

A.I.D. Project Number [REDACTED]
SADCC Project Number 5.0.18

PROJECT GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF MALAWI

AND THE

UNITED STATES OF AMERICA

FOR

NATURAL RESOURCES MANAGEMENT

(Wildlife Resources Management and Utilization)

Dated: August 31, 1989

PROJECT GRANT AGREEMENT

Dated: August 1989

Between: The Government of the Republic of Malawi ("Grantee"), in its capacity as SADCC Coordinator for Forestry, Fisheries and Wildlife.

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 understanding of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, consists of assistance, within the framework of SADCC, to facilitate regional cooperation and coordination among Zimbabwe, Botswana and Zambia in managing and protecting their national resources base for purposes of sustainable social and economic development as well as protection of ecological diversity, and to disseminate information on community management of wildlife resources among SADCC member States. 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.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Million Five Hundred and Thirty Thousand United States ("U.S.") Dollars (\$1,530,000) ("Grant").

SECTION 3.2. Grantee Resources for the Project.

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

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of Two Hundred Twenty-Seven Thousand and Five Hundred United States ("U.S.") Dollars (\$227,500) including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 1995, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

Section 4.1. First Disbursement. Prior to any disbursement under the Grant or to the issuance of any commitment documents pursuant to which such disbursement may be made, the Grantee shall furnish, in form and substance satisfactory to A.I.D., a statement setting forth the names, titles and specimen signatures of the persons who will carry out the Grantee's responsibilities under the Agreement.

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

SECTION 4.3 Terminal Dates for Conditions Precedent

(a) If all of the conditions specified in Section 4.1. have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. The Grantee shall prepare on an annual basis a work plan, for review and concurrence by A.I.D., which shall include a description of the project activities and supporting implementation plan to be carried out during the applicable year.

SECTION 5.2. 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 problem areas or constraints may be overcome; and,

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.3. The Grantee shall ensure that the staff of the Department of National Parks and Wildlife includes an officer who is responsible for the SADCC programme of Action for Wildlife and assign an officer to work with the Data Analysis Specialist through the life of the project to learn the techniques of data gathering and analysis, computer processing and dissemination of information.

SECTION 5.4 The Grantee shall ensure that all commodities procured under the Grant are maintained in good working condition. With respect to vehicles, the Grantee shall establish and maintain an adequate system to monitor and control usage to ensure that such vehicles are employed exclusively for project purposes.

Article 6: Procurement Source

SECTION 6.1 Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in the United States, the Republic of Malawi, other SADCC member States (excluding Angola) or other A.I.D. Geographic Code 941 countries ("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 or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

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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 Malawi ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursement of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

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

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

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

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

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

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

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into the Republic of Malawi by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of Malawi at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of Malawi.

Article 8: Miscellaneous

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

To the Grantee:

Mail Address:

Alternate address for cables:

To A.I.D.:

Mail Address: USAID/Zimbabwe, c/o USAID/Malawi, Box 30455,
Lilongwe 3, Malawi

Alternate address for cables: Telex 4627MI

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All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission in Malawi with a copy of each communication sent to A.I.D.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Forestry and Natural Resources and A.I.D. will be represented by the individual holding or acting in the office of the Director, USAID/Zimbabwe, 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 Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Governments of the Republic of Malawi and of 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 last below written.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

By: Carol A. Peasley
Carol A. Peasley
Title: Mission Director
USAID/Malawi

FOR THE GOVERNMENT OF THE
REPUBLIC OF MALAWI

By: [Signature]
Title: for Ministry of Forestry
and Natural Resources

Date: August 31, 1989

Date: August 31st, 1989

Fiscal Data:

Appropriation: 72-1191014
Budget Plan Code: GSSA-89-21613-GG12
Reservation Control Number: G925112
Reservation Document Number: PA-690-0251.12-89001
Agent Code: 612-000-020
Amount: \$ 1,530,000
Authority: Harare 4954

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Annex 1: Amplified Project Description

Natural Resources Management - Malawi (SADCC Unit) Component

A.I.D. Project No. 690-0251.12

SADCC Project No. 5.0.18

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Annex 1: Amplified Project Description

Natural Resources Management - Malawi (SADCC Unit) Component

A.I.D. Project No. 690-0251.12

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Annex 1: Amplified Project Description

Natural Resources Management - Malawi (SADCC Unit) Component

A.I.D. Project No. 690-0251.12

SADCC Project No. 5.0.18

Elements of the project description may be changed by written Agreement of the authorized representatives of the parties named in the Project Agreement without formal amendment of the agreement, provided that such changes are within the general scope of the project as set forth in the text of the agreement.

1. General Project Description

The Southern African Development Coordination Conference (SADCC) has adopted a Regional Natural Resource Policy and Development Strategy which identifies wildlife as an important integral component of the region's natural resources. The strategy recognizes the technical viability and economic advantages of wildlife utilization in areas only marginally suitable or completely unsuitable for agriculture, categories which apply to large portions of the region's land surface. The strategy seeks to extend wildlife utilization, already demonstrated as a viable form of land use on privately owned marginal lands in Zimbabwe, to lands under communal forms of management where local populations have received little direct benefit and where the wildlife resource is under heavy pressure from commercial poaching. The strategy recognizes that unless exploitation of wildlife in the communal lands is controlled and subjected to sustainable forms of utilization, the region will largely be deprived of one of its most productive natural resources.

The Project consists of assistance, within the framework of SADCC, to facilitate regional cooperation among participating SADCC member states in managing and protecting the natural resource base of the SADCC region for purposes of sustainable social and economic development as well as protection of ecological diversity, and to disseminate knowledge of community management of wildlife resources among SADCC member states. The goal of the project is to increase incomes and enhance capability to meet basic human needs through sustainable utilization and conservation of natural ecosystems. Successful conservation of wildlife resources and better integration of wildlife into the participating nations' economic development programs will accomplish the project's subgoal of promoting sustainable development of communities on lands that are marginally suitable for agriculture.

The purpose of the project is to improve the social and economic well-being of residents of targeted rural communities by implementing sustainable community based wildlife conservation and utilization programs. The expected accomplishments of the project on completion are

as follows:

- a. Natural resource utilization will be demonstrated to be a preferred and profitable land use in rural and communal lands.
- b. Resource management programs established in the target areas will be self-sufficient, will offer increased local employment opportunities and incomes, will result in sustained wildlife resource yields, and will provide the communities with access to a renewable source of revenues for local development projects.
- c. Institutions and decision-making procedures for sustainable resource management and distribution of economic benefits resulting from the natural resource base will be established and strengthened at the village, ward, and district levels on communal lands in participating SADCC member States. These institutions will assume complete responsibilities by the end of the project.
- d. Participation of women in resource management programs will increase at the village, ward, and, potentially, district levels in the targeted SADCC member states. The role of women in the economy and their access to income will be expanded through income-generating activities that use the natural resource base in a sustainable manner.
- e. Interested governments and leaders in the natural resources sector throughout the SADCC region will be better informed on natural resource management methods and impact, particularly with respect to wildlife.
- f. In participating SADCC countries, rural social welfare will be increased through higher income and/or access to protein, community development projects, and the expanded participation of women in the development process.

2. Description of Malawi (SADCC Unit) Component

The concept of community-based management of resources, still in its infancy, faces numerous legal, administrative, and technical problems. Its development will require a much better understanding of the issues and implementation of action programs at the national and regional levels. In 1988, SADCC adopted a "Regional Natural Resources Policy and Development Strategy", which emphasizes the importance of sustainable utilization of wildlife and the need for providing economic returns to local communities. The A.I.D. funded Natural Resources Management Project complements SADCC's natural resource objectives. The project is consistent with the SADCC Programme of Action, specifically, the SADCC Project entitled "Regional Development of Community-based Management and Utilization of Wildlife Resources in Marginal Areas" (SADCC Number 5.0.18). The Malawi component is comprised of two principal activities: Project Coordination, and Project Monitoring and Evaluation.

2.1. Project Coordination

To ensure the achievement of SADCC regional objectives, SADCC representatives and A.I.D. representatives agree that the individual country programs must be coordinated at the regional level. It is further agreed that the Sector Coordinating Unit for Forestry, Fisheries, and Wildlife of SADCC will assist in the dissemination throughout the SADCC region of results and lesson learned from implementation of project funded utilization and management of wildlife activities in participating SADCC member states. Drawing upon results of the varied project activities in the participating SADCC countries, the SADCC Sector Coordinating Unit will: compile baseline information; monitor changes that occur; and assemble data on wildlife resources, rural communities, and government and non-government institutions.

The objective of project coordination efforts is to foster a better understanding and technical knowledge of local, national and international actions required to ensure that benefits accrue to local communities from wildlife utilization and conservation. Funding will be provided to the referenced SADCC Sector Coordinating Unit through the Government of Malawi for purposes of carrying out research, analysis and publication of results, and conference planning. The project will fund dissemination of analytical data and lessons learned through a periodic newsletter, dissemination of documents through the SADCC technical representatives in each member government, and through annual workshops to be held in each of the last four years of the project (1992-1995). Each workshop will be held in a different country, and will offer opportunities for presentation of papers, discussion and field observation.

The project will also provide assistance for the SADCC Coordinating Unit to organize liaison visits and technical seminars, and to service the Project Coordinating Committee. As a result, the project will both integrate country-specific components and strengthen the institutional capacities of SADCC to address issues of natural resource utilization on a regional basis.

2.2. Project Monitoring and Evaluation

The project will be subjected to two sets of monitoring and evaluation processes to be funded from the Malawi Component. The first is the continual, internal evaluative exercise where information about the results of the application of community based resource utilization will be monitored on a continual basis. The records will be available to all interested parties and will serve as a source of information for external project evaluators.

The second form of monitoring will examine progress towards targets and planned outputs, one to be conducted at mid-term and the other shortly

before the Project Assistance Completion Date. The evaluation plan includes four critical points for in-depth research to assess the achievement of planned outputs: (i) baseline studies against which to measure change over time; (ii) an implementation review; (iii) a mid-term evaluation; and (iv) a final impact evaluation.

The baseline studies will be undertaken on a country-specific basis, and will involve two types of baseline studies: (a) data on wildlife populations and their habitats in Botswana, Zimbabwe, and Zambia; and (b) socio-economic data on the residents and institutions of the project target areas. Given that patterns of use of the natural resource base by wildlife and human populations are interrelated, the results of the baseline studies must be shared and data requirements modified as needed.

The mid-term and final evaluations will be conducted on both a regional and a country-by-country basis in the four countries in years three and six, respectively. The mid-term evaluation will assess progress made to date in achieving planned outputs in the four participating countries. The evaluation will include a preliminary comparison of the validity of the models being pursued, taking into account differences in national policies and socio-economic contexts.

The mid-term evaluation is intended as a tool to plan for the remainder of the project, with the evaluation team and project implementors jointly reviewing and modifying the objectives and expected outputs. In addition to reviewing change in terms of the data collected during the baseline studies, the mid-term evaluation will:

- o Assess the validity of assumptions made during project design;
- o Assess the degree to which target groups are receiving revenues and other benefits from wildlife utilization activities;
- o Gauge the efficiency and effectiveness of the collaborative arrangements between implementing agencies;
- o Assess the effects of changes in national and international policies regarding wildlife use on community based resource utilization, as well as the reverse: the effects of the demonstration projects on national policies;
- o Assess the capability and capacity of local institutions for self-management and self-determination regarding natural resources utilization;
- o Identify causal factors if the project is not achieving the expected outputs; and
- o Recommend changes in design and produce a status report on plans to incorporate additional target areas, if appropriate.

The final impact evaluation team will collect data for comparison with that in the baseline studies, as well as with the data generated and the conclusions and recommendations made during the mid-term evaluation and at other points during the project implementation. At the regional level, the evaluation will compare the different models being applied in each country and make hypotheses regarding their effectiveness and impact on community residents, given the differing political, economic, environmental, and cultural contexts. The coordination and information dissemination roles of the SADCC Coordinating Unit in Malawi will also be assessed.

3.1. A.I.D. Responsibilities

a. USAID/Zimbabwe

USAID project administration, including assistance with procurement of vehicle and office equipment, will be provided by USAID/Zimbabwe under the direction of a USAID officer of the Agricultural Development Office, who will be the drafter of the initial (and subsequent substantive) Project Implementation Letters (PILs). The Assistant Agricultural Development Officer of USAID/Zimbabwe will monitor the work of the project advisor according to agreed terms of reference and in relation to the other components of the Project. USAID/Zimbabwe will also serve as the authorized accounting services station for all project components and will be responsible for management and contracting for evaluation assistance. Vouchers are to be submitted for payment to the Controller, USAID/Zimbabwe.

b. USAID/Malawi

USAID/Malawi will serve as a facilitator as time allows and may on occasion be designated to act for USAID/Zimbabwe.

3.2. Implementing Agency Responsibilities

a. SADCC Wildlife Sector Coordinator

The implementing agency responsible for the Malawi Component of the Natural Resources Project is the SADCC Wildlife Sector Coordinator located in the Department of National Parks and Wildlife (DNPW) of Malawi's Ministry of Forestry and Natural Resources.

The Chief National Parks and Wildlife Officer will supervise a Project Adviser (further described below) and the DNPW will ensure administrative and logistical support. In addition, the Department has agreed to assign a member of staff to assist the project Adviser in project-related activities. The staff member, who will return from training in the United States in September, 1989, will work fulltime on SADCC matters. The Department Chief has also indicated his intention to request an additional staff member to help coordinate the SADCC program as the

number of projects under implementation expands and to assign a planning officer to learn data collection and analysis techniques from the adviser.

In response to a need for transport and fuel to facilitate project coordination, the project will provide a four-wheel drive vehicle and funds for fuel costs during the six-year life of the project. The Department, which has its own staff of mechanics, will maintain the vehicle and provide a driver. The vehicle will be registered as a Government vehicle and will be subject to regulations as to its use. It will be available to the Project Advisor according to his needs.

With the assistance of the Advisor, the Department will coordinate the activities of the project as a whole on behalf of SADCC. It will establish a Project Coordinating Committee in which the SADCC Coordinator, USAID as Cooperating Partner, the three member states in which activities will take place, and other implementing agencies will be represented.

b. Project Coordinating Committee

The SADCC Coordinating Unit will establish a Project Coordinating Committee on which the SADCC Coordinator, USAID as SADCC Cooperating partner, the participating SADCC member states, and any contracting agencies or non-governmental grantees will be presented. The Project Coordinating Committee is to be chaired by the SADCC Coordinator for Forestry, Fisheries, and Wildlife. The Project Coordinating Committee will collaborate closely with the Project Implementing Committees in each of the participating states to implement the Regional Communication and Exchange of Information activity of the project.

c. Project Advisor (Data Collection and Analysis Specialist)

Assistance will be provided to the Government of Malawi acting in its capacity as the SADCC Sector Coordinating Unit for Forestry, Fisheries, and Wildlife in the form of financial support and the provision of a Project Advisor, who will be located in the Department of National Parks and Wildlife (DNPW) of Malawi's Ministry of Forestry and Natural Resources. The Project Advisor will be a specialist in data collection and analysis and will report to the Chief National Parks and Wildlife Officer, who is the Technical Coordinator for Wildlife of the SADCC Coordinating Unit for Forestry, Fisheries, and Wildlife. The Advisor will also serve as secretary of the Project Coordinating Committee.

4. Illustrative Financial Plan

Attachment I is the Malawi Component of the Project Financial Plan. The Plan is Illustrative and changes may be made to the plan by mutual agreement of the parties named in the text of the Project Agreement without formal amendment to the Agreement if such changes do not cause: (1) A.I.D.'s contribution to exceed the amount specified in the text of

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the Agreement; or (2) the Grantee's contribution to be less than the amount specified in the text of the Project Agreement. Future A.I.D. obligations not covered in the original Project Agreement are subject to the availability of funds and mutual agreement of the parties to proceed.

5. Financing Methods

This grant will be implemented using the standard operating procedures which have been established between the Government of Malawi and the USAID Mission for bi-lateral grant agreements. Specifically, the project will be obligated by a grant agreement signed by the Government of Malawi and USAID. All procurement, the Project Advisor, and the Evaluations will be funded by a direct USAID/Zimbabwe contract.

6. Evaluation

Evaluation of the entire project will be a primary activity of the Malawi component of the project. Funds have been included in the project budget for audits of the project activities at the of year three and at the end of the project.

USAID/MALAWI
ILLUSTRATIVE FINANCIAL PLAN
NATURAL RESOURCES MANAGEMENT PROJECT
PROJECT 690-0251

PROJECT ELEMENT	OBLIGATIONS		TOTAL
	A.I.D.	GRANTEE	
I. TECHNICAL ASSISTANCE	563,000	227,500	790,500
II. COMMODITIES	66,500		66,500
III. RESEARCH	119,000		119,000
VI. REGIONAL LIAISON	135,500		135,500
V. AUDIT/EVALUATION	510,000		510,000
VI. CONTINGENCY (5%)	69,700		69,700
VII. INFLATION (5%)	66,300		66,300
GRAND TOTAL	1,530,000	227,500	1,757,500

ANNEX 2

PROJECT GRANT STANDARD PROVISIONS ANNEX

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of, the Project and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless

Article B: General Covenants (Continued)

otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect, or which may become effective during the term of this Agreement, 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, or any property or transaction relating to such contracts, or (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 and in form and substance satisfactory to A.I.D.;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books, records and underlying documentation 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 and compliance with this Agreement. 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

Article B: General Covenants (Continued)

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.I.D. the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by A.I.D., and books, records, and other documents relating to the Project and the Grant.

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

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed of, 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 for the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions

SECTION C.1. Special Rules

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

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

Article C: Procurement Provisions (Continued)

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

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

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

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

(a) (1) The Grantee will furnish to A.I.D. upon preparation any plans, specifications, procurement or constructions 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 contract will also be approved in writing by A.I.D. prior to execution; and

Article C: Procurement Provisions (Continued)

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

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods for 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

Article C: Procurement Provisions (Continued)

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.

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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 the 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 noncancelleable 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 (60) days after receipt of a request therefor.

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

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

Article D: Termination; Remedies (Continued)

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

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

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