

PD BBH 878

Official File Copy

PROJECT GRANT AGREEMENT

Between The

GOVERNMENT OF LIBERIA

And The

UNITED STATES OF AMERICA, Acting Through

The Agency for International Development

For The

PVO/NGO Support Project

A.I.D. Project Number 669-0211

Dated: August 26, 1987

TABLE OF CONTENTS

	<u>Page</u>
Article 1: The Agreement	3
Article 2: The Project	3
SECTION 2.1. Definition of Project	3
SECTION 2.2.. Incremental Nature of Project	3
Article 3: Financing	4
SECTION 3.1. . The Grant	4
SECTION 3.2. . Grantee Resources for the Project	4
SECTION 3.3. Project Assistance Completion Date	4
Article 4: Conditions Precedent to Disbursement..	5
SECTION 4.1. First Disbursement	5
SECTION 4.2. Notification	5
SECTION 4.3. Terminal Date for Conditions Precedent	5
Article 5: Covenant	5
SECTION 5.1. Project Evaluation	5
Article 6: Procurement Source	6
SECTION 6.1. Foreign Exchange Costs	6
SECTION 6.2. Local Currency Costs	6
Article 7: Disbursements	6
SECTION 7.1. Disbursement for Foreign Exchange Costs	6
SECTION 7.2. Disbursement for Local Currency Costs	7
SECTION 7.3. Other Forms of Disbursement	7
Article 8: Miscellaneous	7
SECTION 8.1. Communications	7
SECTION 8.2. Representatives	8
SECTION 8.3. Standard Provisions Annex	8
Annex 1: Amplified Project Description	
Annex 2: Project Grant Standard Provisions Annex	

2

A.I.D. Project No. 669-0211

PROJECT GRANT AGREEMENT

Date: August 26, 1987

Between the Republic of Liberia ("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 Private Voluntary Organizations/Non-Governmental Organizations Support (PVO/NGO) Project (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 provide technical assistance, training and management, through a U.S. PVO, and grant funds to local PVOs/NGOs operating in the fields of health, education, community development and enterprise promotion, to sustain and strengthen their operations. The overall project policy will be decided by the PVO Council which will be chaired by the Ministry of Planning and Economic Affairs (MPEA). 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 for a total AID contribution of ten million dollars (\$10,000,000) 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 an amount not to exceed two million two hundred seventy thousand United States ("U.S.") dollars (\$2,270,000) ("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 through the PVOs/NGOs all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(B) The resources provided by the Grantee or caused to be provided through the PVOs/NGOs for the Project will be not less than the equivalent of three million four hundred thousand U.S. dollars (\$3,400,000), including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(A) The Project Assistance Completion Date ("PACD") which is September 30, 1992, or such 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.

11

Article 4: Conditions Precedent to Disbursement

SECTION 4.1 First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will furnish to A.I.D., in form and substance satisfactory to A.I.D., a statement of the names of the person(s) holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person in such statement.

SECTION 4.2. Notification. When A.I.D. has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee in writing.

SECTION 4.3. Terminal Date for Condition Precedent. If the condition specified in Section 4.1 has not been met within 30 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 the Grantee.

Article 5: Covenant

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) an evaluation of the progress towards the objectives of the Project; (b) identification and evaluation of problem areas or constraints that 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.

5

Article 6: Procurement Source.

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality 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. Ocean transportation costs will be financed under the grant only on vessels under flag registry of the United States.

SECTION 6.2. Local Currency Costs. Disbursement pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of Liberia ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs

(A) After satisfaction of the condition precedent, the Grantee may obtain disbursement of funds under the Grant for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms of this Agreement, by such as 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 the 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 the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the grant.

6

SECTION 7.2. Disbursement for Local Currency Costs

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

(B) The local currency needed for such disbursement may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase; or

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

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

SECTION 7.3. Other Forms of Disbursement.

Disbursements of the Grant may be also be made through such other means as the Parties may agree to in writing.

Article 8: Miscellaneous

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

To the Grantee: Minister of Planning and Economic Affairs
Ministry of Planning and Economic Affairs
P. O. Box 9016
Monrovia, Liberia

To A.I.D.: Director of USAID
P. O. Box 1445
Monrovia, Liberia

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

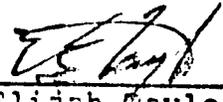
SECTION 8.3. Standard Provisions. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Republic of Liberia 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.

UNITED STATES OF AMERICA

REPUBLIC OF LIBERIA

By: 
James K. Bishop
U.S. Ambassador to Liberia

By: 
Hon. Elijah Taylor
Minister of Planning &
Economic Affairs

By: 
Mary C. Kilgour
MISSION DIRECTOR
USAID/Liberia

8

ANNEX 1 TO PROJECT AGREEMENT
PVO/NGO SUPPORT PROJECT 669-0211
AMPLIFIED PROJECT DESCRIPTION
Table of Contents

	<u>Page</u>
I.. BACKGROUND.....	1
II. GENERAL DESCRIPTION OF THE PROJECT.....	1
III. SELECTION CRITERIA.....	4
IV. RESPONSIBILITIES.....	7
A. A.I.D.....	7
B. Lead PVO.....	8
C. Government of Liberia.....	9
D. PVO Council.....	10
V. IMPLEMENTATION PLAN.....	11
VI. ILLUSTRATIVE FINANCIAL PLAN.....	17
VII. MONITORING AND EVALUATION PLAN.....	20

I. BACKGROUND

Liberia is experiencing a severe economic crisis which has had a severe impact on the Government of Liberia's (GOL) ability to collect and disburse resources for education, health care, community development, and enterprise promotion.

In the past, these social and developmental services were provided through a combination of GOL and private voluntary and non-governmental organizations (PVOs and NGOs). An active subsidy program was put into place under the Tubman regime which continued to be increased over the years. This support peaked in 1983 with \$4.35 million or 31 percent of total PVO income provided. However in 1986, PVO/NGO support fell to less than \$500,000 representing an 88 percent decline in the level of subsidy between 1983 and 1986. This project will provide a means to help fill the local PVO/NGO community's funding gaps, improve selected programs and strengthen the Liberian organizations' management and program development skills.

II. GENERAL DESCRIPTION OF THE PROJECT

The goal of the PVO/NGO Project is to raise the standard of living for Liberia's rural and urban populations. The purpose is to assist private and voluntary organizations in Liberia to sustain and improve services in health care, basic education, and community development, especially enterprise promotion.

The intended results of the project are:

- (1) At the end of the project at least 10 PVO/NGOs will have established solid financial management systems and simple and effective techniques for designing projects and soliciting funds ensuring long-term independence and sustainability.

- (2) At least eight PVO/NGO run schools will have received support designed to maintain and improve their activities.
- (3) At least five programs in non-formal education, such as a public awareness campaign or commercial production units for vocational schools, established.
- (4) At least 100 small enterprises providing a minimum of 300 new job opportunities, will have received technical assistance to strengthen or expand their activities.

Overall project policy guidance will be provided by the PVO Council which will consist of representatives from the Ministry of Planning and Economic Affairs (MPEA), the Ministry of Health (MOH), the Ministry of Education (MOE), USAID, and the general donor community on a revolving annual basis (e.g., the EEC, UNDP etc.). The MPEA will chair the Council. The PVO Council will provide policy advice and guidance to the project in questions and issues relating to PVO and NGO operations, especially in the project's target sectors. This forum will provide an opportunity for review of the project's progress, reconsideration of its approach, discussion of new information or opportunities for mobilizing and maximizing PVO and NGO contributions to Liberia's social and development services.

The strategy to achieve the project's goal and purpose centers on the capacity of a U.S. PVO (referred to as the "lead PVO") to successfully implement the project under a cooperative agreement with AID. Under the terms of the cooperative agreement the lead PVO will be required to provide technical assistance, training, commodities as needed, and will have primary responsibility for approving and monitoring of the subgrants to local PVOs and NGOs.

The lead PVO's responsibilities in implementing the project are:

- Project management and administration;
- Management and technical assistance to subgrantee PVO/NGOs and to the general Liberian PVO/NGO community; and
- Reviewing, awarding, monitoring, and evaluating operational subgrants to local PVO/NGOs for activities in health, education, and community development.

The principal project outputs will be the following:

- (1) There will be an established network of information on PVOs and NGOs operating in Liberia.
- (2) A strengthened core of private and voluntary and non-governmental organizations providing services in health, education and community development.
- (3) An effective private enterprise promotion system operating in Nimba county.

The direct beneficiaries of the project will be:

- (1) the local PVO/NGOs receiving the subprojects;
- (2) the PVO and NGO staff attending the workshops and training programs on better management and technical issues; and
- (3) the PVOs' and NGOs' direct clientele.

Secondary beneficiaries will be the residents of the communities served by the participating PVOs and NGOs.

Finally, the wider communities will benefit indirectly from the overall effects of sustained or expanded social services. In the case of enterprise promotion, increased commercial and economic activity will result in new employment opportunities, access to consumer goods, and new markets for local produce. In the health sector, improved health services and provision of sanitary facilities and cleaner water will reduce the incidence of disease, increase community health status and promote general preventive health practices. In education, promotion of basic, nonformal, and vocational education will result in increased skills, literacy, and numeracy, which are key to higher productivity, increased community participation in development efforts, and overall increased standard of living.

To achieve the intended results the following inputs are planned:

(1) Technical Assistance - AID will provide the funding for the lead PVO (three long-term T.A.s), their local staff, and the PSC project manager at a cost of approximately \$4,430,000.

(2) Funding for Subprojects - AID will provide funding for approximately 60% of the Partnership for Productivity/Liberia (PFP/L) project, if approved, and other subprojects in the following sectors:

1. Health will receive approximately \$1,050,000.
2. Education will receive approximately \$1,350,000.
3. Community Development, especially enterprise promotion, will receive approximately \$2,600,000.

(3) Training, Evaluation, Commodities, Audit - AID will provide approximately \$570,000 to fund training, evaluation, commodities and audits.

(4) PVO/NGO and GOL Inputs - Together the local PVO/NGOs and the GOL will fund 40% of the subproject costs totaling \$3,400,000.

III. SELECTION CRITERIA

It will be required that all PVO/NGOs receiving support are registered with USAID, or with AID/Washington per AID regulations.

PVO/NGO Support Project assistance is intended to supplement, for a fixed period and a fixed objective, in ways which will not compromise their private and independent nature, the financial resources available to local PVOs. This investment in PVO/NGO-supplied services is intended to buy opportunity for PVOs and NGOs, not dependence.

a. PVO/NGO Eligibility for Subgrants

- is it committed to development objectives?
- is it registered with AID/W or USAID?
- is it active in one of the target sectors?
- is it financially sound, or capable of becoming so?
- does it have a substantial capital and program investment in Liberia?
- does it possess experienced personnel, including volunteers?
- does it have funding from private sources, including voluntary contributions?
- does it possess a significant outreach capability to the target beneficiaries?

All assistance under the project will be in accordance with following selection criteria.

b. Eligibility of Subgrant Activities

- are the activities in alignment with the organization's capacity to absorb and manage?
- are they in one of the project's target sectors?
- who are the primary beneficiaries of the proposed activities, and what is the rationale for assisting them?
- will the project have a multiplier or spread effect which extends the benefits beyond the immediate recipients?
- what is the likelihood that the activities can be sustained without continued external assistance?
- are the activities cost-effective?
- are they environmentally sound?
- is the implementation approach simple in design?
- has there been sufficient analysis (technical, financial, administrative, social, and implementation) to demonstrate the feasibility of the activities?
- can progress and achievement be measured?
- are the activities development-, not charity-oriented?
- do the activities involve the community?

c. Criteria for Selection of Supplemental Activities and Participants

A wide range of support activities outside of the formal subgrants will be provided by the lead PVO over the life of the project where the strict criteria listed above for determining their scope or participants would be inappropriate because it would not be conducive to responding to the diverse needs of the general PVO and NGO community in Liberia. A workshop, for example, may be developed to meet a need common to many PVOs and NGOs (e.g., alternative revenue sources, improved financial systems, effective Board of Directors); a seminar may be organized when the lead PVO has identified a local organization with an innovative and replicable solution to a common problem; a training program may be designed to bring together PVO and NGO staff working in, for example, latrine construction or school administration. While subgrant recipients will participate in some of these programs,

additional participants will come from newer, less solvent, less organized, or less focused PVOs than those receiving subgrants; their participation will be key to stabilizing and then improving the capacities of these organizations. The vast majority of local PVOs will fall into this category. In determining which of these organizations participate, the lead PVO will consider such aspects as development orientation, non-profit status, sectoral focus, outreach capability, and need for the particular type of assistance. Participation may be based on a request from a PVO, or on an invitation extended by the lead PVO.

d. Finally, additional considerations will guide the lead PVO in determining the relative priority of any of the above-described proposed activities, such as:

- is it oriented toward productive enterprises, fostering employment and income generation?
- will it especially benefit women?
- does it have a high level of community participation?
- will it contribute to the enhancement of the PVO's own capabilities?
- will it directly assist the poor?
- will it contribute to more equitable access to services?
- does it seize upon "targets of opportunity"?

IV. RESPONSIBILITIES

A. A.I.D.

Although project implementation will be managed by a lead U.S. PVO, USAID will play a role in the project by guiding, monitoring, and evaluating the project's implementation, and by participating in policy and programming dialogue with the GOL and the PVO/NGO community. Specific USAID responsibilities are outlined below:

(a) USAID/Liberia will be the approval authority for project implementation actions, including inter alia registrations of local PVOs and NGOs, subgrants, evaluations, and project amendments.

(b) USAID's Special Projects and Project Development (SPPD) office will be the office responsible for implementation management.

(c) The Cooperative Agreement with the lead PVO will detail USAID's involvement in project implementation; in brief, USAID will provide: approval of detailed budgets and workplans for project implementation; concurrence in procedures for management and disbursement of all project funds, including subgrants; concurrence in procurement procedures; concurrence in monitoring and reporting procedures and schedules; concurrence in the selection of PVO/NGOs to be awarded subgrants and in the selection of specific subgrant activities; and participation in project evaluations. The project manager will be responsible for presenting such actions to the appropriate USAID authority for concurrences and approvals.

(d) The PSC project manager will prepare and submit for USAID concurrence an evaluation plan which clearly defines evaluation methodology and criteria for the project as a whole, and which provides for collection and analysis of information necessary to measure impacts.

(e) The PSC project manager will invite Council members and the lead PVO to submit agenda items in advance of each meeting.

B. Lead PVO

(a) It will prepare detailed staffing pattern, workplans, and budgets for its project implementation activities. The workplans will specify target dates and benchmarks for measuring implementation progress, and will be submitted to the PVO Council and USAID annually. In order to develop these workplans and budgets, the lead PVO must quickly acquire an understanding of the PVO/NGO community it will be assisting and the general Liberian context (economic, social, sectoral, institutional) in which it will work.

(b) It will develop detailed formal procedures for budgeting, drawing down, expending, controlling, and reporting on all project funds. These procedures will be in accordance with AID regulations, and sound financial management standards. They will include a clear delineation between home office and in-country responsibilities.

(c) To the extent possible, it will promote exchange of information and collaboration among local PVOs and NGOs, both in solving technical and programmatic problems and in cooperating to improve their programs' effectiveness and sustainability. Much of this promotive activity will be informal, as the lead PVO discovers common problems among the local PVOs and NGOs it is working with, or innovative solutions susceptible of replication by others.

(d) Outside of specific subgrants, the lead PVO will devise and execute short training programs, workshops, and seminars for participants drawn from local PVOs and NGOs. These may be technically oriented, directed toward improving financial accountability and management of services, focused on outreach and community mobilization, or aimed toward the PVO/NGOs' longer-term needs, like revenue generation and future programming. To the extent possible, it will recruit in-country resource persons and trainers for these activities; a roster of such resources will be developed.

(e) It will assist local PVOs and NGOs as necessary to refine their subgrant proposals and to complete the documentation necessary to establish their eligibility to receive AID funding (i.e., registration with USAID).

(f) At the PVO Council, the lead PVO will: report formally to the GOL and USAID on the project's progress; summarize activities of the past three months (including new subgrants awarded, evaluations performed, and other activities conducted); summarize planned activities for the next three months (including evaluations, in which GOL and USAID will be invited to participate); present a summary accounting of project funds, and, finally, discuss any issue related to the project's implementation.

(g) To perform these responsibilities, the lead PVO will provide a combination of short-term and long-term on-site staff and home-office backstopping services. The actual configuration of the project's staffing pattern will be developed by the lead PVO with USAID's concurrence during the first phase of project implementation.

C. The Government of Liberia

The PVO/NGO Support Project complements and reinforces ongoing government-to-government programs in health, education, and rural development. The project grant agreement will be negotiated and signed by the USG and the GOL, but because the project's focus is on non-governmental organizations, the GOL's direct involvement will be in the PVO Council. The role of the Ministry of Planning and Economic Affairs is that of an advisor, and its advice will be most critical in ensuring that the project's activities fall within the government's policy framework, including inter alia policy on donor coordination, policy on private investment, and sectoral policies in health, community development, and education. The MPEA's specific responsibilities are outlined below.

(a) The MPEA will assign a staff member to act as the government's liaison to work with USAID and the lead PVO to ensure the PVO Council's smooth implementation. This individual will coordinate policy and other concerns with other government agencies.

(b) Contributions for some of the subprojects may come from the GOL Development Budget, particularly if the GOL has already been supporting a specific project (e.g. PFP/L). If the GOL desired to support subprojects at any level higher it would mean the project's other resources would spread further, because more PVOs and NGOs could be assisted.

(c) The GOL will participate in project and subproject evaluations if it wishes to do so. Normally, the MPEA liaison would be the only participant, but for specific subprojects, participation from other government agencies, such as technical Ministries, may be desirable.

(d) The MPEA will chair the PVO Council meetings which will include representatives from the MOH and MOE, but may also include other appropriate GOL officers, depending on specific agenda issues for each meeting.

D. The PVO Council

The PVC Council will be convened and chaired by the Ministry of Planning and Economic Affairs four times a year. Permanent members of the PVO Council will be representatives from the MPEA, the Ministry of Health, the Ministry of Education, USAID, and the general donor community on a revolving annual basis (i.e. UNDP, EEC, etc.). In addition, other participants may be invited from time to time, e.g., officers of subgrantee PVOs, representatives from other ministries, or other USAID officers, depending on the agenda of the meeting.

The purpose of the PVO Council is to provide a regular forum for the donor, the grantee, and the implementing agency to review the project's progress, solve problems and constraints impeding its implementation, and discuss government policy and interest in PVO and NGO activities in Liberia. It will provide a means for the MPEA to become better informed of PVO activities in general.

The precise schedule and procedures will be developed by the PSC during the first phase of project implementation. Adjustments to these may be made later upon agreement of the the participants.

The following procedure is therefore illustrative only: The PSC will designate a fixed schedule for the PVO Council meetings (for example, the third Thursday of each January, April, July, and October); the agenda for each meeting of the PVO Council will be determined in advance; the PSC will prepare a preliminary agenda one week before the meeting date, and forward it to the Council members for their approval and additions.

Each meeting will begin with a formal presentation by the lead PVO of the project's status, specifically covering the overall progress toward the project's objectives, a financial report on project expenditures to date and planned expenditures during the coming three months; activities during preceding three months (proposals reviewed, subgrants awarded, evaluations and audits conducted, workshops or other assistance provided, etc.); plans for the following three months (evaluations and other major implementation activities).

V. IMPLEMENTATION PLAN

The project's implementation will occur in two phases, the first comprising preliminary and preparatory activities, and the second concentrating on execution of subgrants and other direct assistance to local PVOs (e.g. training, short-term management/technical assistance, workshops), as well as information gathering, monitoring and evaluation. In addition, USAID has decided to accept and review an application from PFP/L for a separate subproject to be implemented by the PSC project manager. A cooperative agreement will be executed between USAID and PFP/L if the application is approved.

A. Phase One

Phase One activities include the selection and in-country establishment of the lead PVO, and the recruitment and arrival of the USAID PSC project manager. If possible, local recruitment of the PSC will be from the US Government official community. This phase will end with the systems and structures necessary to implement the subgrant program established by the lead PVO and the PSC project manager. Phase One is expected to be completed within ninety days following the arrival in-country of the lead PVO and PSC project manager.

The Selection and Establishment of the Lead PVO: Upon project authorization, the Mission will address to all U.S. PVOs registered with AID a letter describing the project and requesting expressions of interest.

Following execution of the grant agreement with the GOL, a PIO/T will be issued earmarking the bulk of FY87 project funds for a Cooperative Agreement with an AID-registered U.S. PVO. PVOs which expressed interest will receive the Request for Proposals (RFP). Their responses to the RFP will be evaluated by the USAID project committee which will include a representative from the MPEA; selection will be made by the Project Committee, and the Cooperative Agreement negotiated and executed by the Mission's Contracting Officer with the advice of the REDSO/WCA Regional Legal Advisor.

The lead PVO will establish its presence in Liberia not later than 30 days after execution of the Cooperative Agreement, with the arrival in-country of the Chief of Party.

(a) Establishment of project management facilities, including: office space, supplies, and equipment; housing for the three long-term technical advisors; recruitment of initial local-hire professional and support staff; initial commodity procurement, including two vehicles; a logistical support system; home office backstop and support system.

(b) Initial contacts, field visits, and research to become acquainted with and knowledgeable about the Liberian PVO/NGO community, beginning with a review of USAID's contacts and correspondence to date. Publicity to local PVO/NGOs describing the project and inviting them to contact the lead PVO for more information. Liaison with other donors and Peace Corps staff and volunteers working with PVO/NGOs. Compilation of an initial "institutional inventory" in a format permitting easy updating as knowledge of local PVOs and NGOs grows.

(c) Preparation of a detailed budget and workplan for project management activities, including the management/technical assistance and training to be provided outside the subgrants. This document will provide the benchmarks for assessing implementation progress and lead PVO performance, and will be updated annually. It will be submitted to USAID for concurrence.

(d) Establishment of a financial management system for controlling subgrants: uniform budgeting format, reporting procedures, and schedules; categories of allowable costs per AID regulations; a local bank account; procedures for monitoring expenditures to ensure compliance with budgets.

(e) Assistance as required to selected PVO/NGOs as they prepare their initial subgrant proposals.

The PSC Project Manager: Upon execution of the project agreement, a PIO/T will be issued for procurement of an experienced project manager to assist in implementing the PVO/NGO Support Project. The position will be advertised locally among the US Government's official community. The contract will be executed by the Mission for an initial period of two years. The Contractor will begin as soon as possible upon receiving his/her security clearance. The PSC will be provided full logistical support by the USAID.

B. Phase Two

Phase Two will proceed in accordance with the workplan prepared during Phase One. Awarding and implementation of operational subgrants will be phased, and thus will be an ongoing responsibility of the lead PVO. Specific tasks for the lead PVO during this period will include:

(a) Assistance to PVO/NGOs in the preparation of subgrant proposals, including helping them to assess their needs in technical areas and management procedures. Particular attention will be paid to aligning subgrant proposals with the proposing PVO/NGO's capacities to absorb and manage the assistance; in some cases a PVO/NGO's proposal may be broken down to provide a series of subgrants over several years, each contingent upon the successful completion of its predecessor.

(b) Assistance to PVO/NGOs developing subgrant proposals to establish their eligibility to receive AID funding; this task may be as straightforward as helping them to gather the documentation required and submit it to USAID, or, in other cases, helping them to set up improved financial management systems, finance an audit, or acquire GOL recognition, in order to meet AID's criteria.

(c) Review and approval of proposals for subgrants with USAID participation; also review and approval by USAID of subgrant agreements (the first of these also will be reviewed by the REDSO RLA).

(d) Disbursement of funds to subgrantees; monitoring of expenditures and accounts.

(e) Ongoing monitoring and evaluation of umbrella and subgrant activities, including site visits and subproject evaluations.

(f) Development and staging of a range of workshops, seminars, training programs, and other assistance, including short-term technical assistance, to the PVO/NGO community, in such areas as sound management principles, technical reviews or improvements, planning and programming (including budgeting), and promotion of self-sustainability, including revenue generating activities. Other subject areas for these activities will be identified over the course of the project as PVO/NGO needs and interests become better known.

(g) Continuing liaison with the PVO/NGO community in Liberia: promoting the exchange of information and ideas; providing them information on topics of interest, perhaps through a quarterly letter or occasional programming with the Liberian Rural Communications Network; information gathering to inform USAID's future PVO and non-governmental sector programming.

(h) Quarterly meetings of the PVO Council, providing a forum for review of project progress and government policy affecting PVO/NGO activities.

(i) Procurement and delivery of commodities for PVO/NGO subgrants, in accordance with AID procurement regulations.

C. Subgrant Review Process

The assistance process for the operational subgrants is summarized below. On a quarterly or semi-annual basis the lead PVO will run a competition program with a specific cutoff date for PVOs/NGOs to submit proposals.

Step 1: Lead PVO reviews proposals from local PVOs/NGOs.

22

Step 2: Within one month, lead PVO applies selection criteria, determines whether proposed subprojects are generally within the project's scope, and informs local PVOs/NGOs.

Step 3: Either

- The proposals are accepted by the lead PVO for forwarding to the approval body; or
- The proposals are revised with lead PVO technical advice and/or training, and then are reviewed by the lead PVO.

Step 4: The proposals are then submitted for approval to the lead PVO and USAID.

Step 5: Either

- USAID approves, and the lead PVO and local PVOs/NGOs negotiate subgrant agreements; or
- USAID requests modifications in the proposals; once these are made to its satisfaction, USAID approves, and the lead PVO and local PVOs/NGOs negotiate subgrant agreements.

Step 6: Subgrant agreements are executed with USAID concurrence/approval.

Step 7: Disbursement, implementation, monitoring, and evaluation of subgrants take place.

D. Partnership for Productivity/Liberia (PFP/L)

The final evaluation of the Nimba County Rural Technology Project established that PFP/L has been successful in developing a financial infrastructure in Nimba Co. where none existed before. As a result of the positive final evaluation and support for the development goals of the organization, the project will consider continued support to PFP/L. However, the time frame for recruitment, establishment and familiarization of the lead PVO is expected to be at least five months. Given the financial pressures PFP/L is presently operating under, and the importance of maintaining confidence in the organization, the project will build in an expedited funding track for PFP/L.

PfP/L will submit an application, which will include all evaluation recommendations, for funding which will be reviewed by a special project committee. If approved, a PIO/T will be written and a cooperative grant agreement will be signed between USAID and PfP/L. If implementation proceeds according to schedule, PfP/L will receive its first disbursement soon after the project is obligated.

PfP/L is one of the few PVOs currently registered with USAID. Like the other subprojects, PfP/L will be required to maintain its registration throughout the life of the subproject. This includes annual audits and regular Governing Board meetings.

Funding will come directly out of the project budget. AID will manage it through the PSC project manager and monitor it through the SPPD project office. However, the lead PVO will provide PfP/L two years of long-term technical assistance of a financial, banking and accounting expert and any short-term T.A., workshops and/or training needed.

USAID estimates that PfP/L may receive up to \$300,000 a year for four years, however, the exact amount and the funding period will be determined by the quality of the application. The GOL development budget support for PfP/L reached \$230,000 this year and their annual earned revenue is approximately \$70,000, hence, PfP/L will be able to provide the 40% subproject contribution as required.

31

VI. ILLUSTRATIVE FINANCIAL PLAN

Total cost of the PVO/NGO Support Project is \$13,400,000 over five years; funding derives from three sources: AID Development Assistance accounts (EHR, HE, SDA, and ARDN); GOL Development Budget accounts; and contributions from PVO/NGOs receiving operational subgrants. The AID contribution totals \$10 million.

The project's anticipated expenditures fall into three categories:

30%	Project Management/Technical Assistance
63%	Operational Subgrants
7%	AID Monitoring, Evaluations, and Audit

These are summarized in Table 2 and discussed below.

Project Management

These costs, for the services of the lead PVO, will be fully supported by AID funding. Because it is functioning as implementor of a USAID-developed project (as opposed to receiving AID assistance to implement its own program), the lead PVO will not be required to contribute its own resources to the PVO/NGO Support Project. Project management expenditures will be approximately 30% of the total project costs.

Operational Subgrants

The operational subgrants to PVOs will be cofinanced by AID, the GOL, and the recipient PVO/NGO. AID will finance approximately 60% of the subproject cost and 40% will be financed by the recipient PVO/NGO and/or the GOL in cash or in kind. Subgrant funds will be controlled and reported on by the lead PVO.

He

The operational subgrant estimates are very preliminary reflecting USAID's selected priorities and our present knowledge about active PVOs and NGOs in Liberia. Final commitments in each of the target sectors will depend on the demand for funds by organizations that meet the selection criteria. Therefore, changes in the balance among the three sectors within the operational subgrant category may be requested by the lead PVO.

The quarterly PVO Council meetings will include a report by the lead PVO on the use of operational subgrant funds.

Table 1
AID Obligation Schedule (\$000)

YEAR OF OBLIGATION	Development Assistance				TOTAL
	EHR	HE	ARDN	SDA	
FY 1987	1,100	100	600	470	2,270
FY 1988	2,865	950	445	1,000	5,260
FY 1989	345	-0-	-0-	625	970
FY 1990	1,165	-0-	155	180	1,500
Total	5,475	1,050	1,200	2,275	10,000

ARDN: \$ 600,000 - Appropriation: 72-1171021.3
BPC: GDNA-87-21669-KG13

HE: \$ 100,000 - Appropriation: 72-1171021.8
BPC: GDHA-87-21669-KG13

EHR: \$1,100,000 - Appropriation: 72-1171021.5
BPC: GDEA-87-21669-KG13

SDA: \$ 470,000 - Appropriation: 72-1171021.6
BPC: GD SA-87-21669-KG13

Funds Available: for Horace W. Hunter
Horace W. Hunter

Table 2

Illustrative Budget Summary
(\$000)

Line Item	FY88*	FY89	FY90	FY91	FY92	TOTAL
<u>— AID CONTRIBUTION —</u>						
<u>Project Management</u>						
Long-Term TA	465	475	340	345	350	1,975
Short-Term TA	80	100	100	100	100	480
Local Prof. Staff	45	45	50	55	55	250
Office Operations and Support	55	55	60	60	60	290
Workshops, Trng., Prms., Seminars	30	40	40	40	40	190
Commodities	70	10	10	10	10	110
Audits/Accounting	20	20	25	25	10	100
Home Office Backstop	20	20	20	20	20	100
Overhead	140	150	110	115	115	630
Project Mgt. Subtotal	925	915	755	770	760	4,125
<u>Operational Subgrants</u>						
Health:	100	100	250	350	250	1,050
Education:						
-Primary	100	100	100	150	100	550
-Vocational & Technical	100	100	130	150	120	600
-Non-formal	40	40	40	40	40	200
Community Dev. & Enterprise Promotion:	200	360	390	250	200	1,400
-PFP/L	300	300	300	300	—	1,200
Subgrants Subtotal	840	1,000	1,210	1,240	710	5,000
<u>AID Monitoring, Evaluations, and Audit</u>						
PSC Project Manager	135	138	141	144	147	705
Evaluations	5	—	20	20	50	95
Audit	—	—	75	—	—	75
Subtotal	140	138	236	164	197	875
<u>Total AID Contribution:</u>	1,905	2,053	2,201	2,174	1,667	10,000
<u>Host Country Contribution:</u>	571.2	680	822.8	843.2	482.8	3,400
(includes GOE, recipient PVO/NGOs and other donor support)						
<u>TOTAL PROJECT COST</u>	2,476.2	2,733	3,023.8	3,017.2	2,149.8	13,400

*Includes last quarter FY87.

28

VII. MONITORING AND EVALUATION PLAN

Monitoring of project implementation and evaluation of project performance and impacts will take place on two levels: the subgrants, and the umbrella structure.

Subgrants

For the subgrants, each proposal will contain a monitoring plan and schedule consistent with the type of activities undertaken and the amount of the subgrant. The lead PVO will ensure that this plan is sufficiently developed to permit measurement of subproject progress. Similarly, each proposal will contain an evaluation plan and schedule; each subproject will be evaluated at least once (most often as a final evaluation). The lead PVO will perform the evaluation(s) with participation of the subgrantee, and any short-term specialized expertise that might be necessary (preferably from in-country sources), including data-gathering assistance. Up-coming subproject evaluations will be announced to USAID and the GOL at the quarterly meetings of the PVO Council, and these parties will be invited to participate at their own expense. Evaluation methodology and criteria will be clearly defined in each subgrant, and will include, for example:

- the achievement of the subproject's objective(s);
- the impacts of the subproject, good and bad;
- the performance of the subgrantee;
- whether the benefits justify the investment;
- the number and types of beneficiaries;
- replicability;
- the contribution of the subproject to achieving the project's purpose and goal;
- the sustainability of the subproject activity and of the subgrantee organization; and
- for subprojects which included construction or renovation activities, the quality of the work.

Umbrella Structure

For the umbrella structure, regular project monitoring by USAID will include frequent site visits to subprojects; not less than quarterly formal discussions between USAID and the lead PVO on project progress and problems; and quarterly reviews in the context of the PVO Council meetings. The lead PVO also will provide USAID with a quarterly written summary of project progress. The PSC project manager will be in frequent informal contact with the lead PVO's staff.

A detailed evaluation plan and schedule will be prepared by the lead PVO for USAID concurrence during the first phase of project implementation. The following outline is illustrative.

(a) A "shake-down" evaluation will be conducted by USAID in-house staff in the fourth quarter of FY1988, i.e., one year after project obligation. Its purposes are to establish that all structures and systems are in place to ensure the project's smooth implementation, to recommend changes in the project's design if significant new information or problems have emerged, and to assess whether the workplan and budget devised by the lead PVO and concurred in by USAID are realistic and likely to result in achievement of the project purpose. It is expected that the USAID Project Office, Controller's Office, and technical divisions will participate in this evaluation.

(b) An interim external evaluation will be conducted, in the first quarter of FY1990. It will require technical expertise relevant to the kinds of subprojects underway when they occur, and will assess the management and technical performance of the lead PVO. The evaluation will consider (i) progress toward achievement of project purpose; (ii) whether the project requires design changes to achieve its purpose; and (iii) whether there is sufficient knowledge of PVO/NGO needs not being addressed by the project to merit exploration of new USAID programming. The GOL and the lead PVO's home office will be invited to participate.

(c) A final evaluation of the project will be performed approximately a year before the PACD, to measure project and subproject impacts, assess lead PVO and subgrantee PVO/NGO performance, and identify significant lessons learned. This evaluation will require an external team possessing expertise in project administration, management systems, and training, as well as community development, primary health care, basic education, credit institutions, civil engineering, and/or other fields relevant to the spectrum of subprojects executed. The GOL and the home office of the lead PVO will be invited to participate. The terms of reference for this evaluation will be developed by USAID following the 1990 interim evaluation.

In accordance with standard AID project management procedures, there will be an external audit of the project in the third or fourth year. .

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. [See HB 18.]

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

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

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

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

Article C: Procurement Provisions

SECTION C.1. Special Rules.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION C.4. Reasonable Price No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be produced 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 sub-section 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 payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds.

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

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

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

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

(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.