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PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

MALARIA CONTROL II

DATED: May 19, 1982

(CONFORMED COPY)

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MALARIA CONTROL II

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PROJECT GRANT AGREEMENT- MALARIA CONTROL II

Dated: May 19, 1982

Between

The President of the Islamic Republic of
Pakistan, acting through the Government of Pakistan
(hereinafter referred to as the "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, shall mean the provision of technical assistance, training and commodities to assist the Government of Pakistan in its

efforts to contain or further reduce the incidence of malaria. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project.

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

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Million Five Hundred Thousand United States Dollars (\$ 1,500,000) ("Grant").

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

SECTION 3.2. Grantee Resources for the Project.

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.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1987, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all goods and services 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

SECTION 4.1. Conditions Precedent to Disbursements Other than Disbursements for Procurement of Insecticides in United States FY 1982. Except as A.I.D. may otherwise agree in writing, prior to any disbursement under the Grant other than for procurement of insecticides in United States FY 1982, or the issuance by A.I.D. of documentation pursuant to which

disbursements will be made other than for procurement of insecticides in United States FY 1982, the Grantee will, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of 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 representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Conditions Precedent to Disbursements for Procurement of Insecticides in United States FY 1983 through United States FY 1986. Except as A.I.D. may otherwise agree in writing, prior to the disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made in each year from United States Fiscal Year 1983 through United States Fiscal Year 1986 for the procurement of insecticides, the Grantee, acting through its Directorate of Malaria Control (DOMC), shall furnish to A.I.D., in form and substance satisfactory to A.I.D.: (a) evidence that

insecticides procured by A.I.D. for the preceding year's program have been effectively utilized for the program; and, (b) for the next year's program, the amounts, specifications, and scientific basis for calculating the insecticide requirements.

SECTION 4.3. Conditions Precedent to Disbursement(s) for Purchase of a Facility for the National Malaria Training Center (NMTC). Except as A.I.D. may otherwise agree in writing, prior to the disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for the purchase of a building for the NMTC, the Grantee shall, through its DOMC, provide documentation, in form and substance satisfactory to A.I.D., that:

(a) six new positions have been approved by the Grantee for the NMTC and that the NMTC is actively recruiting one senior scientific officer, one senior malaria superintendent to supervise field research, one senior entomologist, two technical assistants for the entomologist, and one health educator;

(b) the proposed building is adequate for the needs of the NMTC, is in good physical condition, and is reasonably and fairly priced; and,

(c) the Grantee has agreed to cover all operating and maintenance costs for the new building.

SECTION 4.4. Conditions Precedent to Disbursement(s) for Renovation of the Building Purchased for the NMTC.

Except as A.I.D. may otherwise agree in writing, prior to the disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for the renovation of the building purchased for the NMTC, the Grantee will, through its DOMC, provide documentation, in form and substance satisfactory to A.I.D., that adequate designs have been prepared for the renovation of the building and responsive local contractors have been selected to do the renovation work in accordance with A.I.D. competitive procurement procedures for host country contracting.

SECTION 4.5. Conditions Precedent to Release of Urban Malaria Control Vehicles and Equipment. Except as A.I.D. may otherwise agree in writing, prior to the release to municipal corporations of urban malaria control vehicles and ultra-low volume (ULV) fogging machines procured under the Grant, the municipal corporations shall, unless A.I.D. otherwise agrees in writing, provide to the DOMC, with copies to A.I.D., epidemiological evidence based on passive case detection and/or entomological data, that malaria is a public health problem in that municipality based on the criterion of an annual parasite incidence (API) of 0.5 or

more cases per thousand population.

SECTION 4.6. Notification. When A.I.D. has determined that the conditions precedent specified in each of Sections 4.1, 4.2, 4.3, 4.4 and/or 4.5 have been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.7. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(b) If all of the conditions specified in Section 4.2 have not been met by December 31 of each year, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(c) If all of the conditions specified in Section 4.3 have not been met within two (2) years of the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(d) If all of the conditions specified in Section 4.4 have not been met within three (3) years from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(e) If all of the conditions specified in Section 4.5 have not been met within four (4) years from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5: 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 towards 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. Documentation Required from the Grantee.

(a) The Grantee, through the DOMC, shall, no later than March 1 of each year, prepare and provide to A.I.D., an annual plan detailing safety measures and procedures to be employed in the application of all insecticides used under this Grant in that year.

(b) The Grantee, through the DOMC, shall, no later than January 1 of each year, prepare in consultation with A.I.D. and provide to A.I.D., an annual program evaluation plan outlining criteria and benchmarks for each program component

to be assessed during the next annual February/March program review.

(c) The Grantee, through the DOMC, shall, no later than July 1, 1983, prepare in consultation with A.I.D. and provide to A.I.D. a plan of operations (PC-1) for the period Pakistan Fiscal Years 1984/85 through 1986/87.

(d) The Grantee, through the DOMC, shall, no later than April 1 of each year within the PACD for this Project, with the exception of the last year, prepare in consultation with A.I.D. and provide to A.I.D. a plan of operations for the following operational year (July 1 - June 30), which shall include: (1) a description of the responsibilities of all other agencies and institutions involved in malaria control activities such as Municipal Committees, Cantonment Boards, as well as responsibilities of other government and semi-government agencies; (2) a timetable for project activities; and, (3) an itemization of the program budget including external sources of assistance.

(e) The Grantee, through the DOMC, shall, no later than July 1, 1987, prepare in consultation with A.I.D. and provide to A.I.D. an extended plan of operation for malaria control covering a period of at least three years following the PACD.

(f) The Grantee shall make every reasonable effort to require that each participant trained overseas under this Project works in malaria control activities in Pakistan for not less than three times the length of time of his or her training program provided, however, that in no event shall the participant be allowed to work for less than one year nor be required to work for more than five years from the date of the participant's return to Pakistan.

(g) The Grantee shall take appropriate safety measures for the use of insecticides financed under this program, including the provision of safety equipment to insecticide handlers, training of handlers and supervisory personnel in the risks associated with the insecticides, and instruction in proper procedures for safe handling. The Grantee shall also maintain rigid control over the quality of insecticides, which are procured for the program pursuant to this Agreement, to ensure that they meet WHO and A.I.D. technical requirements.

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 and services), 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. ("Foreign Exchange Costs").

Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States or Pakistan, except as A.I.D. may otherwise agree in writing. If A.I.D. determines either that there are no vessels under flag registry of Pakistan generally available for ocean transportation, or that Pakistan has no access to U.S. flag service, A.I.D., in a Project Implementation Letter, may agree to finance under the Grant ocean transportation costs on vessels under flag registry of any country included in A.I.D. Geographic Code Book 941.

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 Pakistan ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

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

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

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

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

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

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

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Pakistan by A.I.D. or any public or private agency for the 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 Pakistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Pakistan.

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: Economic Affairs Division
Ministry of Finance & Economic Affairs
Government of Pakistan
Islamabad (Pakistan)

Alternative address for cables: ECONOMIC ISLAMABAD.

To A.I.D.:

Mail Address: USAID Mission to Pakistan
P.O. Box 1028
Ramna 5
Islamabad (Pakistan)

Alternative address for cables: USAIDPAK ISLAMABAD.

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. The Grantee, in addition, will provide the USAID Mission/Pakistan with a copy of each communication sent to A.I.D.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Secretary, Additional Secretary, Joint Secretary and the Deputy Secretary

Economic Affairs Division. A.I.D. will be represented by the individual holding or acting in the Office of the Director, USAID Mission to Pakistan.

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

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

GOVERNMENT OF PAKISTAN

BY: Sd/-

NAME: Ejuz A. Naik

TITLE: Secretary, Economic Affairs
Division

UNITED STATES OF AMERICA

BY: Sd/-

NAME: Ronald I. Spiers

TITLE: Ambassador for the United
States of America

BY : Sd/-

NAME: Donor M. Lion

TITLE: Director, USAID/Pakistan

PROJECT DESCRIPTION

This project is designed to assist the Government of Pakistan implement its Malaria Control Program (MCP) under the New Extension Plan (PC-1) of the MCP for the period 1980-1983, and beyond through 1987. The previous A.I.D.- assisted malaria project, which ended in 1980, was successful in achieving an annual parasite incidence (API) of 0.5 cases per thousand or 500 cases per one million population. The Malaria Control II Project will build on the achievements of the previous project by assisting the Government of Pakistan to contain or further reduce the incidence of malaria. This will be accomplished by: (1) expanding the capacity and increasing the capacity of the federal, provincial, and municipal health services to effectively control malaria; and, (2) assisting the MCP move from a vertically organized program emphasizing total coverage house-spraying and active case detection surveillance methods to an integrated program utilizing a selective mix of vector control measures and a better balance between active and passive case detection and treatment methods. Successful execution will depend on a number of key variables, including vector resistance to the organo-phosphorous insecticides, epidemiologically accurate direction of spray operations, cooperation and participation of the general public and general health services staff, reduction in the incidence of P. falciparum malaria, collaboration of municipal authorities, and expanded use of feasible alternative control measures.

The Malaria Control II Project consists of four components, under which assistance such as the following will be provided: (1) Program Management: technical assistance to strengthen the GOP Malaria Control Program in the areas of program management, evaluation, epidemiology, surveillance, urban malaria control, and the safe handling of insecticides; (2) Training: technical assistance to strengthen the capability of the National Malaria Training Center (NMTC) to meet the training and research needs of the Malaria Control Program; support for a new facility for the Center; and, short-term fellowships and in-service training programs for malaria and general health services personnel in specific aspects of malaria control; (3) Basic and Operational Research: technical assistance, supplies and equipment, and budget support to conduct a variety of field studies; and, (4) Commodity Support: insecticides, urban malaria control vehicles, ultra-low volume (ULV) spraying machines, and other necessary commodities.

A summary of project costs by expense category and source of funding for FY 1982 and for the life of the project is shown below.

MALARIA CONTROL II PROJECTSUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY AND SOURCE OF FUNDING

(All amounts in 000)

<u>EXPENSE CATEGORY</u>	<u>FY 1982</u>			<u>Life of Project</u>		
	<u>A.I.D.</u>		<u>GOP</u>	<u>A.I.D.</u>		<u>GOP</u>
	<u>Dollar Grant</u>	<u>Mondale Rupees</u>		<u>Dollar Grant</u>	<u>Mondale Rupees</u>	
	(\$)	(Rs)	(Rs)	(\$)	(Rs)	(Rs)
Technical Assistance	422	1,402	-	786	7,406	-
Training	6	140	-	22	1,939	
Commodities	1,000	-	25,032	39,772	1,502	25,032
Other Costs	19	220	77,808	115	8,239	389,039
TOTAL	1,447	1,762	102,840	40,695	19,086	414,071
Contingency	53	177	-	305	1,914	-
GRAND TOTAL	1,500	1,939	102,840	41,000	21,000	414,071

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 the 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

Article B: General Covenants (Continued)

extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

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

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

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

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

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

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

Article C: Procurement Provisions

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).

Article C: Procurement Provisions (Continued)

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

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

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

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

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

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

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

(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

Article C: Procurement Provisions (Continued)

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

SECTION C.7. Insurance.

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

(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 off-loaded 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.