

**LOAN and GRANT AGREEMENT for  
INTEGRATED AGRICULTURAL PRODUCTION AND  
MARKETING PROJECT**

19

A.I.D. Loan Number 492-T-044

Project Number 492-0302

**USAID/PHILIPPINES  
DEVELOPMENT INFORMATION CENTER**

PROJECT  
LOAN AND GRANT  
AGREEMENT  
BETWEEN  
THE REPUBLIC OF THE PHILIPPINES  
and the  
UNITED STATES OF AMERICA  
for  
THE INTEGRATED AGRICULTURAL  
PRODUCTION AND  
MARKETING PROJECT

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Dated: 27 JUN 1977

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A.I.D. Loan No. 492-T-044  
A.I.D. Project No. 492-0302

LOAN AND GRANT AGREEMENT

Dated *June 27*, 1977

Between

The Republic of the Philippines ("Cooperating Country")

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 forth the understandings of the parties named above ("Parties") with respect to the undertaking by the Cooperating Country 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 I, will consist of the development of an integrated agricultural production and marketing capability in order to strengthen the ability to develop rational national policies for food

systems, establish an institutional capacity to develop integrated packages of production, processing and marketing technology and systematically extend new technological packages to small farmers and small rural entrepreneurs. Annex I attached amplifies the definition of the Project contained in this Section 2.1. Within the limits of the definition of the Project in this Section 2.1, 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 9.2 without formal amendment of this Agreement. Annex 1 will identify those elements of the Project for which grant financing will be employed; and those for which loan financing will be employed.

SECTION 2.2. Incremental Nature of Grant Funded Portion of the Project.

(a) A.I.D.'s Grant 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 Section 3.3 (a) of this Agreement, A.I.D., based upon consultation with the Cooperating Country, 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; the Loan. To assist the Cooperating Country 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 Cooperating Country under the terms of this Agreement not to exceed Six Million Seven Hundred Ten Thousand United States ("U.S.") Dollars (\$6,710,000.00) ("Grant") and to lend the Cooperating Country under the terms of this Agreement not to exceed Three Million U.S. Dollars (\$3,000,000.00) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan and Grant together are referred to as the "Assistance".

The Assistance may be used only to finance foreign exchange costs, as defined in Section 7.1, of goods and services required for the Project, except as A.I.D. may otherwise deem necessary to carry out essential elements of the Project.

SECTION 3.2. Cooperating Country Resources for the Project.

- (a) The Cooperating Country agrees to provide or cause to be provided for the Project all funds, in addition to the Assistance, and all other resources required to carry out the Project effectively and in a timely manner.
- (b) The resources provided by the Cooperating Country for the Project will be not less than the equivalent of U.S. \$20,250,000.00 including costs borne on an "in-kind" basis. See Budget Attachments 1 and 2.

SECTION 3.3. Project Assistance Completion Date.

- (a) The "Project Assistance Completion Date" (PACD), which is June 15, 1982 or such other date as the Parties may agree in writing, is the date by which the Parties estimate that all services

financed under the Assistance 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 Assistance 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 8.1 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 Cooperating Country, may at any time or times reduce the amount of the Assistance 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: Loan Terms

SECTION 4.1. Interest. The Cooperating Country will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement of the Loan hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be computed on the basis of a 365-day year. Interest will be payable no later than six (6) months after the first disbursement of the Loan hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Cooperating Country will repay A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semi-annual installments of the Principal and interest. The first installment of Principal will be payable nine and one-half (9- $\frac{1}{2}$ )

years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Cooperating Country with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Cooperating Country may repay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

- (a) The Cooperating Country and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the payment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Republic of the Philippines, which enables the Cooperating Country to repay the Loan on a shorter schedule.
- (b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2 and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.
- (c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

- (d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under Sub-section (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that in the absence of mutual agreement, the negotiations will take place at the National Economic and Development Authority of the Republic of the Philippines.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Cooperating Country and A.I.D. relating to the Loan provision of this Agreement will cease. However, with respect to any obligations arising out of the expenditure of Grant funds, this Agreement will remain in full force and effect.

Article 5: Conditions Precedent to Disbursement

SECTION 5.1. First Disbursement. Prior to the first disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made,

the Cooperating Country will, except as A.I.D. may otherwise agree in writing to 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 Cooperating Country and that it constitutes a valid and legally binding obligation of the Cooperating Country in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Cooperating Country specified in Section 9.2, and of any additional representatives, and a specimen signature of each person specified in such statement;
- (c) An executed technical assistance contract acceptable to A.I.D. with an institution acceptable to A.I.D.; and
- (d) The evaluation program referred to in Section 6.1.

SECTION 5.2. Disbursement for Procurement of Equipment. Prior to disbursement of the Assistance, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for procurement of equipment, the Cooperating Country will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A list of equipment to be procured for the Project with funds under the Assistance; and
- (b) An executed contract for construction of physical facilities on the Central Luzon State University campus to house the Food and Feed Processing Center and analytical support laboratory.

SECTION 5.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 5.1 and 5.2. have been met, it will promptly notify the Cooperating Country.

SECTION 5.4. Terminal Dates for Conditions Precedent.

- (a) If all of the conditions specified in Section 5.1 have not been met within 120 days from the

date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Cooperating Country.

- (b) If all of the conditions specified in Section 5.2 have not been met within 18 months from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Assistance, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Cooperating Country. In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate, except with respect to any obligations arising out of the expenditure of Grant funds.

Article 6: Special Covenants

SECTION 6.1. 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 6.2 Training Service Agreement. The Cooperating Country hereby covenants and agrees that each participant who undertakes training financed hereunder shall execute an Agreement with the Cooperating Country to serve the sponsoring Cooperating Country agency or institution for a period of three times the length of training received.

Article 7: Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project

having their source and origin 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 and services, except as A.I.D. may otherwise agree in writing, and except as provided in Annex 2, Combined Loan and Grant, Project Standard Provisions Annex, Section C.1. (b) with respect to marine insurance.

Article 8: Disbursements

SECTION 8.1 Disbursement for Foreign Exchange Costs.

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

- (a) By submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters: (1) requests for reimbursement for such goods or services, or (2) requests for A.I.D. to procure commodities or services in the Cooperating Country's behalf for the Project; or

(b) By requesting A.I.D. to issue Letters of Commitment for the specified amounts: (1) 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 (2) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods and services.

SECTION 8.2. Other Forms of Disbursement. Disbursements of the Loan or the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 8.3. Date of Disbursements. Disbursements of the Loan by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Cooperating Country or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

Article 9: Miscellaneous

SECTION 9.1. 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 the Cooperating Country:

Mail Address: National Economic and Development  
Authority  
P.O. Box 1116, Manila, Philippines

Alternate address for cables: NEDAPHIL

To A.I.D.:

Mail Address: United States Agency for International  
Development  
c/o The American Embassy  
Manila, Philippines

Alternate address for cables: USAID/AMEMB MANILA

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 9.2. Representatives. For all purposes relevant to this Agreement, the Cooperating Country will be represented by the individual holding or acting in the

office of the Director General, National Economic and Development Authority, and A.I.D. will be represented by the individual holding or acting in the office of the Director of the United States A.I.D. Mission to the Philippines, 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 Cooperating Country, 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 or revocation of their maturity.

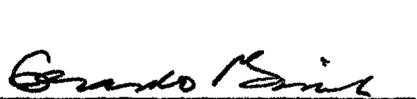
SECTION 9.3. Standard Provisions Annex. A "Combined Loan and Grant Project Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Republic of the Philippines 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.

UNITED STATES OF AMERICA

REPUBLIC OF THE PHILIPPINES

By:   
Charles C. Christian

By:   
Gerardo P. Sicat

Title: Acting Director,  
U.S. Agency for  
International Development

Title: Secretary of Economic Planning  
(Director General)  
National Economic &  
Development Authority

C o n c u r :

By: \_\_\_\_\_  
Arturo R. Tanco, Jr.

By: \_\_\_\_\_  
Jose A. Rono

Title: Secretary  
Department of  
Agriculture

Title: Secretary  
Department of Local Government  
and Community Development

By: \_\_\_\_\_  
Amado C. Campos

By: \_\_\_\_\_  
Abelardo G. Samonte

Title: \_\_\_\_\_  
President  
Central Luzon  
State University

Title: \_\_\_\_\_  
Chancellor  
University of the  
Philippines, Los Banos

### Description of Project

Within the context of the Republic of the Philippines' National Development Plan, the Integrated Agricultural Production and Marketing Project is designed to assist the Republic of the Philippines to achieve self-sufficiency in key food commodities and to increase small farmer income.

The primary purpose of the project is to increase small farmer productivity and improve efficiency in the marketing system for his product. Sub-purposes include the following:

1. Strengthen technical capability to develop rational national policies for food systems.
2. Further develop institutional capacity to develop integrated packages of production, processing, and marketing technology.
3. Systematically extend new technological packages to small farmers and small rural entrepreneurs.

The project will be implemented within the Republic of the Philippines by various organizations and institutions, and with A.I.D. financed contractual services of a U.S. Land Grant University (hereafter called the "Contractor"). The Department of Agriculture will be the organization within the Philippine Government that assumes overall responsibility for the project, and will assign a senior government official as project coordinator.

The Department of Agriculture will as necessary, coordinate with the other concerned government institutions and may, assign to the University of the Philippines at Los Banos (UPLB), Central Luzon State University (CLSU),

or Department of Local Government and Community Development (DLGCD), the National Food and Agriculture Council (NFAC), tasks required by the project which are within their respective fields of technical competence. The Department of Agriculture will retain overall responsibility for the project on behalf of the Government of the Republic of the Philippines. In this capacity the Department of Agriculture, thru NEDA, will be the official channel for all formal communications between A.I.D. and the implementing government agencies. NEDA will work out inter-agency arrangements for the financing of the local currency costs.

In support of the project, A.I.D. subject to the availability of funds and to the mutual agreement of the concerned parties, plans to provide \$8,230,000.00 life of project grant and \$3,000,000.00 loan, of which \$6,710,000.00 grant funding and the \$3,000,000.00 loan are obligated in this agreement. The Government of the Republic of the Philippines plans to provide Forty Eight Million Seventy Five Thousand Pesos (P48,075,000.00) in budgetary support and One Hundred Three Million Eight Hundred Thousand Pesos (P103,800,000.00) in in-kind support during the life of the project. It is understood that this funding will be provided by NEDA, UPLB, CLSU, DLGCD and the Department of Agriculture.

Proceeds from the \$3.0 million loan will be used, unless A.I.D. agrees otherwise, to finance: (a) participant training costs in the U.S. for project sponsored participants enrolled in doctoral programs; and (b) procurement, in A.I.D. Geographic Code 941 countries, of equipment, commodities and supplies related to the technological package sub-project at CLSU, and selected computer equipment for the Department of Agriculture.

The project has been structured into four separate but complementary sub-projects: Academic, Policy, Technological Packages and Outreach/Extension. The expected outputs of these sub-projects are as follows:

1. Trained and experienced specialists in the fields of agricultural production and marketing available to the Government and the private sector.
2. Alternative policy approaches and strategies for operating integrated production and marketing systems for key commodities.
3. Proven and documented technological packages on integrated food systems for use by small farmers, processors, distributors and exporters.
4. Provision of vital agriculture-related government services on production, processing and marketing to reach small farm producers.

The magnitude of the above outputs is spelled out in each of the four sub-projects described in detail in the following pages.

A. Academic Sub-Project

The purpose of this sub-project is to assist the University of the Philippines at Los Banos (UPLB) and Central Luzon State University (CLSU) to enhance their institutional capabilities to develop specialists in agriculture and food systems for service with government agencies, agricultural education institutions, small farmers' cooperatives and agribusiness enterprises -- with specific skills in agricultural marketing, development planning and management, cooperative management, resource economics, finance and credit, international trade, regional development economics and the processing of agricultural products.

In support of this Academic Sub-Project, the University of the Philippines at Los Banos and Central Luzon State University will provide classrooms, laboratories

and faculty assistance. Contractor personnel assigned to UPLB and CLSU will receive faculty appointments at the appropriate academic rank.

Outputs expected under Academic Sub-Project at end of project:

Major Outputs

(a) M.S. in Agricultural Marketing (graduates) (UPLB and CLSU)	100
(b) B.S. in Agriculture (Marketing Major) (CLSU)	25
(c) Post Graduates in Agricultural Marketing (non-degree) (UPLB and CLSU)	100
(d) M.S. Degree holders (earned abroad)	20
(e) Ph.D. Degree holders (earned abroad)	<u>11</u>
Total	256

1. University of the Philippines at Los Banos (UPLB)

The graduate degree programs in agricultural economics/marketing offered by the Institute of Agricultural Development and Administration at UPLB will be strengthened by the assignment to UPLB of one full time contract advisor and a number of short term advisors. These advisors will assist in developing and installing the new curricula, developing and supporting research programs and developing and implementing a short course program.

The Contractor will also provide and/or arrange educational programs in the U.S. at the M.S. and Ph.D.

degree levels for participants from UPLB. Further, the Contractor will, as required, provide and/or arrange short term fellowships, training opportunities and post doctoral studies in the U.S. to support the academic sub-project.

It is anticipated that the project will provide UPLB over the life of the project with:

- a. 55 man months long term advisory service;
- b. 28 man months short term advisory service;
- c. 13 M.S. degree programs;
- d. 7 Ph.D. degree programs (loan financed); and
- e. 9 Faculty fellowships or the equivalent training.

UPLB will be responsible for financing the following peso funded costs for the long term advisors: (a) local travel, (b) furniture, and (c) allowances. UPLB will finance the peso funding for short term advisors' official travel within the Philippines and per diem and secretarial and administrative support for both long term and short term advisors.

M.S. and Ph.D. participant travel will be provided from the NEDA/USAID Trust Fund A.

In addition, UPLB will offer short courses for senior professional personnel, i.e., cooperative managers, government department heads, rural bank managers, etc.

## 2. Central Luzon State University (CLSU)

Academic activities at CLSU are designed to (a) expand its academic programs, (b) provide applied research and services to support the agribusiness campus enterprises and student cooperatives, and (c) provide faculty for planning and conducting of short courses for cooperatives and other agribusiness enterprises.

In addition to the existing academic programs at the B.S. degree level in the CLSU Department of Agri-Management, an academic concentration pointed directly toward total food systems is needed to support the integrated technological packages Sub-Project (discussed in Section C of this Annex) which requires the development and implementation of a specialized curriculum. The development of faculty, case materials, supporting market research, feasibility studies and other inputs for the short courses will be accomplished under this Sub-Project.

The specific tasks in establishing institutional capability at CLSU in agriculture production, processing and marketing for which the Contractor will provide technical expertise, are as follows:

- a. Surveys and management analysis with recommendations;
- b. Develop curricula and a recommended list of course materials relevant to the Philippines; and
- c. Identify current and projected staff requirements.

It is estimated that under this academic Sub-Project, the project will provide over the life of the project the following services to CLSU:

- a. 18 man months long term advisory services;
- b. 20 man months short term advisory services;
- c. 7 M.S. degree programs;
- d. 4 Ph.D. degree programs (loan financed); and
- e. 9 Faculty fellowships or the equivalent training.

Short courses for key employees of cooperatives and private enterprises engaged in the food industries represent an important component of the development activities at CLSU. Therefore, CLSU will offer short courses for mid-career professionals, i.e., cooperative managers, government department heads, rural bank managers, etc.

CLSU will provide the following peso funded costs for the long term advisors: (a) local travel, (b) furniture, and (c) allowances. CLSU will also provide peso funding for short term advisors' official travel within the Philippines, per diem and secretarial and other administrative support for both long term and short term advisors.

B. National Policy Sub-Project

The purpose of this sub-project is to enhance the capability of the Department of Agriculture to determine and evaluate alternative sets of national policies affecting the production, processing, storage, distribution, and marketing of priority food crops, livestock and fisheries products. The Policy Sub-Project has four (4) distinct but closely interrelated activities, each of which contributes to the achievement of the overall purpose.

They are:

1. The enhancement of communications between analysts and decision makers.

The linkages among those individuals and institutions responsible for assembly and preparation of baseline data and their linkage with those responsible for recommending policies will be streamlined and strengthened.

2. The improvement of the agricultural data system.

Improvement will be made in the agricultural data system to make more effective use of modern analytical methods, including on-the-job training for Filipino policy analysts.

25

3. The enhancement of computer capacity and capability in the Department of Agriculture.

The Department of Agriculture (DA) computer is operating at near full three-shift capacity and backlogs have developed. The Department of Agriculture has completed a study of current and projected requirements and has identified specific needs by six-month periods for the next several years. The identified needs include computer staff training and short-term consultants, as well as increased computer core capacity and related equipment. The project will provide computer staff training and short term consultants. Loan funds will finance the purchase of computer support equipment.

4. Development and utilization of agricultural subsector models.

In order to support policies and programs for food system development, sector computerized models with appropriate disaggregation by food industry and by region will be developed. The models, to be developed, must be consistent with the existing macro models used by NEDA and with the national programming model of the agricultural sector developed under the Agricultural Diversification and Marketing (ADAM) Project.

To support the above activities, it is anticipated that the Project will provide:

- a. 87 man months long term advisory services;
- b. 109 man months short term advisory services;
- c. 16 M.S. degree programs;
- d. 16 Non-degree training programs;
- e. 5 Ph.D. degree programs (loan financed); and

f. 6 Fellowships or post-doctoral programs.

The USAID loan makes available up to \$400,000.00 to purchase computer support equipment capacity and capability. The invitation for bids, to include detailed equipment specifications will be prepared by the Department of Agriculture, reviewed and endorsed by the Contractor, and approved by NEDA and A.I.D. The Department of Agriculture will finance all the required local currency financing necessary to install this computer equipment.

Outputs to be achieved under this Sub-project:

- (a) A set of definitive policy alternatives for policy makers, based on relevant data collected and sub-sector models prepared, for all major agricultural programs.
- (b) M.S. Degree holders (earned abroad) -- 16
- (c) Ph.D. Degree holders (earned abroad) - 5

C. Technological Package Sub-Project

The purpose of this Sub-Project is to (a) develop and test technological packages to integrate crop and livestock enterprises, product processing, and marketing, (b) provide training in production, post harvest technology, by-product utilization, processing, marketing and extension education, and (c) construct and operate a food processing center. The Sub-Project will be implemented by Central Luzon State University.

1. Technological Package Purpose

Technological packages will be developed for the production, processing and marketing phases for crops such as rice, sorghum, soybeans, and vegetables, either as cropping packages, or in combination with livestock, poultry and/or fish enterprises. To achieve the purpose, this Sub-Project will develop and test the following:

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- a. Technological packages for producing, processing, and marketing crops (e.g. rice, grain sorghum, soybeans and vegetables) either as cropping packages and/or in combination with fish, poultry and/or livestock enterprises; and
- b. Methodology for measuring and predicting expected cost and returns of the technological packages.

## 2. Food Processing Center

A feed, grain, meat products and vegetable processing center will be constructed on the campus at CLSU. The Center will be used for developing and testing the components/products of the technological packages. It will also be used for training.

It is expected that the Project will provide CLSU over the life of the project:

- a. 124 months long term advisory services;
- b. 66 man months short term advisory services;
- c. 10 M.S. degree programs;
- d. 7 Ph.D degree programs (loan financed); and
- e. 11 Faculty fellowships or the equivalent training.

The loan will finance approximately \$1,500,000.00 of imported equipment for the Food Processing Center. The loan will also finance the purchase of up to \$200,000.00 imported publications and equipment for CLSU's library. CLSU will be responsible for financing the following peso funded costs for long-term advisors: (a) local travel, (b) furniture, and (c) allowances. CLSU will finance the peso funding for short term advisors' official travel within the Philippines, per diem and secretarial and other administrative support for both long term and short term advisors.

Outputs to be achieved under this Sub-Project at end of project:

a. Tested and Proven Technological Packages	12
b. Trained Motivators	850
c. Trained Cooperative Members	1500
d. Masters of Science Degree holders	10
e. Ph.D. Degree holders	7

D. The Outreach/Extension Sub-Project

The purpose of this Sub-Project is to improve existing extension-outreach programs to serve better, cooperative and marketing agencies, other agribusiness enterprises and small-farm producers. The Sub-Project is to be carried out by the National Food and Agriculture Council, through three closely-interrelated activities as follows:

1. Extension delivery system to provide production technology, market intelligence and credit planning for small farmers.

The outreach/extension delivery activity will be responsible for designing, testing and implementing delivery systems which will maximize the benefits that small farmers will receive from the packages of technology. These systems will include increased credit supervision through improved credit application and repayment schemes, pre and post harvest technology, improved production practices and methods to increase profit margins. Primary focus will be on improved delivery systems and more effective management for rice, corn and multiple cropping programs.

2. Programs to strengthen the position of small farmers in the Philippine food systems through the development of integrated cooperative marketing systems.

This activity will emphasize the strengthening of cooperative management capabilities at all levels of the cooperative system, with primary focus at the levels of the Area Marketing Cooperatives (AMC's) and Cooperative Rural Banks (CRB's). The strengthening of cooperative management will provide more effective use of cooperative credit, and greater involvement in cooperatives by small farmers, contributing to the goal of increased incomes to the Samahang Nayon members.

3. Extension delivery systems for Agribusiness Development in the context of total food systems.

This activity is designed to provide assistance to farmer cooperatives and to private firms in the agribusiness industries serving small farmers. This assistance includes: market intelligence, technological innovations, project studies, technical, financial and management assistance, as well as assistance in concluding production contracts and marketing agreements to coordinate the production of small farmers with specific market requirements.

Over the life of the project it is expected the Project will provide:

- a. 93 man months long term advisory services;
- b. 72 man months short term advisory services;
- c. 32 M.S. degree programs; and
- d. 90 Non-degree training programs.

The National Food and Agriculture Council will be responsible for financing the following peso funded costs for the long term advisors: (a) official travel, (b) furniture, and (c) allowances. NFAC will finance the peso funding for short term advisors' official travel within the Philippines and per diem and secretarial and administrative support for both long term and short term advisors.

Outputs to be achieved under this Sub-Project at end of project:

- |  |         |
|--|---------|
| a. Small farmers adopting new technology, including the new technological packages | 500,000 |
| b. Small farmers participating in the cooperative supply and marketing process     | 400,000 |
| c. Area Marketing Cooperatives participating in the Extension Programs             | 12      |
| d. AMC officers trained  | 33      |
| e. M.S. degree holders (earned abroad)   | 32      |

INTEGRATED AGRICULTURAL PRODUCTION & MARKETING PROJECT  
 GOP Five-Year Budget Summary <sup>3/</sup>  
 In Philippine Pesos

<u>Year</u>	<u>Policy</u>	<u>Outreach</u>	<u>Tech Pack</u>	<u>Academic</u>	<u>Sub-Total</u>	<u>Admin</u>	<u>Grand Total</u>
GOP Direct Budget Contributions							
1	604,508	786,307	5,686,268 <sup>2/</sup>	571,807	7,648,890	967,972	8,616,862
2	1,499,955	1,402,830	2,050,853	1,154,325	6,107,963	1,216,260	7,324,223
3	1,494,622	1,634,010	3,605,835	1,938,472	8,672,939	1,349,483	10,022,422
4	1,029,292	1,692,262	4,325,640	2,406,368	9,453,562	1,355,378	10,808,940
5	<u>577,485</u>	<u>866,572</u>	<u>4,824,908</u>	<u>3,577,028</u>	<u>9,845,993</u>	<u>1,456,560</u>	<u>11,302,553</u>
Total GOP Direct Budget Contributions	5,205,862	6,381,981	20,493,504	9,648,000	41,729,347	6,345,653	48,075,000
GOP In-Kind Contributions							
1	3,210,000	3,195,000	7,102,500	2,422,500	15,930,000	187,500	16,117,500
2	5,707,500	6,007,500	4,005,000	510,000	16,230,000	180,000	16,410,000
3	9,892,500	12,435,000	5,182,500	1,035,000	28,545,000	180,000	28,725,000
4	5,985,000	18,562,500	10,005,000	1,942,500	36,495,000	-	36,495,000
5	<u>6,022,500</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>6,052,500</u>	<u>-</u>	<u>6,052,500</u>
Total GOP In-Kind Contributions	30,817,500	40,200,000	26,295,000	5,940,000	103,252,500	547,500	103,800,000
Total GOP Contributions	<u>36,023,362</u>	<u>46,581,981</u>	<u>46,788,504</u>	<u>15,588,000</u>	<u>144,981,847</u>	<u>6,893,153</u>	<u>151,875,000</u> <sup>1/</sup>

<sup>1/</sup> Equivalent to \$ 20,250,000 at ₱ 7.50 = \$ 1.00

<sup>2/</sup> This includes ₱ 4,950,000 or \$ 660,000 for the construction of the physical facilities at CLSU for the Feed and Food Processing Center. Note that this item was previously budgeted under the GOP In-Kind contribution but was transferred to the GOP direct budget contribution.

<sup>3/</sup> Adjustments, of line item amounts and between years, of up to fifteen percent is permitted provided the total is not exceeded.

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INTEGRATED AGRICULTURAL PRODUCTION & MARKETING PROJECT  
 USAID Five-Year Budget Summary <sup>3/</sup>  
 in U. S. Dollars

	<u>Year</u>	<u>Policy</u>	<u>Outreach</u>	<u>Tech Pack</u>	<u>Academic</u>	<u>Sub-Total</u>	<u>Admin</u>	<u>Unattributed</u>	<u>Grand Total</u>
<b>AID Grant</b>									
	1	183,764	341,371	230,088	259,347	1,014,570	256,470	68,000	1,339,040
	2	614,195	633,710	519,152	408,899 <sup>1/</sup>	2,175,956	274,124	73,000	2,523,080
	3	<u>697,475</u>	<u>712,124</u>	<u>616,205</u>	<u>404,063</u>	<u>2,429,867</u>	<u>343,713</u>	<u>74,300</u>	<u>2,847,880</u>
Sub-Total		1,495,434	1,687,205	1,365,445	1,072,309	5,620,393	874,307	215,300	6,710,000
	4	168,907	344,423	138,904	118,426	770,660	172,840	-	943,500 <sup>1/</sup>
	5	<u>60,345</u>	<u>210,396</u>	<u>74,850</u>	<u>74,936</u>	<u>420,527</u>	<u>155,973</u>		<u>576,500</u> <sup>1/</sup>
Total AID Grant		<u>1,724,686</u>	<u>2,242,024</u>	<u>1,579,199</u>	<u>1,265,671</u>	<u>6,811,580</u>	<u>1,203,120</u>	<u>215,300</u>	<u>8,230,000</u> <sup>2/</sup>
<b>AID Loan</b>									
Ph. D. Participants									
	1		12,250	18,375	18,375	49,000			49,000
	2	6,495	37,671	59,754	66,249	170,169			170,169
	3	23,392	38,026	90,565	116,207	268,190			268,190
	4	28,911	17,653	81,373	131,124	259,061			259,061
	5	<u>18,915</u>	<u>3,311</u>	<u>37,830</u>	<u>87,953</u>	<u>148,009</u>			<u>148,009</u>
Sub-Total		<u>77,713</u>	<u>108,911</u>	<u>287,897</u>	<u>419,908</u>	<u>894,429</u>			<u>894,429</u>
Commodities									
	1	151,114		100,743		251,857			251,857
	2	250,344		1,101,513		1,351,857			1,351,857
	3			501,857		501,857			501,857
	4								
	5								
Sub-Total		<u>401,458</u>		<u>1,704,113</u>		<u>2,105,571</u>			<u>2,105,571</u>
Total AID Loan		<u>479,171</u>	<u>108,911</u>	<u>1,992,010</u>	<u>419,908</u>	<u>3,000,000</u>			<u>3,000,000</u>
Total Estimated AID life of Project Support		<u>2,203,857</u>	<u>2,350,935</u>	<u>3,571,209</u>	<u>1,685,579</u>	<u>9,811,580</u>	<u>1,203,120</u>	<u>215,300</u>	<u>11,230,000</u>

<sup>1/</sup> Not obligated in this Agreement.

<sup>2/</sup> This figure does not include certain Direct U. S. Government costs.

<sup>3/</sup> Adjustments, of line item amounts and between years, of up to fifteen percent is permitted provided the obligated total is not exceeded.

Combined Loan and Grant  
Project Standard  
Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Loan and 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 the Cooperating Country 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 Cooperating Country 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 arrangement, 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

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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 Assistance 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 Assistance, 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 Assistance will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Cooperating Country.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Assistance, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Assistance, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Cooperating Country, the Cooperating Country 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 Assistance.

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

The Cooperating Country 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 Assistance. 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 Assistance.

SECTION B.6. Completeness of Information. The Cooperating Country 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 Assistance, 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. The Cooperating Country affirms that no payments have been or will be received by any official of the Cooperating Country in connection with the procurement of goods or services financed under the Assistance except fees, taxes, or similar payments legally established in the territory of the Cooperating Country.

SECTION B.8. Information and Marking. The Cooperating Country will give appropriate publicity to the Assistance 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 Cooperating Country will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Assistance 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 Assistance which are procured pursuant to orders or contracts firmly placed or entered

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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 Cooperating Country 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 Assistance, including documentation relating to the pre-qualification 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; and

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

(d) Consulting firms used by the Cooperating Country for the Project but not financed under the Assistance, 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 Cooperating Country for the Project but not financed under the Assistance shall be acceptable to A.I.D.

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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 Assistance. 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 Assistance, the Cooperating Country 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 Cooperating Country may not be financed under the Assistance 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 Cooperating Country, 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 Assistance, 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 Cooperating Country, 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 Cooperating Country on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Cooperating Country may be financed under the Assistance, 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 government of the Cooperating Country, 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

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any State of the United States, then all goods shipped to the territory of the Cooperating Country 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 Cooperating Country will insure, or cause to be insured, goods financed under the Assistance 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 Cooperating Country 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 Cooperating Country for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D Geographic Code 935 as in effect at the time of replace-

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ment, 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 Cooperating Country agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Assistance should be utilized. Funds under the Assistance may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies

SECTION D.1. Cancellation by Cooperating Country.

The Cooperating Country may, by giving A.I.D. 30 days written notice, cancel any part of the Loan or the Grant which has not been disbursed or committed for disbursement to third parties.

SECTION D.2. Events of Default; Acceleration. It

will be an "Event of Default" if the Cooperating Country shall have failed: (a) to pay when due any interest or installment of principal required under this Agreement,

or (b) to comply with any other provision of this Agreement, or (c) to pay when due any interest or installment of principal or other payment required under any other loan, guaranty or other agreement between the Cooperating Country or any of its agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may give the Cooperating Country notice that all or any part of the unrepaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

- (1) Such unrepaid Principal and accrued interest hereunder will be due and payable immediately, and
- (2) The amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

SECTION D.3. Suspension. If at any time:

- (a) An Event of Default has occurred; or
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either

that the purpose of the Assistance will be attained or that the Cooperating Country will be able to perform its obligations under this Agreement; or

(c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(d) The Cooperating Country shall have failed to pay when due any interest, installment or principal or other payment required under any other loan, guaranty, or other agreement between the Cooperating Country or any of its agencies and the Government of the United States or any of its agencies;

Then A.I.D. may:

- (1) Suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Cooperating Country;
- (2) Decline to issue additional commitment documents or to make disbursement other than under existing ones; and

- (3) At A.I.D.'s expense, direct that title to goods financed under the Assistance be transferred to A.I.D. if the goods are from a source outside of the Philippines, are in a deliverable state and have not been offloaded in ports of entry. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

SECTION D.4. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3., the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Assistance that is not then disbursed or irrevocably committed to third parties.

SECTION D.5. Continued-Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

SECTION D.6. 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 provided for under this Agreement, may require the Cooperating Country to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(b) If the failure of the Cooperating Country to comply with any of its obligations under this Agreement has the result that goods or services financed under the Assistance are not used effectively in accordance with this Agreement, A.I.D. may require the Cooperating Country 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 thereof.

(c) The right under subsection (a) or (b) to require such 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 Assistance, 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, (i) if derived from Loan funds, will be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder, and (ii) if derived from Grant funds, will be applied to reduce the amount of the Grant.

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(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Cooperating Country 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 Cooperating Country.

SECTION D.7. 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.8. Assignment. The Cooperating Country agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Cooperating Country 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.