

PD KAE 880

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A.I.D. Project Number 538-0083

PROJECT

GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF DOMINICA

and the

UNITED STATES OF AMERICA

for the

DOMINICA BANANA COMPANY

Dated: September 30, 1982

RECORD COPY

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PROJECT GRANT AGREEMENT

Dated: September 30, 1982

Between

The Government of Dominica ("Grantee")

And

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will support the restructuring of the banana industry in Dominica and will include the following elements:

- (1) Creation of a financially viable Dominica Banana Company (DBC) and the Dominica Banana Producers Association (DBPA)
- (2) Privatization of sub-components in the industry;
- (3) Maintenance of a leaf spot control program including financing of spray oil, fungicides and other commodities and equipment necessary for the Project; and
- (4) Financing of procurement of professional, technical and administrative services.

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 Seven Hundred Fifty Thousand United States ("U.S.") Dollars (\$1,750,000) ("Grant").

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

SECTION 3.2. Grantee Resources for the Project

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

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is June 30, 1985, 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 to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) 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;

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(c) Evidence of the formation of a new Dominica Banana Company (DBC) with operational aspects, including financial controls, and an organization, including senior staff and board members, acceptable to A.I.D.;

(d) Evidence of the formation of the Dominica Banana Producers Association or an equivalent organization, which will represent the interest of banana growers to the DBC and the Government of Dominica;

(e) Evidence of an agreement between the Grantee and DBC which contains a commitment by the DBC to the Grantee that the DBC agrees to observe and act in conformity with the Special Covenants, Conditions Precedent and the Annex I Amplified Project Description of this Agreement;

(f) A time-phased plan for the divestiture of boxing plants to private sector groups which at a minimum shall result in the divestiture of 22 boxing plants by the end of 1984; and

(g) Such other information and materials as AID may reasonably request.

SECTION 4.2. Condition Precedent to Any Disbursement for Project Expenditure Incurred During the Second Year of the Project: Prior to any disbursement or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for any expenditure other than technical assistance incurred after October 1, 1983, the Grantee shall, unless the Parties shall otherwise agree in writing, cause to be produced in form and substance satisfactory to A.I.D., a feasibility plan for the divestiture of other operations such as transportation, input supply and pest control and, with regard to that plan, furnish A.I.D. with a list of actions which the DBC governing board has taken or directed to be taken concerning divestitures recommending as feasible by the plan.

SECTION 4.3. Condition Precedent to Initial Disbursement for Agricultural Chemicals: Prior to any disbursement, or to the issuance of documentation pursuant to which disbursement will be made for the procurement of agricultural chemicals, the Grantee shall, unless the Parties otherwise shall otherwise agree in writing, present, in form and substance satisfactory to A.I.D., a time-phased procurement plan together with evidence of availability of the necessary resources to manage and carry out the spraying process and a technical plan for the spraying process.

SECTION 4.4. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1., 4.2. and 4.3. have been met, it will promptly notify the Grantee.

SECTION 4.5. Terminal Dates for Conditions Precedent.

(a) 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.

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Article 5: Special Covenants

SECTION 5.1. The Grantee covenants as follows:

(a) The Grantee shall assure that the Dominica Banana Company will operate in such a manner as to promote its development into a financially viable organization. The evaluation of its operation will be based at a minimum on the performance targets established in Annex I under "Measurements of Financial Viability". AID may at its option suspend disbursements for agricultural chemicals under the Project if the DBC is not operating on a sound financial basis, including meeting the performance targets established in Annex I.

(b) The Grantee shall assure that input sales activity undertaken by the DBC must be done without increase in credit levels to growers beyond that as of the date of this Agreement, or must be for cash or against prepaid cess; furthermore, all inputs must be sold at full market value.

(c) The Grantee shall assure that no new credit except that allowed in 5.1(b) above can be extended by the DBC to any borrower, including DBC staff, for any purpose without the prior written approval of A.I.D.

(d) The Grantee shall assure that no expenditures for purchases of fixed assets will be allowed without the prior written approval of A.I.D.

(e) The Grantee shall assure that, unless A.I.D. gives its prior written approval, no principal payments against long-term loans from banks and other creditors will be made during the period October 1, 1982 to March 31, 1985 except those scheduled on the CDB loans and except for payments arising from (i) below;

(f) The Grantee shall assure that, unless A.I.D. gives its prior written approval, no payments against loans from Geest Industries will be made during the period January 1, 1983 through March 31, 1984.

(g) The Grantee will assure that unless A.I.D. gives its prior written approval, reductions in outstanding debt to trade creditors other than Geest will be limited to no more than \$200,000 per quarter, excepting payments arising from (i) below;

(h) The Grantee will assure that the DBC undertakes no additional long-term borrowings or increases in short term borrowing limits without prior written approval of A.I.D.;

(i) The Grantee will assure that the gross cash flow surpluses, if any (cash inflow less payments to growers, other operating costs, interest and principal payments, fixed asset purchases and trade creditor reductions, plus donor assistance in the form of grower inputs, other materials or cash) will assigned as follows:

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(i) If the net cash flows surplus (gross surplus less donor assistance) is positive, 75% of the net will be used to further reduce long-term debt and/or trade credit; the remaining 25% along with an amount equal to donor assistance will be placed in a contingency fund for disaster or for other purposes agreed to by A.I.D. and DBC.

(ii) If the net cash flow is negative, the entire amount of the gross cash flow surplus will be placed in the contingency fund for disaster or other purposes agreed to by A.I.D. and the DBC.

(j) The Grantee shall require the DBC to: a) have its accounts, financial statements (balance sheets, statement of income and expenses, cash flow statements, and related financial information) and statements calculating DBC performance against covenants and against measurements of financial viability as shown in Annex I, prepared in accordance with internationally accepted accounting principals consistently applied; b) furnish to A.I.D. as soon as available but in no case later than 30 days after the end of each calendar quarter, quarterly financial information for the previous quarter; c) furnish to A.I.D. within such time period as may be specified semi-annual financial statements, audited and certified by the independent auditors of such scope and in such detail as A.I.D. shall have reasonably requested; d) furnish to A.I.D. such other information including any other financial management or other information as A.I.D. shall from time to time reasonably request.

(k) The Grantee shall cause to be implemented, within 3 months of the date of the signing of the Project Agreement, a fertilizer procurement and supply/distribution system, acceptable to A.I.D. which eliminates accrual of losses and extension of credit beyond present levels or subsidization of costs to the growers.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1.(b) with respect to marine insurance.

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

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

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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

(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 of 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 Dominica 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 Dominica at the highest rate of exchange which, at the time the conversion is made, is not unlawful.

Article 8.1: 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:	Prime Minister
Mail Address:	Office of the Prime Minister Roseau Commonwealth of Dominica West Indies
Cable Address:	Telex 613 EXT. D0
To A.I.D.:	Mission Director
Mail Address:	Regional Development Office/Caribbean P.O. Box 302 Bridgetown, Barbados
Cable Address:	USEMBBGI 2259

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 with a copy of each communication sent to A.I.D.

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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 Prime Minister and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, 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.

UNITED STATES OF AMERICA

GOVERNMENT OF DOMINICA

By: Milen Bish
Milen Bish

By: Eugenia Charles
Eugenia Charles

Title Ambassador

Title: Prime Minister

By: William B. Wheeler
William B. Wheeler

Title: Mission Director

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DETAILED PROJECT DESCRIPTION

A. Background

In response to the state of crisis in the banana industry in Dominica, immediate action is required to place the industry on a sound financial basis and prevent its collapse. The Government of Dominica (GOD) has committed itself to undertake a major restructuring of the banana industry by: (1) dissolution of the DBGA, and the creation of a statutory Company, the Dominica Banana Company (DBC), to takeover the essential marketing activities of the DBGA; (2) spinning-off or contracting out boxing plant operations, spraying services and other functions that can reasonably be accomplished by private individuals or groups; and (3) the formation of a Dominica Banana Producers' Association (DBPA) to act as representative for the Growers' interests. The new DBC will be controlled by a nine member Board of Directors composed of individuals from the private business sector and others with demonstrated skills in financial and organizational management.

The new Company will takeover the assets and commercial liabilities of the DBGA. The majority of existing long-term debt has been rescheduled with the agreement of Royal Bank of Canada, Barclays Bank International, and Geest Industries.

The British Development Division has been providing significant Grant assistance to the DBGA in the recent past, and has indicated its willingness to continue support to the DBC provided that management and financial performance is steadily improved.

B. Detailed Project Description

The goal of the project is to restructure the banana industry to allow greater participation by private sector individuals and groups to perform most of the functions and activities required to market bananas.

The project purpose is to improve the cost effectiveness and financial viability of the industry, while maintaining control of leaf spot disease in bananas. This will enable the banana growers to be paid more for their fruit than is presently sustainable, without interruption of essential leaf spot disease control.

To respond to the crisis in the Dominica banana industry and support the initiative of the GOD to restructure that industry, the project will finance procurement of spray oil and fungicides essential for the control of banana leaf spot disease; and will finance long-term technical assistance to accelerate the transfer of boxing plant operations to private firms. The project will also finance short-term consultants to: (1) assess the potential and devise plans to transfer spraying operations and input supply services from the DBC to private firms; and (2) design an improved system for communicating between boxing plants and DBC central office based on management requirements.

Under the project the AID grant will provide up to US\$1,312,000 to be used to purchase spray oil and fungicides for leaf spot control. Regular spray applications of these materials is absolutely essential for sustained commercial banana production in Dominica because fruit from banana plants infected with leaf spot disease are simply unacceptable for the market. The new Dominica Banana Company is unable to purchase the spray commodities, due to their poor initial financial condition inherited from the DBCA, even though the DBC has the personnel, equipment, and technical capacity to maintain a disease control program. Therefore, AID grant funds will provide oil and fungicide in an amount equivalent to up to two years requirement in Dominica under normal growing conditions. Thus, the DBC will be able to maintain the vital program of leaf spot control during the period of industry restructuring. At the end of the project, cash flow projections show that the DBC will be able to purchase spray commodities on a routine basis as an ordinary operating expense.

Under the project, up to \$438,000 of the AID grant funds will finance technical assistance and two vehicles for the long-term advisors. The AID grant will support two long-term small business advisors for a period of two years to assist private individuals and groups undertake boxing plant operations on an independent basis. The spinning-off of boxing plant operations to private firms is a key structural change in Dominica's banana industry to be accomplished by the DBC. Technical advisors in small business accounting, personnel, budgeting, and operations control will work intensively with individuals selected to "box bananas" on a fee for service basis. Existing boxing plant facilities owned by the DBC will be leased or sold to private firms, who in turn will be totally responsible for fruit reception, grading, weighing, and final boxing. The AID project funds will assure that reasonable levels of technical assistance are available to individuals selected to fill the entrepreneurial functions associated with private boxing plants.

AID project funds will also finance consultant services to assess the potential for placing other banana industry services like leaf spot spraying and input distribution in private sector firms, and when found feasible to design operational plans for the DBC to divest itself of these functions.

The project will complement assistance being provided by the British Development Division to the Dominica banana industry and is fully supportive of the plans of the Government of Dominica to re-establish the industry on a sound financial basis as a commercial business.

C. Measures of Financial Viability

It is recognized that financial assistance to the banana industry will be effective only if the industry is restructured on a sound financial basis. Therefore, the following performance targets have been developed to assess the progress of the reform of the industry. Based on quarterly financial reports to be submitted by the DBC, AID will review actual performance and will predicate continuing disbursement of grant funds on the achievement of the targets established below.

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These targets are as follows: (All monetary units are in E.C. Dollars.)

- (1) At a minimum, the DBC must have divested to private sector groups, from the twenty-four plants presently operated by the DBGA, the operating responsibility of the following numbers of boxing plants by the end of the quarter so indicated: 2/83-5; 3/83-7; 4/83-10; 1/84-13; 2/84-17; 3/84-20; 4/84-22.
- (2) Payments to growers, of which at least 4¢ per pound must be in the form of prepaid inputs, can be no greater than that which is financially prudent. The per pound price to growers will be closely reviewed on a quarterly basis or more frequently if required.
- (3) The physical losses on spray oil, fertilizer, and cartons (defined as the difference between that amount in inventory at the beginning of a period plus purchases during the period less amounts accountably used during the period less ending inventory) must be no more than 7% of the sum of beginning inventory plus purchases during the first quarter of 1983 for each of the above items, and shall be reduced incrementally in the four succeeding calendar quarters as follows: 2/83-6%; 3/83-5%; 4/83-4%; and 1/84-3%. Physical losses shall be no greater than 3% for each item in all succeeding quarters.
- (4) Trading losses on plants owned and operated by the DBC (trading losses are defined as the tonnage of bananas purchased by the DBC, less the tonnage of bananas sold to Geest, less bananas unable to be accepted by Geest, due to production beyond agreed upon space limitations on Geest ships) can be, during each quarter of 1983, no more than 3% of the total tonnage purchased, and 2% during each quarter of 1984.
- (5) The DBC will pay for no more than a 2% trading loss arising from privately operated boxing plants.
- (6) Total boxing costs, excluding the cost of cartons, but including transportation to the docks will not be more than 6.25¢ per pound for the first quarter of 1983, 6¢ per pound during the last three quarters of 1983, 5.75¢ during the first quarter of 1984, 5.5¢ for 2/84, 5.0¢ for 3/84, and 4.75¢ for 4/84.
- (7) The total of other cash costs of the DBC (anything other than direct carton and chemical purchases, boxing costs, payments to growers, interest and principal payments on debt, reduction in outstandings to trade creditors, purchases of fixed assets, WINBAN levy, or export tax) can be no more than \$790,000 per quarter unless USAID otherwise agrees in writing.

D. Project Financial Plan

The total cost of the project is \$5,224,000. A summary of project cost by source is presented in the Table below:

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Dominica Banana Company Project

Total Project Cost

(US\$000)

<u>Cost Category</u>	<u>AID</u>	<u>BDD</u>	<u>GOD</u>	<u>Total</u>
1) Commodities				
a) Disease control materials	1,312			1,312
b) Fertilizer & other inputs		1,474		1,474
2) Technical Assistance				
a) Financial control & management		400		400
b) Divestiture of operations	438			438
3) Loan Forgiveness			1,600	1,600
TOTAL	<u>1,750</u>	<u>1,874</u>	<u>1,600</u>	<u>5,224</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 1.

Article B: General Covenants.

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

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

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

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

SECTION B.3. Utilization of Goods and Services.

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

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

SECTION B.4. Taxation.

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

(b) The Grantee shall exempt U.S. Contractors and U.S. personnel and their dependants from import duties, custom tariffs, levies and other duties, taxes or charges on vehicles, technical and professional equipment and on personal and domestic effects, subject to their re-exportation, except for those in bad condition or which are transferred to those of other persons who enjoy similar exemptions. Moreover, persons in the above stated categories will be permitted to import or export, free of custom duties, sales tax and other duties, one automobile each for personal use, provided that -

- (1) these effects are brought into the Island of Dominica within six months of the individual's arrival in Dominica;
- (2) these effects other than those entitled to free entry under ordinary baggage rules are liable to payment of duties or taxes if sold or otherwise disposed of in Dominica;

(d) The Grantee shall exempt U.S. personnel and their dependants from import duties, custom tariffs, levies and other duties taxes or charges on such quantities of medicines and health foods as the Comptroller considers reasonable for the exclusive use of such personnel and the dependants thereof.

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

The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

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

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

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

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

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

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed.

Article C: Procurement Provisions

SECTION C.1. Special Rules

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

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

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

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

(e) The Grantee for purposes of travel and per diem shall utilize the rates and policies relating to the currently prescribed grantee policy which is applied to all of the grantees employees. This per diem shall in no extent exceed per country U.S. standerized government travel regulation rates. The grantees policy and applicable rates shall be supplied to USAID at the beginning of the grant and as periodically adjusted thereafter.

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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;

(a) 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;

(b) 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

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

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

SECTION C.6. Shipping.

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

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

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in 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.

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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. Remedies

SECTION D.1. 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. may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

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

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

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

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

SECTION D.2. 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.3. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

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