

PDKAE727

A.I.D. Project Number 538-0033

PROJECT
GRANT AGREEMENT
BETWEEN
THE EAST CARIBBEAN COMMON MARKET SECRETARIAT
and the
UNITED STATES OF AMERICA
for
THE CARIBBEAN AGRICULTURAL PLANNING PROJECT

Dated: June 11, 1979

CONFORMED COPY

RECORD COPY

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PROJECT GRANT AGREEMENT

Dated

June 11, 1979

Between

The East Caribbean Common Market Secretariat ("Grantee")

And

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of assistance to the ECCM, Member States of the ECCM, and Barbados to institutionalize professional and technical capabilities needed for effective agricultural planning, project design and data collection and analysis.

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

SECTION 2.2. Incremental Nature of Project.

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

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed One Million One Hundred and Eighty-Four Thousand United States ("U.S.") Dollars (1,184,000) ("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. The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1984, 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 the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish A.I.D. in form and substance satisfactory to A.I.D.:

Article 4: Conditions Precedent to Disbursement (Continued)

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) At least three executed agreements between ECCM and participating countries providing that the country will participate in the project. These agreements will reflect the estimated country specific project budgets over the five year period;

(c) Evidence that adequate facilities are available to ECCM and participating countries for the additional staff provided for in the project.

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. If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas of constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

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

SECTION 5.2. Financial and Management Plans. Except as A.I.D. may otherwise agree in writing, within six months of initial disbursement, A.I.D. approved financial and management plans including acceptable internal and external auditing procedures and clear delegations of authority and responsibility shall be developed and instituted within the Grantee.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States or participating 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 except as A.I.D. may otherwise agree in writing. If A.I.D. determines that there are no vessels under U.S. flag registry generally available for ocean transportation, A.I.D. in a Project Implementation Letter may agree to finance under the Grant ocean transportation costs on vessels under flag registry of another country.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the project having their source and except as A.I.D. may otherwise agree in writing, their origin in the country where the particular activity is located ("Local Currency Costs").

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs

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

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

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

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

Article 7: Disbursement (Continued)

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

(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 participating countries 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 local currency at the highest rate of exchange which, at the time the conversion is made, is not unlawful.

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

Article 8. Miscellaneous (Continued)

deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address: Executive Secretary
East Caribbean Common Market
Secretariat
P.O. Box 504
The Factory
Antigua, W.I.

Alternate address for cables: COMMART, Antigua

To A.I.D.:

Mail Address: AID Representative
USAID Barbados
C/o U.S. Embassy
Bridgetown, Barbados

Alternate address for cables: USAID/American Embassy
Bridgetown, Barbados

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

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Executive Secretary and A.I.D. will be represented by the individual holding or acting in the office of AID Representative USAID/Barbados, 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 Grantee and the United States of America each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GRANTEE

By:

Title:

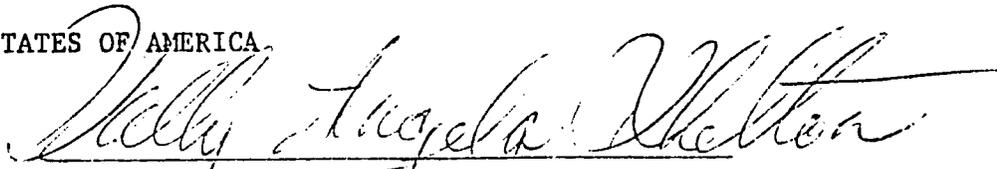


CHAIRMAN, COUNCIL OF MINISTERS
EAST CARIBBEAN COMMON MARKET

UNITED STATES OF AMERICA

By:

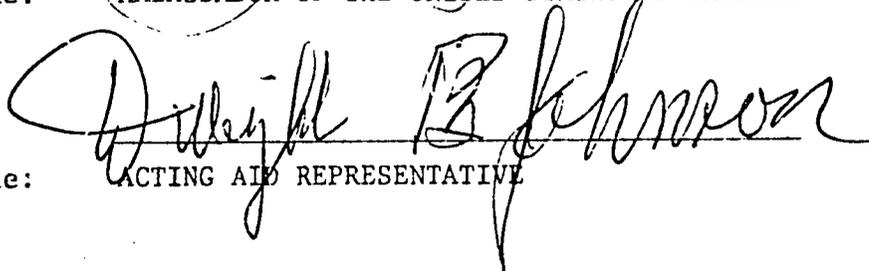
Title:



AMBASSADOR OF THE UNITED STATES OF AMERICA

By:

Title:



ACTING AID REPRESENTATIVE

Annex I

Caribbean Agricultural Planning Project

I. Project Description

The goal of the Caribbean Agricultural Planning Project is to assist the Member States of the ECCM and Barbados to develop better agricultural planning capabilities with specific emphasis on the ability to develop agricultural projects for implementation. Agricultural planning is broadly defined to include information gathering and analysis, sector planning, project identification and development, policy formulation and evaluation. Presently, the lack of strong national agricultural planning capabilities in the region presents a major constraint to securing needed external assistance from development finance institutions and bilateral donors. By strengthening the agricultural planning activities of the Caribbean States at the national and sub-regional level, this project will significantly improve the participating countries' abilities to assume greater initiative, responsibility and control in developing and implementing projects in the rural sector.

Through the Caribbean Agricultural Planning Project, each participating country will be assisted with additional staff, training, technical assistance, program support and regionally-based common technical services. This latter activity will permit Governments to have access to specialized services which would be difficult for each individual State to financially support because of economics of size considerations. The project will therefore build the institutional capabilities of the ECCM Secretariat to assist the Governments when needed with qualified and timely technical assistance services for agricultural planning, project development, data collection and analysis. This regional component is designed to be a service and complement to and not a substitute for national efforts.

II. Project Design

The Caribbean Agricultural Planning Project will assist in the establishment of agricultural planning units in each of the seven ECCM Member States and Barbados. It will assist the ECCM Secretariat in establishing a common services pool of agricultural planning experts to support and coordinate the planning activities of the individual member Governments. Agricultural planning units, where they do not already exist, will most frequently be established in the Ministry of Agriculture (the most likely exceptions being St. Kitts and Montserrat), while a separate Agricultural Planning Section will be created in the ECCM.

The regional agricultural planning unit to be established in the ECCM Secretariat will provide technical and administrative services to backstop, train and coordinate the individual country efforts. Included among the ECCM services will be advisory services from its resident pool of experts; identification, procurement and management of long- and short-term international consultants; designing and implementation of training activities; developing regional policy papers; and provision of selected data processing services.

In general, the project design calls for each agricultural planning unit to undertake three different but highly complementary activities required for successful project implementation. These activities are:

- (1) Project Planning, which includes project identification, design and evaluation;
- (2) Sector-wide Planning, including the setting of goals and objectives, policy formulation, sector performance evaluation, and establishment of project priorities (but not econometric modeling); and
- (3) Agricultural Statistics, which includes the gathering, analysis and reporting of essential agricultural data.

To institutionalize in the ECCM and participating States the required planning and statistics capabilities, this project will fund activities in the following areas:

- (1) Staff Development and Support

During the life of the project plans call for the eight participating governments to increase the number of full-time professional and technical personnel engaged in agricultural planning activities by approximately 24 persons. This increased staff would be equally divided between sector and project planning activities (12) and agricultural statistics activities (12). Fourteen of the new staff positions established under this project will be at the technical or sub-professional level, (a sub-professional is defined as having some training in the field but holding less than a University first degree) while ten of the new positions will be at the professional level.

The creation of the regional agricultural planning unit at the ECCM will add five new positions to the single agricultural economist currently employed. Three of the additional ECCM staff will be professionally trained agricultural planners (in production, marketing, project design and regional policy coordination areas), while two will be professionally trained agricultural statisticians. This pool of

agricultural planning expertise will complement the technical staffs of the Member States and will be necessary to backstop national agricultural planning units by providing assistance in specific planning activities. It is also believed to be sufficient for providing the guidance needed for continued improvement in country planning capabilities beyond the life of this project.

(2) Technical Assistance

This project is designed to augment the professional pool of agricultural planning experts in the region through the provision of both long-term and short-term technical assistance. The technical assistance proposed will support both planning and statistics activities. It calls for 234 work-months of long-term technicians and 94 work-months of short-term expert consultants. The emphasis on all technical assistance is for individuals with project design experience, that is, applied rather than theoretical or research orientation.

The areas of expertise to be provided by technical assistance personnel will be determined during project implementation and based on needs determined by the project leader. An example for illustration purposes follows:

Long-Term

- Senior Agricultural Planner/Economist and Co-Project Director	60 WM
- Agricultural Planner/Farm Management	42 WM
- Agricultural Planner/Marketing	36 WM
- Agricultural Statistician/Analysis	60 WM
- Agricultural Statistician/Data Collection	36 WM

Short-Term

- Rural Development Sociology	6 WM
- Agricultural Marketing Specialists	8 WM
- Livestock Specialists	6 WM
- Forestry Specialists	6 WM
- Fisheries Specialists	6 WM
- Agro-Industry Specialists	12 WM

- Agricultural Engineer	6 WM
- Tree Crop Production Specialists	6 WM
- Agriculture/Food Policy Specialists	8 WM
- ADP Programmer	4 WM
- Statistical Analyst	6 WM
- Survey Design Specialist	6 WM
- Sample Design Specialist	6 WM
- Other Specialists	8 WM

In addition, 16 work-months have been programmed for evaluation studies at various stages of this project.

The composition of the team of advisors is designed to complement and reinforce the areas of expertise already represented in the region or planned for as part of the staff increases previously discussed. Short-term technical advisors will be called on to address particular problems that are outside the expertise of the long-term advisors, and to insure adequate coverage of the individual country assistance requirements during the early years of project implementation.

(3) Training

Training activities are a central element of project design. A large part of the training required will be accomplished on-the-job with the close and frequent interaction between the ECCM pool of experts, supported by long-term resident advisors, and the individual country planning units. Nevertheless, a substantial additional effort will be required to teach specific skills and provide the basic conceptual foundations needed to establish the planning units envisioned as a result of this project.

Almost all the training activities proposed here are of short or intermediate duration. No degree-oriented, long-term training is programmed as a part of the project, though in exceptional cases medium-term training not exceeding one year may be considered.

The most frequent type of training will be 3 to 5 day workshops oriented towards developing a particular skill. Examples include: interviewing techniques and questionnaire design, benefit/cost analysis, supervision of enumerators and evaluation techniques for on-going-projects. Most of these workshops will be conducted by the ECCM staff and the technical advisors, with occasional assistance from short-term consultants. Approximately three workshops will be held per

year for about 15 participants each. Over the life of the project a total of 900 participant days of workshop training activity will occur.

Equally important will be short (2-4 week) courses providing selected country and regional personnel with a broader understanding of concepts and principles involved in agricultural planning and project design. These will be conducted by personnel from institutions which have developed training materials and have relevant experience in conducting short courses in LDCs. Two short courses will be conducted annually for about 20 participants each. Assuming the average duration of the short courses to be 3 weeks, approximately 3,000 participant-days of short course training will be conducted over the life of this project.

Observational training is the third type of training included in the project. Approximately 10 individuals per year will be selected to travel to other countries within the Caribbean Basin or the United States to observe the procedures and practices actually in use for agricultural planning activities. Examples include area frame design activities in the Dominican Republic and Costa Rica, sector planning activities in Jamaica, livestock and dairy promotion in Puerto Rico and citrus and vegetable crop foresting techniques in Florida. Assuming an average duration of one week per visit, a total of 250 participant-days of observational training will be conducted over the life of this project.

(4) Program Support

The final element of this project's design addresses the need for selected equipment and services required to insure that maximum utilization is made of the human resources provided and developed in the other design elements. The four areas of program support, which include equipment, travel, consumable supplies, and services are discussed below:

- (a) Equipment: Each of the participating Governments and the ECCM will provide the office space required to accommodate the newly established or expanded agricultural planning units. Project grant funds will be used to equip these offices with the desks, chairs and other office furniture proportional to the number of new agricultural planning positions established in the regional office and each country. In addition, each country planning unit will be provided with one typewriter and one small mimeograph machine suitable for duplicating limited numbers of questionnaires, instructions and internal reports. The regional ECCM office and each national planning unit will also be

provided with a calculator for each professional and technical staff person assigned to the project. In summary, it is estimated that 32 sets of office furniture, 24 filing cabinets, 8 duplicating machines, 8 typewriters and 32 calculators will be provided to the participating planning units.

- (b) Travel: The geographic dispersion of participating States and the necessity for frequent in-country consultation by the regional pool of experts assigned to this project will result in relatively high travel costs. It is expected that seven ECCM regional experts (2 current and 5 to be hired) will spend 50% of their time on location in one of the Member States. Estimates call for each of the seven experts to travel 3 times per quarter, with each trip lasting an average of 10 days, based on an average of \$700.00 per trip (air fare: \$150 and per diem \$55/day).
- (c) Consumable Supplies: As a part of the project start-up cost, the ECCM and each national planning unit will be provided a modest amount (about \$1,300 per unit) of consumable supplies including pads, writing supplies, stencils, ink, etc. An additional \$500 per office per succeeding year will also be provided. USAID grant funds in the amount of \$30,000 will be used for this purpose. Additional ECCM and Member Country counterpart funds totalling \$35,000 will be used to maintain the small regional computer facilities.
- (d) Services: The National Agricultural Planning Units will require few outside services. The one major exception is the temporary and short-term need for enumerators to conduct interviews and otherwise assist in the execution of agricultural surveys. Beginning in the second year of project implementation, the national planning units will initiate a few special surveys and will require limited numbers of temporary enumerators to conduct interviews. Beginning in year three, routine survey activities will be underway that will require the equivalent of about 600 work-days of enumerator services annually in each island. Over the life of the project an estimated total of 16,800 work-days of enumerator services will be required at an estimated total cost of

\$166,000. The cost of enumerator services will be shared by the participant Governments (36 percent or \$60,000) and USAID grant funds (64 percent or \$106,000).

III. Resources

The U.S. Agency for International Development plans life of project grant assistance in the amount of \$3,940,000. Contributions from the ECCM and participating countries over the five-year life of the project will amount to approximately \$1,363,000 of which approximately \$370,000 represents new budgetary outlays over the life of the project. Participating country contributions will consist of the current salary cost of individuals presently assigned to agricultural planning and statistical offices, additional salary expenditures for new professional and technical staff at the territorial level, and increased contributions to the ECCM Secretariat in support of the regional pool of experts (except Barbados). On average, the annual additional recurring salary expenditures will amount to about \$14,000 per participating country and are programmed to be paid entirely by the States beginning in the fifth year of the project. A.I.D. will support all of these costs for the first two years of the project, 70 percent in year three and 30 percent in year four. In addition, ECCM Member States will be required to increase their contributions to the ECCM Secretariat in order to maintain the regional common services pool of experts. Again, regional activities will be supported entirely by the ECCM Member States beginning in the fifth year. The annual recurring expenditure to support ECCM activities will be approximately \$10,000 per Member State. Finally, Governments will be expected to provide local overhead cost such as office space and facilities, utilities and local transportation when needed.

Financial Plan

(U.S. \$000's)

	<u>A.I.D.</u>	<u>COUNTERPART</u>	<u>TOTAL</u>
I. Staff Support	559.8	964.2	1524.0
II. Technical Assistance	1830.0	-	1830.0
III. Training	258.0	-	258.0
IV. Program Support	<u>530.0</u>	<u>95.0</u>	<u>625.0</u>
SUB-TOTAL	3177.8	1059.2	4237.0

	<u>A. I. D.</u>	<u>COUNTERPART</u>	<u>TOTAL</u>
Inflation and Contingencies			
5% A.I.D. Contingency	157.8	-	157.8
10% Annual Inflation	<u>604.4</u>	<u>303.8</u>	<u>908.2</u>
TOTAL	<u>3940.0</u>	<u>1363.0</u>	<u>5303.0</u>

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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 I.

Article B: General Covenants

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

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

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

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

Article B: General Covenants (Continued)

SECTION B.3. Utilization of Goods and Services.

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

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

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of participating countries.

(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 participating countries, 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, book 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

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Article B: General Covenants (Continued)

(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, or similar payments legally established in the participating country where made.

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 a participating country 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.

Article C: Procurement Provisions (Continued)

(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

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Article C: Procurement Provisions (Continued)

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

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of participating countries may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs", without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments

Article C: Procurement Provisions (Continued)

financed by A.I.D. and transportation on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

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

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Article D: Termination; Remedies (Continued)

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 participating member countries; are in a deliverable state and have not been offloaded in ports of entry.

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 do 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.

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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.