

A.I.D. Project Number 263-0202

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Loan and Grant Agreements

- FM/LMD (IF Loan)
- FM/PAFD
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PROJECT
 GRANT AGREEMENT
 BETWEEN
 THE ARAB REPUBLIC OF EGYPT
 AND THE
 UNITED STATES OF AMERICA
 FOR
 AGRICULTURAL PRODUCTION AND
 CREDIT PROJECT

Dated: SEP 30 1986

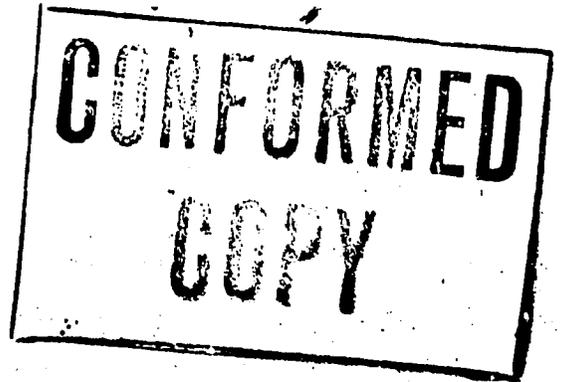


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Annex 1

PROJECT DESCRIPTION

Annex 2

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A.I.D. Project No. 263-0202

Project Grant Agreement

Dated SEP 30 1986' 1986

Between

The Arab Republic of Egypt ("Grantee")

And

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will support the deregulation of the Egyptian agricultural system by providing performance disbursements based upon the implementation of policy changes in the agricultural sector. The performance disbursements also will be based on the need for additional capital for the Principal Bank for Development and Agricultural Credit ("PBDAC"). As a requirement for each performance disbursement, the Grantee will increase the capitalization of the PBDAC by at least an amount of Egyptian pounds equivalent to the performance disbursement. The Project will also finance technical assistance, training and commodities to assist the PBDAC.

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

SECTION 2.2. Incremental Nature of Project.

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

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Thirty-Five Million United States ("U.S.") Dollars (\$35,000,000) ("Grant").

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

SECTION 3.2. Grantee Resources for the Project.

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

(b) The Grantee will provide, under the terms of this Agreement, increments parallel to those provided by A.I.D. For the first year, the amount contributed by the Grantee will be at least Forty-Two Million Egyptian Pounds (L.E. 42,000,000), including costs borne on an in-kind basis. It is expected that within the overall Project Assistance Completion Date, the Grantee will have provided not less than One Hundred Fifty Million Egyptian Pounds (L.E. 150,000,000) including costs borne on an "in-kind" basis, while A.I.D. will have granted One Hundred Twenty-Three Million U.S. Dollars (\$123,000,000),

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1993, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees 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: Disbursement.

SECTION 4.1. Requirements Precedent. Prior to any disbursement or to the issuance by A.I.D. of any commitment documents under this Agreement, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in satisfactory form and substance:

(a) a statement of the names and titles of the persons authorized pursuant to Section 8.2 to act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement;

(b) documentation that increased capitalization of PBDAC in an amount at least equal to the Egyptian pound equivalent of the performance disbursements by A.I.D. has taken place or will take place simultaneously with the performance disbursements; and

(c) evidence that a monitoring and reporting system has been established to verify utilization of the PBDAC capitalization funds in accordance with the objectives of the Project.

Notwithstanding the foregoing, technical assistance, training, and commodities may be financed under the Grant prior to the satisfaction of Section 4.1 (b).

SECTION 4.2. Notification. When A.I.D. has determined that the requirements precedent specified above have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Requirements Precedent. If the requirement specified in Section 4.1 (a) 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 Grantee. If the requirement in Section 4.1(b) has not been met within such time periods as may be established by project implementation letters, AID, at its option, 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 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. Ratification. The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Agreement and will notify A.I.D. as promptly as possible of the fact of such ratification.

SECTION 5.3. Submission of Contract Documents to A.I.D. The Grantee shall submit for AID approval prior to implementation, issuance or execution, all plans, specifications, bid documents, solicitations of proposals and similar Project contract documents, including all modifications to these documents.

SECTION 5.4 Assessment of PBDAC Capital Needs. The Grantee will assess the capital requirements of the Bank and begin a program for sufficient retention of earnings to realize adequate long-term capitalization to support PBDAC's institutional and financial viability.

SECTION 5.5 Operation and Maintenance of Project Funded

Equipment. The Grantee shall make available, after the termination of the Project, sufficient resources, including the provision of funds, to support on a continuing basis, the lending, training, salaries and repair/maintenance activities which have been supported by the Project. As part of its preparation of its annual budget, the PBDAC and MOA shall meet with AID and discuss how the Project will provide for the operation and maintenance of all Project-funded equipment.

SECTION 5.6 Commodity Procurement Plan. The GOE shall consult with the Ministry of Agriculture Commodity Procurement Committee to develop prudent commodity procurement planning and to prevent unnecessary duplication of commodities. At least four months prior to the need for specific commodities, the GOE shall furnish A.I.D. with a commodity procurement plan for such commodities. A commodity procurement plan for vehicles shall provide the amount, type and use of vehicles. The plan must certify that adequate maintenance and repair facilities are available and that the GOE has personnel to properly operate, maintain, support and control the vehicles.

SECTION 5.7. Coordination with MOA Commodity Procurement

Committee. The Grantee shall, except as the Parties may otherwise agree in writing, furnish to AID, in the form developed by A.I.D. and the MOA Commodity Procurement Committee through earlier AID-funded projects, proper tender documentation in a timely fashion.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("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.

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 the Parties may otherwise agree in writing, their origin in Egypt ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of requirements 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 on 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 the Grant.

Section 7.2 Disbursement for Local Currency Costs.

(a) After satisfaction of requirements 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 support documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

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

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by A.I.D. or the Grantee 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:

Ministry of Planning and
International Cooperation
8 Adly Street
7th Floor
Cairo, Egypt

To A.I.D.:

A.I.D.
U.S. Embassy
Cairo, Egypt

To the Implementing Organizations:

To: Principal Bank for Development and
Agricultural Credit
110 Kasr EL Eni Street
Cairo

To: Ministry of Agriculture
Shooting Club Street
Dokki
Giza

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

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the Deputy Prime Minister and Minister of Planning and International Cooperation, Minister of Agriculture, Chairman of PBDAC and/or the Administrator of the Department for Economic Cooperation with U.S.A., and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Language of Agreement. This agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version shall control.

SECTION 8.4. 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 representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

BY : K. A. Elgany

NAME : Kamal Ahmed El-Ganzoury

TITLE: Deputy Prime Minister of
Planning and International
Cooperation

UNITED STATES OF AMERICA

BY : Frank G. Wisner

NAME : Frank G. Wisner

TITLE: American Ambassador

ARAB REPUBLIC OF EGYPT

BY : Ahmad Abdel Salam

NAME : Mr. Ahmad Abdel Salam Zaki

TITLE: Administrator of the Department
for Economic Cooperation
with U.S.A.

UNITED STATES OF AMERICA

BY : Arthur M. Hangly

NAME: Arthur M. Hangly

TITLE: Acting Director
USAID/Egypt

Implementing Organizations

In acknowledgement of the foregoing Agreement, the following representatives of the implementing organizations have subscribed their names:

BY : Youssef Amin Wally

NAME : Dr. Youssef Amin Wally

TITLE: Deputy Prime Minister and
Minister of Agriculture

BY : Adel Ezzy

NAME : Adel Ezzy

TITLE: Chairman, Principal Bank for
Development and Agricultural Credit

Project Description

The description of the Agricultural Production and Credit Project which follows can be modified by written agreement between the authorized representatives of the parties named in the Grant Agreement. The elements being modified, however, must be within the general scope as set forth in the text of the Grant Agreement.

I. Background

The Project evolved from (1) the predecessor, Small Farmer Production Project (SFPP 263-0079), (2) from a series of studies analyzing the role and needs of the Principal Bank for Development and Agricultural Credit (PBDAC) and its role as a provider of agricultural inputs, (3) from several analyses and high level dialogue regarding the policy reforms required to increase agricultural production, and (4) from the 1985 PBDAC decision to expand the SFPP concept from 3 into 8 additional governorates.

II. Goal and Purpose

The project is financed by a grant to the Government of Egypt. The goal of the project is to support reforms in the agricultural sector and strengthening of market-based incentives, thus encouraging investment in agriculture and increasing overall productivity and farm income. This major USAID and Government of Egypt effort will entail significant reforms in sectoral policies.

The purpose of the project is to provide farmers with new technology, improved financial services and a competitive, expanded input supply system. The project will achieve this purpose by increasing the capitalization of the PBDAC to enable it to meet the demand for increased credit, resulting from the policy reforms; by strengthening the institutional capacity of the PBDAC to obtain adequate funds, provide access to credit, and provide financial services; by opening the input supply market to the private sector; and by improving technology diffusion systems.

The bulk of USAID project funds will be dollar denominated performance payments to support the GOE measures to reform the agricultural sector and will be transferred in tranches based on implementation of planned changes. The Grantee will make funds available to expand the capital base of the PBDAC. The amount of performance funds released will be determined by the Bank's need for additional capital to meet the demand for credit resulting from policy reform. Prior to or simultaneously with each performance disbursement, the Grantee shall increase the capitalization of PBDAC by at least an equivalent amount of Egyptian pounds. These funds will

ensure that small farmers and entrepreneurs have necessary financing available to realize opportunities created by policy reform. The parties will monitor the lending activity attributable to the increased capitalization of PBDAC. All interest on the capitalization funds shall belong to PBDAC. At a minimum the amount of loans to small farmers at the highest allowable interest rate will be equal to or exceed the amount of the performance disbursements. For these purposes, a small farmer loan shall be the Egyptian pound equivalent of \$5,000 or less. This expanded credit activity and technical assistance to modernize banking activities in over 300 of the PBDAC's 750 village banks, will reorient the Bank as a primarily financial institution and allow it to diminish its role in controlling input supply and marketing.

While the GOE is developing its agricultural reform program, the project will begin to institutionalize PBDAC systems to transfer new technology and make credit accessible to small farmers and rural entrepreneurs providing farm related services. USAID funds will be used for technical assistance, services training, and commodities to accomplish these project objectives.

The PBDAC will assist the private sector by financing expansion of private services and infrastructure investments needed for agricultural development. The Bank will also improve its banking services to businesses supporting agriculture: improved analysis of loan and investment opportunities, techniques of evaluating client performance, and methods of loan management will enable the Bank to play a dynamic role in supporting the private sector. These private sector enterprises are expected to become major sources of information about new machinery, proper maintenance, new products and agricultural technologies.

To ensure the long run availability of these services, the financial viability and management capacity of the Bank will also be strengthened. At the end of the project, the PBDAC will have:

1. a sound capital structure and capital management system,
2. effective management controls (budgeting, auditing, and financial analysis of Bank performance),
3. a dynamic personnel management and training program, and
4. a modern management information/accounting system.

III. Implementation

On the policy level, the key project implementation process will be part of the AID overall policy dialogue and support to the GOE economic reform program. The details of the policy dialogue process and the capitalization of PBDAC will be the subject of Project Implementation Letters. These details will include the establishment of policy benchmarks, determining the need of PBDAC for additional capitalization and progress by the Grantee on its previously announced agenda of policy reforms.

On the technical side the project will be implemented by the PBDAC. The Bank will cooperate with others, i.e., the National Extension Service, private enterprises, and the MOA to ensure that the project meets its objectives.

The Chairman of the PBDAC will be the Project Director. Day to day activities will be managed by a Project Manager who will report to the Chairman and have responsibility for coordination with the extension service, preparation of reports to PBDAC and AID, management of administrative support, and leadership of the total project team with the assistance of the technical assistance contractor.

IV. Project Technical Activities

Project activities are designed enable farmers and private sector businesses to take advantage of policy reform to create a dynamic, expanding agricultural sector. The three primary technical activity outputs are:

- a. financial services which allow small farmers to take advantage of opportunities created by policy reform,
- b. development of private sector businesses in distribution and marketing, and
- c. increased transfer of new technology to farmers by these private sector enterprises and the NES.

V. Illustrative Financial Plan

Table 1 provides a summary cost estimate for the Project. The total AID contribution to the Project will be \$123,000,000 of which \$35,000,000 has been obligated hereby. The total Grantee contribution will be LE 150,240,000 of which the GOE will contribute LE 42,000,000 to the first phase of the Project.

The Grantee contribution of Egyptian pounds will fund Egyptian salaries, in-kind contributions, vehicles, office suppliers, services, and will be used to capitalize village banks. Changes may be made to the financial plan by written agreement of the representatives of the Parties identified in Section 8.2 without formal amendment of the Agreement, provided such changes do not cause: (1) AID's Grant contribution for the Project to exceed the amount set forth under Section 3.1; or (2) the Grantee's contribution for the Project to be less than the amount set forth under Section 3.2(b).

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Table 1. Estimated Budget (\$000) for Agricultural Production and Credit Project (265-0202), Egypt, 1986.

Category	First Year					Balance of Project					Project Total	
	USAID			GCE		USAID			GCE		USAID	GCE
	\$	LE \$ Equiv.	Total	LE	\$ Equiv (d) @ \$1=LE 1.35	\$	LE \$ Equiv.	Total	\$ Equiv (i) @ 1=LE 1.35	\$	LE \$ Equiv	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(c + h)	(e + j)
1. Technical Assistance	135	304	439	144	106	7,765	1,396	9,161	576	427	9,600	533
2. Training	172	358	530	358	265	628	2,142	2,770	3,702	2,742	3,300	3,007
3. Commodities	2,009	293	2,301	617	457	3,057	842	3,899	1,909	1,414	6,200	1,871
4. Services	150	75	225	1,356	1,004	550	125	675	3,338	2,473	900	3,477
Project Subtotal	2,465	1,030	3,495	2,475	1,833	12,000	4,505	16,505	9,525	7,056	20,000	8,829
Inflation	-	-	175	421	312	-	-	825	1,619	1,199	1,000	1,511
Contingency	-	-	515	248	184	-	-	1,485	952	705	2,000	869
5. Project Total	3,000	1,185	4,185	3,143	2,328	-	-	18,815	12,097	8,961	23,000	11,299
6. Capitalization	-	-	-	41,850	31,000	-	-	-	93,150	69,000	-	100,000
7. Performance Disbursements	30,815	-	30,815	-	-	69,185	-	69,185	-	-	100,000	-
8. Grand Total	-	-	35,000	44,993	32,328	-	-	88,000	205,247	77,961	123,000	111,299

Project Grant StandardProvisions 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.

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

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

SECTION B.6. Completeness of Information.

The Grantee confirms:

- (a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement; and
- (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 confirms 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.
- (d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) 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. on 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

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(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 on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written A.I.D. approval; or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or

(3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels,

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels; and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

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

(1) such insurance is placed at the lowest available competitive rate, and

(2) claims thereunder are payable in U.S. Dollars, or as A.I.D. may agree in writing, 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 payments which they are committed to make pursuant to non-cancellable 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 Guarantee's country, are in a deliverable state and have not been offloaded in ports of entry of Guarantee'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. written sixty (60) days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b); or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will: (A) be made available first for the cost of goods and services required for the Project, to the extent justified; and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

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

SECTION D.3. Nonwaiver of Remedies.

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

SECTION D.4. Assignment.

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

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