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A.I.D. PROJECT No. 596-0083

PROJECT GRANT AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA

AND THE

CENTRO AGRONOMICO TROPICAL DE INVESTIGACION Y ENSEÑANZA

BEST AVAILABLE

PROJECT GRANT AGREEMENT

Dated February 20, 1979

Between

The Centro Agronómico Tropical de Investigación y Enseñanza
(CATIE)

And

The United States of America, acting through the Regional
Office for Central American Programs (ROCAP) on behalf of
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 undertakings by CATIE 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 the Project. The Project, which is further described in Annex 1, will consist of a cooperative and coordinated effort by CATIE, national research and other institutions in Central America and Panama to undertake regionwide actions to strengthen agricultural research which (a) places priority on the special needs of small farmers; (b) focuses on the whole farm system of the small farmer and the interrelationships among technology, service institutions, and economic, social, and cultural factors affecting small farm agriculture; (c) makes extensive use of field testing on small farmer plots to adapt basic research to local conditions; and (d) places special emphasis on developing methodology for the dissemination of research results and recommendations to other small farms in the vicinity and in other similar areas of small farmer agriculture in Central America and Panama. 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 3.2, without formal amendment of this 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 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 CATIE, may specify in Project Implementation Letters appropriate time periods for utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist CATIE 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 CATIE under the terms of this Agreement not to exceed Nine Hundred and Forty Thousand United States ("U.S.") Dollars (\$940,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 5.1 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) CATIE agrees to provide or cause to be provided for the Project those funds estimated in the budget in Annex 1 which, in addition to the Grant, are required to carry out the Project effectively and in a timely manner, as described in Annex 1.

(b) The initial resources provided by CATIE for the Project will be not less than the equivalent of U.S. \$374,000, 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 30, 1983, 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 under 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 CATIE 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 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, CATIE 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 CATIE specified in Section 3.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Conditions Precedent to Disbursement for Project Activities in Participating Countries. Except as indicated in Section 4.5 below, prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance Project activities in a participating country, CATIE will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D.:

(a) An executed working agreement with the designated research organization with which it proposes to work in such country; and

(b) A detailed work plan for the first year of the Project in such country with all work plans to be furnished to A.I.D. not later than June 30, 1979.

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 CATIE.

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) If the condition specified in Section 4.1 has 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 CATIE.

(b) If the conditions specified in Section 4.2 have not been met by June 30, 1979, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may cancel any portion of the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate any portion or all of this Agreement by written notice to CATIE.

SECTION 4.5. Applicability of Conditions Precedent. Activities which were financed under the A.I.D. Grant for Small Farmer Cropping Systems (Project No. 596-0064) and which will be on-going under this Project Grant Agreement may be financed prior to the time CATIE meets the conditions precedent set forth in Sections 4.1 and 4.2 of this Agreement, provided the amount committed does not exceed \$500,000.

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.

SECTION 5.2. Work Plans. Except as A.I.D. may otherwise agree in writing, CATIE covenants that prior to undertaking Project activities in each country each year after the first year of the Project, it shall furnish in form and substance satisfactory to A.I.D. a detailed work plan for that year.

SECTION 5.3. CATIE Resources for the Project. Except as A.I.D. may otherwise agree in writing, CATIE covenants to provide such additional services and such goods as may be agreed upon between A.I.D. and CATIE for a total value of not less than the equivalent of Two Million Nine Hundred Thirty-Six Thousand United States Dollars (\$2,936,000) during the period April 1, 1979 through September 30, 1983.

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 Central American Common Market or Panama or in countries included in Code 941 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 ("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. Except as A.I.D. may otherwise agree in writing, ocean shipping shall be procured in the United States.

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 CATIE participating countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) ("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, CATIE 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 CATIE's behalf for the Project; or,

(2) By requesting A.I.D. to issue Letters of Commitment of 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 CATIE in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless CATIE 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, CATIE may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

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

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

(2) by A.I.D. requesting CATIE to make available the local currency for such costs, and thereafter reimbursing an amount of U.S. Dollars equal to the amount of local currency made available by CATIE.

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 as of the date of certification for payment by A.I.D.

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 CATIE participating countries by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, CATIE will make such arrangements as may be necessary so that such funds may be converted into currency of CATIE participating countries at the highest rate of exchange which, at the time the conversion is made, is not unlawful in CATIE participating countries.

Article 3: Miscellaneous

SECTION 3.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To CATIE:

Mail Address: CATIE
Turrialba, Costa Rica

Alternate Address Telex 8005
for Cables: CATIE CR

To A.I.D.:

Mail Address: ROCAP
8a. Calle 7-36 Zona 9
Guatemala, C.A.

Alternate Address ROCAP
for Cables: AmEmbassy

All such communications will be in English or Spanish. Addresses may be substituted for the above upon written notification.

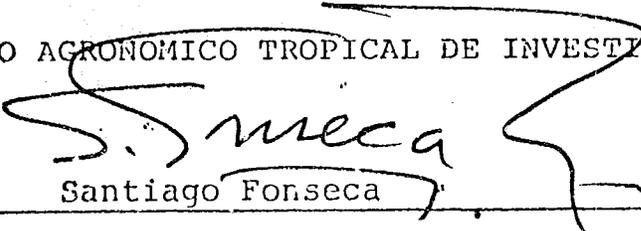
SECTION 3.2. Representatives. For all purposes relevant to this Agreement, CATIE will be represented by the individual holding or acting in the office of Director and A.I.D. will be represented by the individual holding or acting in the office of Director, each of whom, by written notice, may designate 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 each Party, with specimen signatures, will be provided to A.I.D. and CATIE respectively, 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 3.3 Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 3.4. Language of Agreement. This Agreement is prepared and signed in English. A.I.D. will provide an informal Spanish translation to CATIE. In the event of ambiguity or conflict between the two versions, the English Language version will control.

IN WITNESS WHEREOF, CATIE 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.

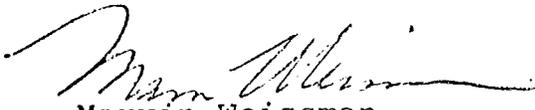
CENTRO AGRONOMICO TROPICAL DE INVESTIGACION Y ENSEÑANZA



BY: Santiago Fonseca

TITLE: Director

UNITED STATES OF AMERICA



BY: Marvin Weissman

TITLE: U.S. Ambassador to Costa Rica



BY: Harry Ackerman

TITLE: Director, ROCAP

PROJECT DESCRIPTION

I. Goal and Purpose

The goal of this Project is to improve the quality and quantity of regionwide agricultural research in Central America and Panama so that the rural poor in this area will have increased output and income from the land they work. The purpose of the Project is to develop a continuing capability in participating countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) to conduct and convey crop, animal and mixed-farming production systems research to small farmers.

II. Project Summary

A.I.D. grant funds of \$7,403,000 are planned for the four and one half year period of April 1, 1979 to September 30, 1983.

A. Project Elements

The A.I.D. Grant provides funds to CATIE to work closely with national research agencies to:

(1) develop methodologies for farming systems research for the production year, with major emphasis on multiple cropping, mixed multiple crop and animals, and animal systems for small farms in participating countries;

(2) develop methodology for extrapolating cropping systems research from one area to similar areas;

(3) develop a model for the transfer of production recommendations to small farms; and

(4) provide graduate, in-service and short course training in small farm systems and information transfer research.

1. Methodologies for Farm Level Research

This Project component builds upon the previous work done by CATIE under A.I.D. Project No. 596-0064. In the current Project CATIE will significantly expand its research efforts to incorporate a farming systems approach that represents a complex interdependent association of plants, animals, soils, labor, tools and other inputs, all influenced by the ecological and socio-economic environment and predominantly dependent upon the farmer's knowledge, ambitions and

abilities. Effective technological alternatives will be designed within the framework of a small farm, tested on site and in collaboration with the farmer, and evaluated in terms of appropriateness to the farmers' existing system, risk aversion, ease of understanding and adoption, increased income, and employment generation. The most appropriate methodologies for studying farming systems will be a project output and will be measured in terms of documents dealing with aspects of ecology, socio-economics, crops, animals and factors of farm production.

By the end of the Project, at least ten crop, six animal and six mixed farming recommendations for small farms will have been developed, tested and published through the coordinated efforts of national research institutions and CATIE. Research will be carried out in up to four areas within each country, with the understanding that a wide range of small farm characteristics will be included in the research. Specific criteria for area selection in each country will be developed by CATIE and the participating countries and approved by A.I.D. Farmer recommendations for the above systems will be target area specific and will present one or more crop-animal options which will improve management practices and small farm benefits in terms of increased yield and/or net farm income by at least 60% in comparison with traditional systems. The information will be for given environmental conditions and will include the information needed to integrate the improved system into the existing farming system, indicating the predicted benefits and costs, as well as risks, for each alternative. Small farmers will be the ultimate users of this information but research and transfer organizations at the national level, in cooperation with CATIE, will be the compilers, conveyors, and intermediate users.

Recommendations also will address rural family nutrition as well as the conservation of natural resources (soil and water) by selecting combinations of crops, pastures, and animals in the form of an integrated system whose mutually reinforcing elements contribute a more balanced and nutritional diet and soil conservation and improved moisture utilization.

At least one document, up-dated periodically, will be produced for each target area selected. Recommendations will be prepared as a participating country publication with the participation of CATIE project staff. The degree of CATIE participation will vary from country to country depending upon the research and information packaging capability of each national institution.

Documents will include, for a given target area, inter alia, a data summary and technological recommendations. Outreach documents will be drawn from the technological recommendations as needed. Normally such outreach documents, rather than the complete technical documents, will be passed through the national agencies responsible for transfer of technology to the ultimate end user (small farmer) along with corollary advice and assistance.

2. Research Extrapolation Methodologies

The extrapolation methodology procedure begins with two basic assumptions.

(a) That there exists a quantifiable relationship between a given environment and any farming system (the environment/system relationship); and

(b) That there exists a quantifiable relationship between any two geographic locations (the locations relationship).

Possible methodologies developed under this Project will involve variations in determining one or the other, or both of the above relationships. They will also measure the potential to predict yield and other responses when moving a system or technology from one area to another.

Under this first approach, initial environmental/system relationships will be determined from information included in site specific area profiles, developed in coordination with national technicians and based upon national data bases. These will be confirmed through detailed recording of major environmental characteristics at both the original and new locations (e.g. analogous areas) and yield response as well as plant growth comparison will be made under field conditions.

Location relationships will result from the identification and testing of systems in areas of apparently similar ecologies in the same or different test countries. At least three countries will be selected as test countries for methodology development based upon the quantity and quality of their baseline data. A.I.D. will concur in CATIE's selection of countries to be included in this research.

This Project will draw upon the benchmark soil and climatic data being assembled in each country and will further refine this data to the specific requirements necessary to develop and field test several approaches for (a) the definition of replicable production areas (e.g. RPAs or analogs) in the test countries, and (b) the prediction of expected production response of cropping systems.

Climatic data in the test countries will be assembled for critical production determinants (mean weekly and monthly minimum and maximum temperatures, radiation, humidity, wind, etc.). Similarly essential soils data (soil depth, texture and family classification, slope, water holding capacity, base exchange capacity, etc.) will be assembled from which potentially similar RPAs can be identified.

Field trials then will be undertaken in those areas where conditions appear to exist, based on this primary data, to confirm the validity of the RPAs and determine the key data required in order to develop the best locations methodology.

A second approach to establish relationships will be to measure and quantify the most important separate environment/system relationship elements so that data for a range of crops studied in the U.S. and Europe can be utilized in this research.

Both of the above approaches constitute research hypothesis to be tested. The methodology or methodologies to be developed by the Project may incorporate elements of each or discover other useful methods.

3. Recommendation Transfer Research:

The Project will include a research element on non-traditional transfer techniques which will involve

the researcher and transfer agent in a site-specific, joint enterprise to determine how best to accomplish two main tasks:

(a) How can new information be "packaged" to reach the largest number of farmers at the least cost in the least time? and

(b) How can results of adoption be fed back to agricultural researchers in the least time and on a continuous basis?

In at least three of the participating countries no less than a total of six "outreach tests" will assess the widespread viability of small farmer research recommendations and develop, demonstrate and evaluate cost-effective and efficient transfer methods. A.I.D. will concur in CATIE's selection of countries to be included in this research.

Each test will involve either a recommendation developed and tested for the specific ecological system of the area or the extrapolation of a recommendation into an untested area. The early outreach test will be with relatively simple cropping systems tested in the area and will use the recommendations developed under A.I.D. Project 595-0064. For the later tests more complex recommendations for crop, livestock, and mixed-farming enterprises will be used as those become available. Each outreach test will be continued for a minimum of two years -- one year of intensive programming followed by a year of reinforcement.

Furthermore, comparative outreach tests will be conducted, as appropriate, with the same set of recommendations simultaneously in two locations within the same country: a location in which it has been specifically tested, and an untested location where extrapolation methodology can be employed.

The outreach testing segment of the Project does not envision the creation of any new institutions to reach farmers. Rather, the Project will develop collaborative and coordinated actions with existing public or private agencies to achieve its objectives. The role of the Project will be to plan, advise, motivate, implement, assist, and evaluate through research alternate

approaches to the transfer of these recommendations to small farmers and measure their comparative effectiveness. Only transfer methods and techniques which are appropriate for use in a large scale program will be utilized. The general approach to this process in each country may involve, inter alia: (a) site selection; (b) agency selection; (c) planning and organizing; (d) training and staff development; testing alternate delivery systems; and (e) evaluation and feedback on these systems. Specific guidance on this research will be provided in Implementation Letters.

The most appropriate methodology for systems information transfer will be a project output and will be measured in terms of published documents outlining the results and recommendations.

4. Training

The Project will provide training and staff development opportunities for Central American research and outreach technical personnel through direct exchange of information and field work with Project personnel as well as through workshops, seminars, short courses, and graduate training.

In-service training at the national level will include direct instruction and field work of national counterpart technicians working with Project personnel, and workshops on recommendation development, extrapolation methodology, and information transfer. It will also include the provision of bibliographies, progress reports, and reprints of relevant farming systems research and information transfer methods developed world wide to national counterpart teams.

A minimum of eight short courses and workshops will be developed and presented on key topics concerning cropping systems. At least four sessions will be presented on animal systems. A minimum total of 148 technicians will be trained through the seminars and workshops. Eight additional short courses/workshops will be given on research information transfer and utilization relating to farming systems. Over the life of the Project, some 200 additional public and/or private extension and outreach personnel will be trained.

Graduate level training at the Masters level will be made available for a minimum of 11 Central American and Panamanian professionals (University graduates in agriculture). This training will be undertaken at CATIE, under the CATIE/University of Costa Rica agreement, when full Masters degree training is required. For Central American graduate students studying in U.S. or other graduate programs who wish to complete a thesis project in their own country under the CATIE research program on some aspects of farming systems, the Project will provide living allowances and cover field research costs for up to 18 months. Thesis research will be integrated into and be a part of the farming system research programs of the national research institutions. All graduate students will show evidence to CATIE that (a) they agree to work for their sponsoring national institutions upon completion of their scholarships for a minimum period of two years for each year of scholarship support, and (b) that the sponsoring national institutions will agree to employ them on completion of their studies and to assign them to work on farming systems, related research or information transfer activities.

Short course training activities will utilize the technical personnel and physical facilities both of the national institutions and of CATIE. A limited number of outside short-term consultants may assist in instruction and training in disciplines not represented on CATIE or national staffs.

In addition, national institution and staff development will result from the continuous contact of CATIE researchers and information transfer personnel in their cooperative work with counterpart national institutions.

Contract personnel financed under the project may, at the request of CATIE, teach one graduate trimester course per year in farming systems at CATIE. CATIE will exercise its best efforts to insure that teaching responsibilities will minimally interfere with project funded activities in the participating countries. This policy will be reviewed by A.I.D. and CATIE each year.

B. Personnel, Equipment, Travel and Training

1. A.I.D.

A.I.D. funding will provide, approximately, 135 person years of long-term professional level (i.e. MS and Ph.D.) technical assistance, 4.5 person years of short-term professional level technical assistance, 96.5 person years of support personnel services, 17 4-wheel drive vehicles and six 2-wheel drive vehicles, animals and animal demonstration facilities, office equipment, travel to include 523 intraregional person-trips, international travel and 2000 person-days of in-country travel, laboratory and other research material, training to include 20 short-term regional workshops and at least 11 scholarships for long-term training (Masters level), equipment operation and maintenance, general administrative support and supplies.

2. CATIE:

CATIE inputs will include, approximately, 16 person years of professional staff services and 33 person years of other personnel services, transportation and drivers, administrative support personnel (secretaries, travel, accounting, administrative and communications facilities, office facilities and equipment, research land, soil, equipment, library facilities and research reference support, equipment maintenance and operation, animal feeds, and general managerial support.)

3. Participating Countries:

It is estimated that the six countries will contribute approximately 222 person years of personnel services including professional staff time, research facilities and their related support (chemicals, livestock, computation facilities, etc.).

4. Other Donors:

It is estimated that four other principal donors will contribute approximately a total of 35.5 person years of professional staff services, 16 person years of other short-term personnel services and related support services.

5. Participating Farmers

It is estimated that small farmers will contribute land for research, labor, and field management.

III. Project Administration

CATIE will be responsible for implementing the project. Except as otherwise agreed in writing, CATIE will be responsible for procurement of all goods and services. CATIE will arrange for the provision of necessary logistic support for all project-related personnel located at CATIE and in all participating countries. CATIE will establish the necessary organizational structure for the proper management of the project. This will include the hiring of a project coordination assistant to the CATIE Director of Research and any other staff identified as necessary for implementation of the project. CATIE will continue to sponsor semi-annual meetings of the project-related Regional Research Coordinating Committee comprised of the directors of the national research organizations and such other national or regional coordinating committees necessary for implementation of the project.

The ROCAP Regional Rural Development Officer will be the ROCAP Project Manager for this project. The Senior USDA/PASA advisor to IICA resident in San José will work to insure close coordination between IICA and CATIE in A.I.D. funded programs, as well as coordination with other related agricultural programs in the region. The services of a U.S. research advisor will be obtained by ROCAP, with CATIE concurrence, to assist CATIE in the implementation of the project. A non-U.S. technical assistant will be employed by CATIE, with ROCAP concurrence, to serve as a CATIE/ROCAP project liaison officer. Disbursements will be made through the ROCAP Controller's office. Procurement of goods and services provided under line item IX under Annex I, Section IV, Budget, is reserved for A.I.D. procurement through ROCAP. CATIE and ROCAP staff shall meet periodically to review the progress of the project. CATIE will provide such reports to ROCAP as may be required.

**IV. SMALL FARM PRODUCTION SYSTEMS
BUDGET
(U.S.\$000)**

	<u>Total</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
I. Professional Staff - Long Term						
AID	3,368	205	780	796	802	795
CATIE	952	127	235	235	233	122
Other	1,474	236	471	368	266	133
II. Professional Staff - Short Term						
AID	265	22	61	63	63	56
Other	120	20	30	30	30	10
III. Non-Professional Staff						
AID	632	53	146	150	150	133
CATIE	349	40	89	89	89	42
Other	78	13	26	13	13	13
IV. Commodities						
A. Vehicles						
AID	176	136	32	8		
CATIE	36	4	9	9	9	5
Other	60	60				
B. Laboratory and Scientific Equipment						
AID	77	62	5	5	5	
CATIE	15	2	7	3	2	1
C. Office Furniture and Equipment						
AID	64	64				
CATIE	85	10	22	22	22	9
Other	19	6	4	4	4	1
D. Animals and Animal Demonstration Facilities						
AID	40	30	10			
V. Travel and Per Diem						
AID	745	63	172	176	178	156
CATIE	26	3	7	7	6	3
Other	92	13	28	26	18	7
VI. Training						
AID	328	28	76	78	78	68
Other	504	63	126	126	126	63
VII. Other Costs - Scientific						
AID	639	54	147	152	152	134
CATIE	334	41	84	84	84	41
Other	46	7	13	11	10	5
VIII. Management Support - CATIE Procurement						
AID	435	76	93	94	93	79
CATIE	1,139	147	287	290	288	127
IX. Management Support - ROCAP Procurement						
AID	384	47	84	85	85	83
X. Contingency						
AID	250	20	59	58	59	54
XI. National Institution Contribution (estimated)	7,805	1,561	1,561	1,561	1,561	1,561
PROJECT TOTALS						
AID	7,403	940	1,665	1,665	1,665	1,468
CATIE	2,936	374	740	739	733	350
Other	2,393	418	698	578	467	232
National Institutions	7,805	1,561	1,561	1,561	1,561	1,561
	20,102	3,217	4,571	4,449	4,333	3,532

Footnotes:

Other represents donations from Overseas Development Ministry (British), Organization of American States (OAS), the International Development Research Center (IDRC), and the International Plant Protection Center (IPPC). Also included here are AID/W regional programs under DSB.

With the exception of Item IX, and within the total amount shown, budget line items may be increased or decreased not to exceed 15% without prior written approval.

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. CATIE shall be known as the "Grantee" for purposes of this Annex. References to territory or government of Grantee shall mean the territory or government of the participating country in which Project activities take place.

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.

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

Article B: General Covenants (Continued)

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

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

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

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

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

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.

Article C: Procurement Provisions (Continued)

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

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

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

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

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

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

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

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

Article C: Procurement Provisions (Continued)

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

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

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

SECTION C.6. Shipping.

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

(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

Article C: Procurement Provisions (Continued)

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.

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

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties 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., 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.

Article D: Termination; Remedies (Continued)

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

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

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