Outside Indonesia this short-term training will consist of packaged, specialized programs conducted by governmental agencies, private institutions or universities. In-country courses, for the most part, will be developed within the project by U.S. and Indonesian technical assistance in conjunction with a network or team of instructors.

The project will also initiate activities formally linking the public universities with each other and with private universities, other educational organizations and businesses in order to further regional and national development. This will involve establishing and maintaining outside connections for sharing research problems and outcomes, servicing needs of local commerce and industry, assessing manpower demands and employment realities, deriving benefits from alumni associations and building mutually useful community relationships. Specific networks will be developed and current networks from the WUAE Project will be continued.

Bridges will be developed between HEDS and other educational activities funded by the ADB, World Bank, Canada, Australia. Contractors will be encouraged to meet with counterparts in other projects, but more importantly, contact will be fostered between BKS/B university personnel and university staff in other geographical regions.

3 University-Business Links Technical assistance and training will be provided to all universities in establishing formal links to the business community, primarily through the establishment of job placement centers. Other programs will be tested including private-sector funded scholarships and departmental chairs, research endowments, career days, joint research boards. Multi-disciplinary teams of undergraduates will be formed to work with small businesses in problem-solving exercises. Undergraduate work-study programs will also be developed. Plans will be developed to promote a student loan program for first and second year students.

4 Policy Support The policy support program will assist the Government of Indonesia to develop and test ways of implementing reforms of higher education policy by (1) identification, research and analysis of policy constraints, (2) development and testing of workable models, and (3) implementation and spread of successful models.

Initially a series of base-line studies will be conducted which will set the framework for future policy agenda as determined by the Directorate General for Higher Education. A likely agenda for policy support will be

- a financial management and university administration
- b the relationship of university programs to fit the job market
- c infrastructure, academic quality and internal efficiency
- d equity of resource distribution

Project personnel will cooperate with BALITBANG DIKBUD, the research and development arm of the Ministry of Education and Culture, as well as with the Ministry of Manpower, on research on market demand for human resources.

Article II. Inputs of the Parties

A. A.I.D.

The following section describes AID's planned life of project inputs to the project. A.I.D. funding for the project will be provided incrementally as required, subject to the availability of funds and mutual agreement of the Parties at the time of each increment to proceed with the project.

1. Technical Assistance: \$ 7,610,000

- long-term U S.	307 pm
- long-term Indonesian	307 pm
- short-term U S.	48 pm
- short-term Indonesian	48 pm
- admin officer Indonesian	60 pm
- language coordinator U.S.	36 pm
- TEFL specialists	180 pm

One prime contractor will provide a long-term assistance team composed as follows:

<u>Title</u>	<u>Field</u>
Chief-of-Party one U S (5 yrs)	Policy
Program Coordinator one Indonesian (5 yrs)	Implementation
Administrative Officer one Indonesian (5 yrs)	PMU/TA Logistics
Job Placement Advisors one each U.S /Indonesian (4 yrs each)	University/Business Linkages
Mathematics Advisors one each U S./Indonesian (4 yrs each)	Faculty Improve/Staff Development
Basic Science Advisors two each U S /Indonesian (4 yrs each)	Faculty Improve/Staff Development
Business Administration one each U S./Indonesian (4 yrs each)	Faculty Improve/Staff Development

English Co-ordinator
one U.S. (3 yrs)

Education & Training/Staff
Development

TEFL Specialists
five U.S. (3 yrs each)

Education & Training/Staff
Development

The same contractor will assist the GOI to identify short-term technical assistance requirements and subcontract for such services. Specific scopes of work for the short term technical assistance will be developed during implementation of the project. Their specialties will be a mix of technical, administrative and managerial subjects

2. Participant Training \$10,573,000

The project will fund approximately 175 post graduate degrees; 150 MS and 25 PhD's. Based upon needs of the project the mix of MS and PhD's could change. Also the project will pick up selected WUAE participants who will not obtain their degrees before the PACD of that project. HEDS may also fund selected participants in the fields of agriculture as a carry-on from the WUAE project

The project will fund the training and international airfare costs for approximately 25 person months of short-term training in the U S or in third countries

3. Policy Issues \$425,000

This component will fund base line or special studies, design pilot activities or develop models relating to policy issues. While initial studies will be done independent of a prime contractor, the contractor will assume implementation responsibility after a prime contract is in place. Special study trips for policy makers and implementers may also be funded from this component

4. University Support \$590,000

This component provides funding for much of the project's in-country program and is heavily dependent on the technical assistance for implementation. These programs include curricula upgrading, the job placement centers, approximately eight short courses per year, and post-return support for instructors in agriculture-related faculties in the BKS/B universities. Specific programs for undergraduate development such on-the-job training, student interns, and other activities to further university/business contacts will be designed during implementation

5. Commodities \$125,000

This component provides for the purchase of project vehicles and equipment for the PMU and field offices

6. Audit/Baseline Studies/Evaluation \$381,000

Audits: If required, a non-federal audit will be conducted to examine the financial management capability of appropriate GOI implementing agencies

A second non-Federal audit will examine all records and financial documents of the prime contractor twelve months after the contract is fully operational.

Baseline Studies: These studies will establish benchmarks against which the project will be evaluated

Evaluation Specific components of the project will be monitored at scheduled intervals including participant training, short-term training, job placement activities networks, English language training, the performance of the technical assistance team and project management. A mid-term and final evaluation will be conducted in years three and six respectively

7. Contingency \$296,000

B. GOI

The following describes the Government of Indonesia's inputs to the project. These will be a mixture of cash and in-kind

1. Technical Assistance \$550,000

The DGHE and the universities will provide personnel for the short courses, workshops and seminars as well as for activities related to short-term contractors

The DGHE will provide technical assistance to the Kalimantan universities for follow-up to courses or seminars sponsored by the project. The DGHE will provide counterparts in the pursuit of policy studies and implementation.

2. Participant Training \$1,000,000

The GOI will fund 150 S2 degrees in Indonesia in the fields of basic sciences and business administration through the BKS/B. The DGHE will provide personnel to assist in the interview and evaluation of the 175 long-term participant candidates. The GOI will provide funds for the in-country English language training

programs including local travel, accommodations, maintenance allowance in Indonesia and continuation of the participant's salary. For those accepted for long-term training abroad the GOI will pay the departure tax, round-trip International air-fare and the participant's salary.

3. Commodities \$500,000

The DGHE and the universities will purchase all basic laboratory supplies, equipment and chemicals in support of the basic sciences program

4. University Support \$500,000

The DGHE, the BKS/B and the individual universities will support a variety of activities under this component. Each university will provide building or office space, and staff, for Job Placement Centers

The GOI will build and provide all basic science laboratories, computer center and basic commodities for the Growth Center in Medan which will be shared by all private universities in that location.

The BKS/B will fund network activities and partially fund short courses and workshops. Support will also be provided for activities relating to curricula revision and book publishing.

5. Project Operations \$3,750,000

The universities will fund operational aspects of the project including housing, utilities and office space for technical assistance teams assigned to them. General PMU support costs such as office space, office supplies, internal air fare etc. will be paid for or provided for by the GOI.

6. Evaluation \$100,000

The GOI will provide funds and personnel in conducting collaborative evaluations.

7. Contingency \$600,000

Article III. Implementation

A. Management

1. Jakarta The Project will be managed by the Directorate General of Higher Education (DGHE) within the Ministry of Education and Culture and the USAID Office of Education and Human Resources (EHR). The DGHE shall provide one Project Director with appropriate support staff and A.I.D. shall designate one

U.S. Direct Hire Project Officer with support staff. Day-to-day activities shall be administered through the Project Management Unit (PMU) located in the DGHE. The PMU shall consist of DGHE officials and the prime contractor's Chief-of-Party (COP), Program Coordinator and Administrative Assistant along with support staff. The Coordinator for the JICA project will also be located in the PMU.

Overall guidance and policy directives will emanate from the Project Steering Committee (PSC) consisting of the GOI Project Director, the A.I.D. Project Officer, the Chairman of the Badan Kerja Sama/Barat (BKS/B), one rector appointed annually from the BKS/B universities, and the Secretary of a Kopertis (one appointed for three years from each of the two Kopertis in the Project). The contractor's Chief-of-Party and Program Coordinator and representatives from JICA and the private sector shall be ad hoc members. Additional members can be included by mutual agreement between the DGHE and A.I.D. The Steering Committee shall meet approximately four times a year.

2 Field Stations Technical assistance personnel will be located in five cities: Aceh, Bengkulu, Lampung, Medan and Pekanbaru. Each technical contractor will be assigned a "home" university from which he or she will travel to the other four locations. English language specialists will also be assigned to the same five locations but will not travel. Each university will provide space for the three-person-project team consisting of two technical specialists and one TEFL specialist.

The rector of each university will have overall responsibility for project activities on his campus. However, implementation and coordination will be with other university officials such as the vice-rectors for administration and student affairs and with the deans of the target faculties.

3 Cooperation with JICA A.I.D. and JICA will share offices provided by the Directorate General of Higher Education. Both the A.I.D. and JICA HEDS projects will be implemented as independent projects that can stand alone. However, since the disciplines supported by A.I.D. complement JICA's program, overall project implementation will be a coordinated effort. JICA's project also has a Steering Committee as does the A.I.D. HEDS Project. There will be an umbrella coordinating committee embracing both projects.

B Procurement

The prime technical assistance contract will be a U.S. Direct Contract, openly competed. Special studies done before the prime contract is operational, as well as the evaluation activities, will be funded outside of the prime contract. Vehicles will be procured locally by direct A.I.D. contract. Small scale procurement will be done through the prime contractor to the extent possible. During the life of the project there may also be opportunities to buy into A.I.D. centrally funded programs.

C Disbursement

Disbursement of the grant will be primarily through payments by A.I.D. directly to the contractors under their contracts with A.I.D. Disbursement

procedures for other activities will be agreed upon at the time of earmarking or commitment of funds for those activities.

D. Implementation Plan

Individual members of the contract team will be stationed in each of the five university cities in the project. It is planned therefore, that each university will have one American and one Indonesian contract advisor in residence. The Indonesian contractor will assist the university in upgrading programs in his/her specialty as well as coordinating interventions to upgrade other target faculties. The American contractor will rotate among universities, designing programs to be carried out in his/her absence. On follow up visits progress will be assessed and new activities designed. Over a one-year period each university should receive approximately two months of assistance in each of the areas of mathematics, physics, biology, chemistry and business administration. Generally the Indonesian contractor is expected to travel less, remaining primarily on one campus to give continuity to that university's program.

HEDS finances 96 person months of short-term technical assistance. These individuals can be requested through the PMU by any of the specialized long-term contractors to design and assist in teaching courses of a specific or general nature, or to provide specific assistance to one university. The project will purchase or lease FAX machines for all offices, thus enabling contractors and universities to easily share information and programs.

The project provides for intensive English language programs. In addition to one English Language Coordinator, each of the five universities will have a resident TEFL instructor. These individuals will be in place for three years and will have two functions: (1) to assist in instructing those dosen nominated to study abroad and (2) to assist in upgrading the staff and the administration of the language centers.

The project provides for one American and one Indonesian job placement center specialists. As in the other fields, the American will rotate among universities. These contractors will work closely with the target faculties, as well as the other members of the technical assistance team, to help design work-study programs and under-graduate study teams. They will also work closely with university officials in promoting contacts between other universities and between each university with the business community.

An Implementation Schedule is included as Attachment 2 which indicates target dates for major implementation activities. They should be reviewed annually by the Project Steering Committee as a monitoring tool and revised accordingly.

Article IV. Evaluation Plan

A. Project Evaluations

The methodology for periodic monitoring and feedback on interim benchmarks is a combination of a traditional mid project evaluation and an end of project evaluation

Information and observations obtained from the baseline studies will provide project management with the information needed to make adjustments and corrections quickly to ensure achievement of the project purpose. This will include procedures to review verifiable indicators and assumptions made at the design stage, but which may change during the life of the project. The schedule for the evaluation process below indicates critical points in the process which might require possible changes in implementation:

- advanced degree training - twelve to eighteen months after the first trainees depart for the U.S.,
- short-term training - twelve months after technical assistance is fielded,
- job placement centers - twelve to twenty-four months after technical assistance is fielded,
- networks - twelve to eighteen months after technical assistance is fielded,
- English language training - one month after the first trainees depart for the U S ,
- technical assistance - eighteen to twenty-four months after technical assistance is fielded,
- project management - eighteen months after technical assistance is fielded, and
- faculty development - twenty-four months after the project has started the project universities will be evaluated to determine the degree of progress made in establishing or utilizing a Faculty of Mathematics/Basic Science (F/MIPA), and in reaching the objective that by end of project all undergraduates will be taught mathematics and basic sciences in the same faculty by the same instructors

An overall mid-term evaluation and final evaluation will be conducted
Scopes of Work will be developed at the end of project years two and five

The primary rationale for the HEDS project is to assist universities to do a better job of linking university education with the needs of the job market (external efficiency) This implies that there is a relationship between the quality and relevance of higher education and job performance It further implies that the inputs

contained in the HEDS project (staff and faculty development) will, in fact, engender higher quality education and more relevant education. Specifically, will better trained faculty yield a higher quality student? Will the aggregate of project interventions result in more relevant education? Will upgraded faculties of basic sciences and business administration impact favorably upon economic and industrial growth? Will project inputs contribute directly toward a more open society in Sumatra and in Indonesia? The final link that needs to be examined closely is whether better faculties of basic science and business education contribute toward open markets and/or open societies

The HEDS project officer, with contractual assistance, will develop a research/evaluation plan during the first year of project implementation

The contractor shall present to the Steering Committee a plan for continuous monitoring of project inputs. Such a plan shall include a mechanism to track and maintain training records by gender, and provide indicators that would assist Project Managers in meeting gender targets. The monitoring plan shall also include benchmarks to track and measure progress toward the project's objectives.

Clearly, various tracer studies and a subjective interview process will be needed. Budgetary provisions have been made for the above questions to be framed and analyzed within the context of project monitoring and project evaluation.

B Monitoring

1 Monitoring by the Project Steering Committee Overall management of the project will be by a Project Steering Committee which shall meet at least four times per year. Members of the Committee will include the GOI Project Director, the AID Project Officer, the Chairman of the BKS/B Consortium, Rectors of the five public universities (each one serving one year on a rotating basis), and the Chairmen of the two Kopertis, or their representatives, (each one serving a three-year term). Ad hoc members include the Chief-of-Party, the Program Coordinator, a representative from JICA and a private sector representative. The Steering Committee will provide general guidance and direction on implementation and policy issues including final determination on participants for long-term training

2 Monitoring by Semi-annual Rectors' Conference A conference for Rectors and Vice Rectors will be held twice a year. Components of the project will be discussed regarding implementation and appropriateness. Components will also be reviewed to determine their effectiveness towards meeting the EOPS described in the Logical Framework (LogFrame). The Rectors will make recommendations for future project activities. Each university shall also submit a yearly financial report indicating their rupiah and in-kind contribution to the project

3 Contractor Monitoring The contractor shall present to the Steering Committee a plan for continuous monitoring of project inputs. Such a plan shall include a mechanism to track and maintain training records by gender, and provide indicators that should assist project managers in meeting gender targets. The monitoring plan shall also include benchmarks to track and measure progress toward the Project's objectives

C. Non-Federal Audits

Provision has been made for two non-federal audits. If required one audit will examine the financial management capability of the Directorate General of Higher Education (DGHE). Another audit will examine all records and documents of the prime contractor twelve months after the contract is operational, i.e., when all long-term U.S. personnel are in-country. The purpose of this audit is to ensure financial compliance with AID regulations.

D. Monitoring and Evaluation Outputs

By the end of the Project, two outcomes of the monitoring and evaluation process are expected. First, the continuous nature of the monitoring will allow corrections to be made during implementation of the project, thus providing timely information to project management to institute rapid corrections leading to the achievement of the project purpose. Secondly, at the completion of the project, the BKS/B universities and selected private universities specifically, and the GOI in general, will have the framework in place to maintain ongoing tracer studies and evaluations. Furthermore, the expertise will be in place to replicate these procedures in other universities or consortia.

Article V. Illustrative Financial Plan

The Illustrative Financial Plan, Attachment 1 to this Annex, sets forth the planned contributions of the Parties. AID's contribution to this project will be made incrementally. Future increments will be obligated subject to the availability of funds and mutual agreement of the Parties to proceed. Changes may be made to the plan by the representatives of the parties identified in Section 3.2, without formal amendment to the Agreement, if such changes do not cause (1) AID's contribution to exceed the amount set forth under Section 3.1, (2) the Government's contribution to be less than the amount set forth under Section 3.2 or (3) the obligation of funds to finance inputs other than those identified as eligible for financing under the plan.

Shifting of funds between line items set forth under Attachment 1 which has the effect of increasing or decreasing the planned financing under a particular line item by more than 15% may be undertaken only by formal amendment of the Agreement.

HIGHER EDUCATION DEVELOPMENT SUPPORT PROJECT
ILLUSTRATING FINANCIAL PLAN
(IN US \$000)

PROJECT INPUTS	INCREMENTAL FUNDING STATUS				
	ACTUAL OBLIGATIONS TO DATE			PROJECTED	
	AID	GOI	TOTAL	AID*	TOTAL
Technical Assistance	3,000	550	3,550	4,610	8,160
Baseline and Policy Issues	100	-	100	325	425
Participant Training - English Training	2,840	1,000	3,840	7,733	11,573
University Support	10	500	510	580	1,090
Project Operation	-	3,750	3,750	3,750	3,750
Commodities	-	500	500	125	625
Audit/Baseline Studies/Evaluation	70	100	170	311	481
Contingency	-	600	600	296	896
TOTAL	6,020	7,000	13,020	13,980	27,000

*Subject to the Availability of funds

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Planned Implementation Schedule

<u>Action</u>	<u>Date</u>	<u>Responsibility</u>
	CY 1990	
1. Project authorized	June	AID
2. Project Agreement signed	July	AID/GOI
3. First Rectors' meeting	July	AID
4. Agreement with OTO Wave I Participants	August	AID/GOI
5. PIO/T Completed/CB Notice	August	AID
6. First meeting of Project Steering Committee/Tentative Action Plan written for GOI FY 1990/91	August	AID/GOI
7. Contract for Baseline Studies	September	AID
8. Wave I Participants depart for US	September	AID/GOI
9. Participants Wave II interviewed for US academic year 1991/92	October	AID/GOI
10. Baseline Studies begin	October	Contractor
11. All bids due for prime contract	November	AID
12. Second obligation of funds	November	AID
13. Project Steering Committee meets	November	AID/GOI
14. Rectors' meeting	November	AID/GOI
15. Negotiate/sign Prime Contract	December	AID/CONTRACTOR

Note. CONTRACTOR = Prime contractor
Contractor = any other contractor, ie. IQC, PSC, etc.

<u>Action</u>	<u>Date</u>	<u>Responsibility</u>
CY 1991		
1. Steering Committee meets to plan	February	AID/GOI
2. Rector's meeting	February	AID/GOI
3. Prime contractor organize, set up Office	March to June	CONTRACTOR
4. COP, Program Coordinator, Administrative Officer in place	March to April	CONTRACTOR
5. PIO/C written for project vehicles and equipment for TA stations	May	AID
6. Wave III Participants interviewed	May	AID/GOI
7. Prime contractor personnel begin arriving in-country	June	CONTRACTOR
8. Rectors' meeting to plan GOI FY1991/92	June	AID/GOI
9. Prime contractor personnel finish language training	August	CONTRACTOR
10. Contractor personnel in place	August	CONTRACTOR
11. Project Steering Committee meets to finalize short Work Plan	August	AID/GOI
12. Wave II Participants enter US	August	CONTRACTOR
13. Wave III begins intensive English training	September	AID/GOI
14. Short courses begin based on Annual Work Plan	Sept 91 to March 92	AID/GOI/ CONTRACTOR
15. Short-term contractors address special issues	Sept 91 to March 92	CONTRACTOR
16. Third obligation of funds	November	AID
17. Rectors' meeting	November	AID/GOI
18. Project Steering Committee meeting	December	AID/GOI

<u>Action</u>	<u>Date</u>	<u>Responsibility</u>
CY 1992		
1. Rectors' meeting to plan GOI FY1992/93	February	AID/GOI
2. Project Steering Committee meets to finalize Annual Work Plan, review academic status of participants	March	AID/GOI
3. Short courses begin based on Annual Work Plan	May 92 to March 93	AID/GOI/ CONTRACTOR
4. Short-term contractors address special issues	May 92 to March 93	CONTRACTOR .
5. Wave III Participants enter US	August	CONTRACTOR
6. Evaluation of Waves I & II English program	September	AID/GOI
7. Evaluation of first year short-term training	September	AID/GOI
8. Evaluation of job placement centers	September	AID/GOI
9. Steering Committee meeting	October	AID/GOI
10. Fourth obligation of funds	November	AID
11. Evaluation of Technical Assistance Contractor	December	AID/GOI/ Contract
12. Evaluation of Project Management	December	AID/GOI/ Contract
13. Rector's meeting	December	AID/GOI
14. Based on evaluation, decision made which long-term contractors extend for second tour	December	AID/GOI
15. Steering Committee meeting	December	AID/GOI

<u>Action</u>	<u>Date</u>	<u>Responsibility</u>
CY 1993		
1. Rectors' meeting to plan GOI FY1993/94	February	AID/GOI
2. Project Steering Committee meets to finalize Annual Work Plan/recommend extensions for PhD's	March	AID/GOI
3. Funds added to prime contract to implement Annual Work Plan GOI FY1993/94	March	AID
4. Short courses begin based on Annual Work Plan	May 93 to March 94	AID/GOI/ CONTRACTOR
5. Short-term contractors address special issues	May 93 to March 94	AID/GOI/ CONTRACTOR
6. Overall evaluation of the Project	June-July	AID/GOI Contract
7. Fifth obligation of funds	November	AID
8. Rectors' meeting	November	AID/GOI
9. Project Steering Committee meeting	December	AID/GOI

CY 1994		
1. Rectors' meeting to plan GOI FY 1994/95	February	AID/GOI
2. Project Steering Committee meets to finalize Annual Work Plan	March	AID/GOI
3. Short-term contractors address special issues	May 94 to March 95	CONTRACTOR
4. Short courses begin based on the Annual Work Plan	May 94 to March 95	AID/GOI/ CONTRACTOR
5. Sixth obligation of funds	November	AID
6. Rectors' meeting	November	AID/GOI
7. Project Steering Committee meeting	December	AID/GOI

<u>Action</u>	<u>Date</u>	<u>Responsibility</u>
CY 1995		
1. Rectors' meeting to plan GOI FY1995/96	February	AID/GOI
2. Steering Committee meeting to finalize Annual Work Plan	March	AID/GOI
3. Short term courses begin based on Annual Work Plan	May 95 to March 96	AID/GOI/
4. Short-term contractors address special issues	May 95 to March 96	CONTRACTOR
5. Rector's meeting	September	AID/GOI
6. Steering Committee meeting	December	AID/GOI

CY 1996

1. Final Evaluation of the Project	January/ February	AID/GOI/ Contract
2. Rectors' meeting to plan GOI FY1996/97	February	AID/GOI
3. Final Meeting Committee	June	AID/GOI

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Project Grant Standard Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A Project Implementation Letters. To assist Grantee in the implementation of the Project, A.I D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B. General Covenants

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

SECTION B.2. Execution of Project The Grantee will.

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A I D. pursuant to this Agreement; and

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

SECTION B.3. Utilization of Goods and Services

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

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

SECTION B 4 Taxation

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

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

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

The Grantee will:

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

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

SECTION B.5. (b)

the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and 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, taxes, or similar payments legally established in the country of the Grantee.

SECTION B 8 Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions

Doesn't
Apply

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, 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;

SECTION C.3.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

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

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

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

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

SECTION C 6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D. , by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

SECTION C.6.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried:

(1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or
(2) on an ocean vessel which A I D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I D approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A I D -financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A I D hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

SECTION C.7.

(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 insurances 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 to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D.,

SECTION D.2.

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 did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A I.D. in U S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U S Dollar contract with A I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

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