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A.I.D. Project Number 538-0013

40p.

PROJECT

GRANT AGREEMENT

BETWEEN

THE CARIBBEAN DEVELOPMENT BANK

AND THE

UNITED STATES OF AMERICA

FOR

EMPLOYMENT/INVESTMENT PROMOTION

Dated: September 28, 1978

Fiscal Data

APPROPRIATE: 72-11X1026

ALLOTMENT: 426-54-538-00-69-82

AMOUNT OBLIGATED: \$423,000.00

CONFIRMED COPY

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PROJECT GRANT AGREEMENT

Dated September 28, 1978

Between

The Caribbean Development Bank ("Grantee")

and

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of technology information, research and technical assistance activities designed to increase investment, employment and output of the industrial, organized cottage and similar small enterprise sectors of the economies of the Grantee's Member Countries (see definition of Member Countries in Section 5.1).

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, the elements of the amplified description

stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project

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

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Four Hundred and Twenty-three Thousand United States ("U.S.") Dollars (\$423,000) ("Grant").

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

SECTION 3.2. Grantee Resources for the Project.

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

(b) The resources provided by Grantee for the Project are currently estimated at the equivalent of U.S. \$53,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 28, 1981, 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 to in writing. After such period, A.I.D., giving notice in writing to the

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

Article 4: Conditions Precedent to Disbursement

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

(a) A legal opinion of the General Counsel of Grantee or other legal counsel acceptable to A.I.D. to the effect that the Project Agreement has been duly authorized and/or ratified by the Board of Directors of Grantee and executed on its behalf and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all its terms; and

(b) 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 representative, together with a specimen signature of such person specified in such statement.

SECTION 4.2. Conditions Precedent to Disbursement for Other than Technical Assistance.

Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement

will be made for other than technical assistance, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D.:

- a. Evidence that the Grantee has in operation an adequately staffed Technology Information Unit (T.I.U.) and has a detailed plan governing the operation of the T.I.U. including appropriate permanent staffing arrangements, criteria for governing the operation of the Technology Research Fund (TRF) and disbursement procedures; and
- b. A proposed program of activities to be funded during the first and subsequent years of the TRF. This program will indicate the beneficiaries, amount and schedule for each activity.

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

SECTION 4.4. Terminal Date for Conditions Precedent. If all of the conditions specified in Section 4.1 have not been met within 120 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: Covenants

SECTION 5.1. Member Countries. The Grantee covenants and agrees that funds made available under the Project shall

be utilized for financing Project activities only in the following Member Countries of the Grantee ("Member Country"): Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, British Virgin Islands, Cayman Islands, Jamaica, Trinidad & Tobago, Guyana and the Turks and Caicos Islands.

SECTION 5.2. 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.

SECTION 5.3. Technology Research Fund (TRF). The Grantee covenants and agrees to utilize funds made available under the TRF for financing of technical assistance and/or development research activities to increase the utilization of the unemployed resources of the region.

SECTION 5.4. A.I.D. Grant-Financed Contracts. The Grantee covenants and agrees to submit for A.I.D. approval any A.I.D. grant-financed contract which exceeds \$50,000.

SECTION 5.5. Regular Budgetary Resources. The Grantee covenants and agrees to use every effort to secure funds from regular budgetary sources to support continuation of core staff and activities of the Technology Information Unit following termination of the funding made available under this Grant.

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 their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) or in Grantee Member Countries excluding the United Kingdom and Canada ("Foreign Exchange Costs") except as A.I.D. may otherwise agree in writing and except as provided in Project Grant Standard Provisions Annex, Section C 7 (b) with respect to marine insurance. Goods and services may be procured in the United Kingdom and Canada subject to A.I.D. waiver procedures to be set forth in a Project Implementation Letter. Ocean shipping shall be procured from 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, origin in the Member Country where the activity being financed is located ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

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

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

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

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

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

(1) by acquisition by A.I.D. with U.S. Dollars by purchase (or from local currency already owned by the U.S. Government);

(2) by A.I.D. (A) requesting the Grantee to make available the local currency of one or more of its member countries for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made

available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into any Member Country of the Grantee 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 Member Country at the highest rate of exchange which at the time the conversion is made, is not unlawful in the Member Country.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail address: Caribbean Development Bank
P.O. Box 408
Willey, St. Michael,
Barbados. West Indies.
Attn: President

Alternate Address
for Cables:

"Caribank"
Telex: WB 287

To A.I.D.:

Mail address: A.I.D. Representative
USAID/Barbados
c/o U.S. Embassy
Bridgetown, Barbados

Alternate Address
for Cables:

USAID/AMERICAN EMBASSY
Bridgetown, Barbados.

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

SECTION 8.2. Representative. For all purposes relevant to this Agreement, the Grantee will be represented by the

individual holding or acting in the office of the President and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided 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 Provision Annex" (Annex 2) is attached to and forms part of this Agreement.

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

CARIBBEAN DEVELOPMENT BANK

By: William G. Demas
Title: President

UNITED STATES OF AMERICA

By: Frank V. Ortiz
Title: The Ambassador

By: William B. Wheeler
Title: A.I.D. Representative

PROJECT DESCRIPTION

I. Goal and Purpose. The goal of this Project is to increase investment, employment and output of the industrial and similar small enterprise sectors of the Caribbean Development Bank Member Countries of the English-speaking Caribbean Region (the "Region"). The Project responds to emerging policies of these countries for industrial expansion and employment generation. It is intended to give substance to these policies by providing a strategy, instruments and the resources required to advance their achievement. The objective of the employment investment strategy is to stimulate industrial growth in the Region which will create additional jobs consistent with the market competition and economic objectives of the Region.

This Project consists of a series of interventions under which the Caribbean Development Bank ("CDB") will use the specific assistance provided by the Grant to accomplish the following purposes:

- (a) To establish a capacity within the CDB to collect and disseminate information on technological processes and assistance applicable to projects in the Region;
- (b) To establish in the CDB a fund to finance applied research to enable efficient utilization of the resources of the Region;

- (c) To provide technical assistance to CDB, Development Finance Corporations (DFC's) and other institutions to develop a more effective on-lending program for labor intensive industries as well as for existing industrial and agricultural programs;
- (d) To develop a mechanism to attract selected industrial firms to invest or otherwise participate in the industrial expansion of the Region; and
- (e) To design a program of technical assistance services for the small businesses of the Region that is effective and to the extent feasible, able to recover its costs.

Upon completion of the above activities (c), (d) and (e), the CDB will consider implementation of the programs developed under this Project and their integration with existing institutions and lending programs. Subsequent to this Project and in support of employment/investment promotion, a fund will be established within the CDB, utilizing the DFC's or other institutions to implement an on-lending program, through the improved credit mechanisms, to the industrial sector and small businesses.

II. Project Summary. The Project will consist of two inter-related sub-activities (A) the Technology Information Unit (TIU) and (B) Technical Assistance (T.A.). This is an incrementally funded Project and A.I.D. Grant funds of \$1,676,000 are planned for the three year life of the Project.

A. Technology Information Unit (TIU). The TIU component will establish in CDB an organization to identify, investigate and adapt research to specific regional problems and disseminate the results to appropriate Caribbean institutions. The TIU will be the focal point within the CDB for locating, gathering, storing, and disseminating technological information. Technological information in this context will cover manufacturing processing and equipment, (at all appropriate scales from cottage industries to industrial plants), agriculture and agro-industry, aquaculture, construction materials and processes, energy and supporting natural resources data. CDB will continue the TIU after the Project is terminated. To the extent resources are available, the TIU will also disseminate information to non-Caribbean development and information organizations, especially where the assistance is reciprocated.

A library will be maintained by the TIU for basic technological information and technological information sources. It will focus on collecting and cataloguing technical data when there is a medium to high probability that they can be used. Technological source data will be collected on a broader base, so that the TIU will be able to locate and acquire data from outside sources as required. Information requests will come to the TIU from a variety of sources, including CDB and DFC loan

officers, who are formulating or analyzing projects, e.g. businessmen, development corporations, research organizations, government departments, and voluntary service organizations.

The TIU will assist in the administration of the Technology Research Fund. In the course of the CDB's project development work, including that of the TIU, certain areas appear where relatively small expenditures for research, development or demonstration funds seem likely to provide substantial development benefits. To take advantage of these opportunities, the TRF will finance research and pilot projects to adapt, define and/or demonstrate specific technologies appropriate to the needs of the Region. Emphasis will be placed on labor intensive industrial processes, projects in the LDC's and other projects of identified benefit to lower income groups.

For the three years of the TRF operations the CDB has identified some 13 studies to be undertaken. The TIU staff will prepare project proposals for funding by the TRF which in most cases will be executed by selected outside research institutions. The following criteria will be used in preparing, reviewing, and approving projects for the TRF funding to insure that to the maximum extent practical, projects will:

- (1) focus on past research and adaptive technology to identify specific industrial development potential;
- (2) contribute to development projects that increase employment and/or income, reduce costs, or improve housing or other aspects of living conditions, with particular focus on benefits to lower income groups;
- (3) result in near term useful solutions; and
- (4) utilize and support existing Caribbean research and development institutions.

The TIU will also be available to assist CDB loan officers to obtain and evaluate needed technological information on all projects presented to the CDB for financing. On projects involving a capital/labor ratio investment which is estimated to exceed \$5,000 to one, the head of the TIU will participate in the Project Team's Technical study, including consideration of alternatives.

In addition, the TIU will coordinate closely with other Caribbean information sources, especially CARDI and CARIRI, to avoid unnecessary duplication and to make the best use of specialized skills. For certain categories of information, it will be jointly decided between the CDB and the other organizations which organization will specialize on behalf of all the organizations. To assist in dissemination of information the TIU may

publish a newsletter describing selected technical items of specific interest to Caribbean development.

B. Technical Assistance. The CDB staff will use outside financial and management experts to assist them in making evaluations and preparing plans to support program improvement in the following three areas:

(1) Lending Institutions Improvement.

Under this project the CDB will work jointly with the DFC's and other institutions such as CIC to carry out studies of the feasibility of restructuring and modifying on-lending and investment activities. Activities in this area are expected to include, (i) a survey of the small industry market, (ii) evaluation of the existing markets for other forms of lending, (iii) establishment of procedures, (iv) development of viability criteria under differing assumptions, (v) determination of personnel and training requirements, and (vi) evaluation of different organizational options.

Various systems of operations specific to the Region will be examined and evaluated. These technical assistance activities are expected to result in a program that is mutually acceptable to the DFC's local governments, and the CDB. The DFC's may request CDB's assistance in implementing the programs subject to such requirements as CDB deems

appropriate. However, the final on-lending program with each institution will depend upon the technical studies evaluation and the political/institutional situation.

(2) Investment Promotion.

Technical assistance is required to establish criteria and operating procedures for assistance in the selection and testing of a mechanism which would identify the foreign firms most likely to invest in plants and facilities in the CDB Member Countries. In order to continue the timely development of the program, the promotion activities and technical assistance in this Project will be supportive of functioning investment promotion agencies in St. Lucia, St. Vincent and Antigua. During the investigation phase of this sub-activity, the Industry Division of the CDB would function as a channel through which approximately 30 person months of technical assistance in the form of firm identification and assistance in operational design would be provided to the various Investment Promotion Agencies.

During the development of these activities evaluations will be conducted as to the economies and feasibility of the regionalization of the program in a permanent form.

(3) Small Industry Assistance.

This sub-activity will determine if there is a viable base for small business technical assistance. The instruments for providing assistance to small industry and the small enterprise sector will be determined in part by decisions regarding the eventual role, financial self-sufficiency and functions of the CDB and DFC's. A survey of the less developed CDB Member Countries will be made to determine the magnitude of technical assistance required by the sector. Studies will be made in sufficient detail to establish not only small industry technical assistance requirements, but also to establish credit market data, skill availability, and the degree of readiness of existing small enterprises to participate employment investment promotion. This technical assistance will involve approximately 12 persons months of effort.

III. Project Administration. Overall Project administration will rest with CDB management. Major responsibility for Project implementation will rest with the Industry Division which, together with the Loan Supervision Unit is most directly involved with the Project.

Prior to the initiation of the Project the Industry Division will assist management in preparation for negotiations with the agencies expected to participate in the Project and

assist in arranging for appropriate agreements with those agencies. It will then assist CDB management in channeling appropriate assistance to Project participants.

During the course of the Project the Industry Division working in conjunction with the Loan Supervision Unit, will monitor progress, recommend adjustments in the nature of assistance as required and maintain contact with key personnel of the various agencies.

The Loan Supervision Unit will undertake a similar role with respect to project elements affecting the DFC's. The burdens of this on-going operation will be beyond present staff capacity, and it is expected that prior to termination of the A.I.D. assistance the unit will acquire two additional staff members, a banking advisor and a bank training specialist.

TIU operations will be carried out by its staff, assisted by an Advisory Committee. The TIU when fully staffed is expected to consist of a director and three information specialists, assisted by a secretary, and two (2) library assistants.

A TIU Advisory Committee will be formed to help the TIU establish the objectives and content of its operating program. This Committee will not direct TIU operations, but will assist the TIU to convey its view of development information needs, particularly outside the CDB. Committee members will be selected to establish a wide useful range of organizational representation, technical backgrounds, and regional distribution.

The initial composition of the Committee will include representatives of the CDB, the Director of the TIU, and other additional representatives selected by the above from among various Caribbean regional institutions.

IV. Financial Plan

The estimated summary costs of the Project elements and the source of funds are as follows:

(US \$000's)

	<u>AID</u>	<u>CDB</u>	<u>TOTAL</u>
T.I.U.	173	293	466
Technology Research Fund	1000		1000
Lending Institution Reform	102	20	122
Investment Promotion	177	46	223
Small Industry Assistance Survey	174		174
Contingencies & Inflation	50		50
TOTAL PROJECT	<u>1676</u>	<u>359</u>	<u>2035</u>

Estimated Funding Requirements by Fiscal Year

(US\$000)

<u>F/Y</u>	<u>AID</u>	<u>GRANT</u>	<u>CDB</u>	<u>TOTAL</u>		<u>GRAND TOTAL</u>
	F/X	L/C	L/C	F/X	L/C	
1978	283	140	53	383	193	576
1979	293	660	113	293	773	1066
1980		200	193		393	393
	<u>676</u>	<u>1000</u>	<u>359</u>	<u>676</u>	<u>1359</u>	<u>2035</u>

Project Grant Standard

Provisions Annex

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

Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 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 experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Article B: General Covenants (Continued)

SECTION B.3. Utilization of Goods and Services.

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

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated

with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee Member Country where the activities are taking place.

(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 Member Country where the activities are taking place, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimbursement the same with funds other than those provided under the Grant.

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

The Grantee will:

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

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and

to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

Article B: General Covenants (Continued)

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

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

(a) that the facts and circumstances of which it has informed A.I.D., or caused 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 Member Countries of the Grantee.

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

Article C: Procurement Provisions

SECTION C.1 Special Rules.

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

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

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

Article C: Procurement Provisions (Continued)

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

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

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

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

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

(2) such documentation will also be furnished to A.I.D. upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project, Aspects of the Project

involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

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

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

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

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs", without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States - flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee's Member Country 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's Member Countries 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 any country in which a sub-project is located, 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's Member Countries financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8 U.S. Government-Owned 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 Member Country's territory, are in a deliverable state and have not been offloaded in ports of entry of Grantee's Member territory.

SECTION D.2 Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods for 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.

5380013 (4)
PD. AAB. 985

A.I.D. Project Number 538-0013

PROJECT
GRANT AGREEMENT
BETWEEN
THE CARIBBEAN DEVELOPMENT BANK
AND THE
UNITED STATES OF AMERICA
FOR
EMPLOYMENT/INVESTMENT PROMOTION

DATED: December 7, 1978

Appropriation: 72-1191021

Allotment: 946-54-538-00-69-91

Project Grant Agreement

Dated: December 7, 1978

Between

The Caribbean Development Bank ("Grantee")

And

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

Article 1: The Agreement

The purpose of this Agreement is to provide the Grantee an additional Grant of A.I.D. funds to continue implementation of this project as originally agreed between the two parties on September 28, 1978.

The additional funds provided herein are in accordance with the original Agreement, Section 2.2 Incremental Nature of the 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 the purpose, and to the mutual agreement of the parties, at the time of a subsequent increment, to proceed."

In accordance with Article 3: Financing, and Section 3.1 The Grant of the original Grant Agreement, to assist the Grantee to meet the costs of carrying out the project, A.I.D. pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of the original Agreement an increment not to exceed five hundred thousand United States ("U.S.") dollars (\$500,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 and local currency cost, as defined in Section 6.2 of goods and services required for the project under the original Grant Project Agreement.

All other conditions of the original Grant Project Agreement dated September 28, 1978 remain unchanged.

Caribbean Development Bank

By: William G. Demas
William G. Demas

Title: President

United States of America

By: William B. Wheeler
William B. Wheeler

Title: AID Representative