

PDKAK 502

Project Agreement Number 505-0007

Amendment Number Four
to the
PROJECT AGREEMENT
between
BELIZE
and the
UNITED STATES OF AMERICA
acting through the
AGENCY FOR INTERNATIONAL DEVELOPMENT
for
RURAL ACCESS ROADS & BRIDGES PROJECT

Appropriation:	72-11710 37
BPC:	LESA-87-35505-KL13
Control No.:	A710606
This Obligation:	\$2,140,526
Total Obligation:	\$8,290,526

Date: September 30, 1987

PROJECT AGREEMENT AMENDMENT

Amendment Number Four, dated September 30, 1987, between the UNITED STATES OF AMERICA, acting through the Agency for International Development (A.I.D.) and the Government of Belize (the "Cooperating Country"):

WHEREAS, the Cooperating Country and A.I.D entered into a Project Grant Agreement (The "Agreement") on September 30, 1983 to assist in financing the Project and amended the Agreement on December 19, 1983, May 24, 1984, and November 20, 1984; and

WHEREAS, the Cooperating Country and A.I.D. desire to further amend the Grant Agreement to provide Loan Funds to assist in financing Phase II of the Project;

NOW THEREFORE, the Parties hereto hereby agree to amend the Agreement as follows:

1. Wherever the terms "Grant" and "Grantee" appear in the Agreement, these terms shall be deemed to mean "the Assistance:", as provided by A.I.D. and "Cooperating Country" respectively, except where the context clearly and unequivocally demands otherwise.

2. Article 2. The Project - A revised Annex I is attached to this Amendment.

3. Article 3. Financing is hereby amended as follows:

(A) Section 3.1 is deleted in its entirety and replaced with the following:

"Section 3.1 The Grant: The Loan. To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D. pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Cooperating Country under the terms of this Agreement not to exceed Six Million One Hundred and Fifty Thousand United States ("U.S.") Dollars (\$6,150,000) ("Grant") and to lend the Cooperating Country under the terms of this Agreement not to exceed Two Million One hundred and Forty Thousand Five Hundred and Twenty-Six United States ("U.S.") Dollars (\$2,140,526) ("Loan"). The aggregate amount of the disbursements under the Loan is referred to as "Principal". The Loan and Grant together are referred to as the "Assistance". The Assistance may be used to finance foreign exchange costs, as defined in Section 6.1, and local

2

currency costs, as defined in Section 6.2 of goods and services required for the project."

(B) Section 3.2 (b) is amended by deleting "\$4,530,000" and inserting "\$6,550,000".

(C) Section 3.3 (a) is amended by deleting "January 1, 1987" and inserting "April 30, 1991".

4. At the end of Article 3 and before Article 4, insert a new Article 3A as follows:

"Article 3A: Loan Terms

Section 3A.1. Interest. The Cooperating Country will pay to A.I.D. interest which will accrue on the outstanding balance of Principal, and on any due and unpaid interest, following the date of the first disbursement hereunder at the rate of two percent (2 percent) per annum for the first five years, three percent (3 percent) per annum for the next five years, and five percent (5 percent) per annum during the subsequent fifteen year amortization period. Interest on the outstanding balance will accrue from the date (as defined in Section 7.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement of the Loan, on a date to be specified by A.I.D.

Section 3A.2. Repayment. The Cooperating Country will repay to to A.I.D. the Principal within twenty five (25) years from the date of the first disbursement of the Loan in thirty one (31) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 3A.1. A.I.D. will provide the Cooperating Country with an amortization schedule in accordance with this section after the final disbursement under the Loan.

Section 3A.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

Section 3A.4. Prepayment. Upon payment of all interest and any refunds then due, the Cooperating Country may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

Section 3A.5. Renegotiation of Terms. The Cooperating Country and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Belize which enable the Cooperating Country to repay the Loan on a shorter schedule.

(a) Any request by either Party to the other to so negotiate will be made pursuant to Section 8.2, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations."

(b) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 8.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(c) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under sub-section (B). The negotiations will take place at a location mutually agreed upon by the representatives of the parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of the Minister of Finance of Belize.

Section 3A.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the parties hereunder will terminate, except with respect to any obligations arising out of the expenditure of Grant funds.

5. Article 5: Special Covenants is hereby amended by inserting the following additional covenants:

"Section 5.7. Maintenance Equipment Marking and Use. Except as A.I.D. may otherwise agree in writing, the Cooperating Country agrees to identify all A.I.D.-financed mobile maintenance equipment with distinctive color and/or

4

markings, clearly indicating the district to which it is assigned, and to use such equipment exclusively for authorized routine rural roads maintenance activities.

Section 5.8. Project Personnel. The Cooperating Country agrees to provide, or cause to be provided, qualified and experienced management personnel for the Project and train, or cause to be trained, such staff as may be appropriate for the execution of the Project.

Section 5.9. Budget Allocation. The Cooperating Country agrees to provide promptly as needed all funds and resources, in addition to the Assistance, for the punctual and effective carrying out of the Project, and will seek to increase the annual allocation to the Ministry of Works recurrent budget.

Section 5.10. Annual Maintenance Workplans. The Cooperating Country agrees to submit to A.I.D., within one month of the end of the GOB Fiscal Year, an annual workplan for all secondary road maintenance activities, except as the Parties may otherwise agree in writing."

6. Article 7: Disbursement is hereby amended by inserting a new Section 7.5 as follows:

"Section 7.5. Date of Disbursement. Disbursement by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Cooperating Country or its designee, or to a bank, contractor or supplier pursuant to a letter of commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Cooperating Country or its designee local currency acquired in accordance with Section 7.2(B)(1); or (c) if local currency is obtained in accordance with Section 7.2(B)(2), on the date on which A.I.D. opens or amends the special Letter of Credit there referred to."

7. Article 8: Miscellaneous. Section 8.4 Standard Provisions Annex is amended by deleting "Project Grant Standard Provisions Annex" and inserting "Combined Loan and Grant Standard Provisions Annex". A copy of the latter is attached to this Amendment as Annex II.

8. Conditions Precedent to Disbursement.

(a) Conditions Precedent to Disbursement of Funds Provided by this Amendment No. Four. Prior to the disbursement of Loan Funds provided by Amendment No. Four, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be

5

made, the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) An opinion of counsel acceptable to A.I.D. that this Amendment No. Four has been duly authorized and/or ratified by, and executed on behalf of, the Cooperating Country, and that it, and the Agreement as amended, constitutes a valid and legally binding obligation of the Cooperating Country in accordance with all of its terms;

(2) A plan for the assignment of Ministry of Works personnel to serve as counterparts to each Assistance-funded technical assistance advisor under Phase II of the Project; and

(3) The name of the individual within the Roads Division of the Ministry of Works who will have primary responsibility for all secondary road maintenance.

(b) Notification. When A.I.D. has determined that the Conditions Precedent specified in Section 8.(a) hereof have been met, it will promptly notify the Cooperating Country.

(c) Terminal Date for Conditions Precedent. If all the conditions specified in Section 8(a) hereof have not been met within 90 days from the date of this Amendment, or such later date as A.I.D. may agree to in writing, A.I.D. at its option may cancel the then undisbursed balance of the Assistance, to the extent not irrevocably committed to third parties, and may terminate the Agreement by written notice to the Cooperating Country. In the event of such termination the Agreement and all obligations of the Parties thereunder will terminate, except with respect to any obligations arising out of the commitment of Grant funds.

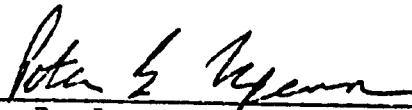
Except as previously amended and amended herein, the Agreement dated September 30, 1983, remains in full force and effect.

6

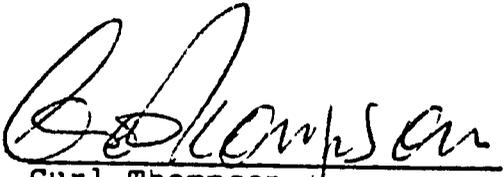
IN WITNESS WHEREOF, the Cooperating Country and the United States of America, each acting through its duly authorized representative, have caused this Agreement Amendment No. Four to the Rural Access Roads and Bridges Project Agreement to be signed in their names and delivered as of the day and year first above written.

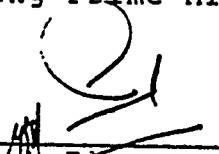
GOVERNMENT OF THE
UNITED STATES OF AMERICA

By: 
Robert G. Rich, Jr.
Ambassador


Peter B. Lapera
Acting A.I.D. Representative

GOVERNMENT OF BELIZE

By: 
Curl Thompson
Acting Prime Minister


Hubert Eirington
Minister of Works and
Housing

Annex I

Amplified Project Description

I. Summary

The project supports the Government of Belize's efforts in increasing agricultural production and A.I.D.'s complementary effort in expanding and improving the infrastructure in Belize as part of the Central American Initiative goal of laying the basis for long-term growth. The beneficiaries will be the farmers who will have all-weather access to markets, agricultural inputs, and social services.

The Belizean agricultural population is very small and thinly scattered. The high cost of access to scattered rural settlements has been prohibitive to economic and social development. High quality all-weather roads provide a number of incentives for farmers to settle down and intensify farming efforts. Most important are: access to markets for produce, improved education, health services, and technical inputs. The improvement of the existing road system to be continued under this Amendment will be a crucial step in this development.

The Goal of the project as amended is to increase agricultural production in Belize by improving farm-to-market access. The Purpose is to further strengthen and institutionalize the capability of the Ministry of Works (MOW) to maintain and protect rural access roads and bridges.

By the end of the life of the Project, the following outputs should be attained:

1. Six district level gravel road maintenance units created, equipped and staffed
2. Central and district equipment repair shop personnel, equipment and capabilities upgraded
3. Capability to maintain up to one thousand miles of gravel access roads annually
4. Two hundred fifty miles of gravel access roads rebuilt by the already established road rehabilitation units
5. Capability to rehabilitate up to 100 miles of gravel access roads annually

The following inputs will be provided through the "Assistance" provided in this Amendment to achieve the above outputs:

1. Four person-years of long-term technical assistance
2. Short Term training
3. Participant training
4. Road maintenance equipment and spare parts
5. Repair shop tools
6. Central and district equipment maintenance and repair shop improvements
7. Construction of bridge abutments and related center piers for eleven river crossings
8. Information and education campaign

The Phase II Amendment will extend the existing project from January 1, 1988 to April 30, 1991. The Phase II goal remains the same as in Phase I. The Phase II purpose of strengthening the national rural roads maintenance capabilities of the MOW remains essentially the same; however, it has been slightly sharpened to embrace the target of institutionalizing a national rural road maintenance program.

II. Components

A. Road Maintenance Units (RMUs)

A national program for the maintenance of roads was developed by the MOW under a 1982 World Bank loan. This program has been updated each year and is currently used as the main planning and programming tool for road maintenance. A detailed review of this program identified several problem areas which have hampered the MOW in carrying out routine maintenance activities: aging equipment, lack of spare parts and tires, unsuitable equipment, insufficient funds and the diversion of equipment to activities other than road maintenance. This project seeks to address these areas.

A RMU will be created, staffed and equipped in each of the six districts. It is planned that, in aggregate, they will have the capacity to maintain to reasonable all-weather access standards 1,000 miles of gravel road annually. Phase II financing will provide most of the equipment for these units together with a three-year supply of spare parts and tires. Equipment not provided under this project (tankers and roller) will be furnished from the MOW fleet and dedicated to each RMU.

Unless otherwise mutually agreed upon by the GOB and A.I.D., each of the six RMUs will have the following equipment fleet:

- 2 - Graders, Caterpillar 120G or equivalent
- 4 - Dump trucks, Ford 8000

- 1 - Loader, Caterpillar 930 or equivalent
- 1 - Loader/backhoe, Caterpillar Mod. 416
- 1 - Pick-up truck, Ford F-150
- 1 - Flatbed stake truck, Ford 350
- 1 - Bulldozer, Caterpillar D-7-G or equivalent
- 1 - Water tanker
- 1 - Fuel Tanker
- 1 - Roller

As in the case of the Road Rehabilitation Units (RRUs), the services of low bed trailers and prime movers will be available as needed from the MOW equipment yard.

Road crews for the six RMUs will each require roughly 20 MOW personnel with similar skills and experience required for rehabilitation work. Such crews will be assembled at the district level from the pool of personnel trained under Phase I.

B. Maintenance Planning and Budgeting

The Office of Planning and Budget in the Roads Division is staffed, trained and equipped to provide necessary planning and financial support for Phase II and for ongoing MOW maintenance operations. It has been the recipient of considerable donor assistance. Under World Bank-financing 48 man-months of advisory services were provided by Roy Jorgensen Associates over a two and one-half year period to design and implement a road maintenance plan. This planning work, ranging from operational manuals to computer programs, is now in operation. Under Phase I, three years of management advisory services were provided to further develop and implement the Jorgensen planning. Phase II financing includes a small amount for additional computer software and training for further improvement of the planning effort.

C. Road Rehabilitation Units (RRUs)

The two RRUs created, equipped, staffed and trained under Phase I will continue operations under MOW control. It is planned that they will be able to rehabilitate 250 miles of gravel road during the three-year Phase II Amendment and 100 miles annually thereafter. Phase II financing will provide a three-year supply of spare parts and tires.

Each of the two RRUs currently have the following equipment inventory:

- 2 - Graders, Caterpillar 130G
- 1 - Bulldozer, Caterpillar D7G

10

- 1 - Front-end loader, Caterpillar 930
- 4 - Dump trucks, Ford 8000 with Caterpillar 3208 engine
- 1 - Pick-up truck, Ford F-150 (six cylinder supercab)
- 1 - Fuel tanker (2,000 gal.)
- 1 - Water tanker (2,000 gal.)
- 1 - Roller, 13 wheel rubber tired
- 4 - Water and fuel trailer (700 gal.)

NOTE: Virtually all of this equipment was furnished under Phase I, USG excess property, or from the MOW inventory. The services of low bed trailers and prime movers will be available as needed from the MOW equipment yard.

The road crew for each unit currently consists of about 20 MOW personnel:

- 1 - Supervisor
- 5 - Equipment operators
- 4 - Truck drivers
- 2 - Tanker drivers
- 1 - Mechanic
- 7 - Alternate personnel, watchmen and workmen

While the RRU equipment is deployed in a given district, it is operated and maintained by MOW personnel from that district. Thus, by early 1988 road crews in each of the six districts should have received over 9000 person-hours of on-the-job training in equipment operation and rehabilitation from the US Road Specialists provided under Phase I.

D. Bridge Installation

Under Amendment Number Two of Phase I, 103 bridge sets (excess property) were acquired and transported from Germany to Belize utilizing A.I.D. Grant Funds provided to the project. This Amendment also budgetted U.S.\$3,000,000 from Host Country Contribution for Bridge Construction costs. To date, of the U.S.\$3,000,000, approximately U.S.\$1,500,000 have been allocated from Local Currency generated from the Economic Stabilization Fund Project No. 505-0012 to bridge construction. The U.S.\$1,500,000 provided financing for ten crossings.

The MOW estimates that by the "Project Assistance Completion Date (PACD) of December 31, 1987" for Phase I, six crossings will be completed leaving four under construction and to be completed during Phase II, possibly by mid-1988. Site location

11

has been established and final engineering design completed on eleven more crossings.

The Bridges Division of the MOW has the necessary engineering design and supervisory capabilities to handle this type of heavy construction and has demonstrated its abilities. Phase II construction and installation will be carried out by private contractors who are prequalified and have demonstrated their competence. The role of the Bridges Division will be in the design and supervision of the additional crossings (at least four to complete the target of ten) and the maintenance and repair of all bridges.

The MOW Soil and Materials Laboratory is considered to be well equipped and staffed and received direct support from the World Bank. Phase II financing will provide a soils test drilling rig and related training in drilling operations and soil-test methodology.

E. Central and District Repair Shop Improvements

While the central and district workshops have received considerable technical and commodity assistance, they still do not have adequate physical facilities to perform their function. For example, several of the district shops lack electric power, several others have dirt floors, storage facilities are neither adequate nor secure, and the compounds require fencing. The central workshop building is quite adequate, but requires reappportioning and rehabilitating the storeroom, toolroom, machine shop, and office, improving security and upgrading specialized facilities. The following improvements will substantially assist in upgrading maintenance and repair work.

1. Improvements to the Central Workshop in Belmopan:

- Relocate storeroom
- New tool room, extend injector repair room
- Extend office
- New electrician shop
- Rehabilitate compound
- Relocate machine shop
- Security fencing

2. District Workshop Improvements:

- Relocate workshops in Belize, Cayo, Corozal, and Orange Walk.
- Improve workshops (electric power, shelving,

- benches, floors, communications, etc.) in Toledo and Stann Creek
- Security fencing for all shops
 - Rehabilitate compounds for all shops

Design and construction of all work will be the responsibility of the MOW except for the provision of electric service and communications which will be contracted to the Belize Electricity Board and the Belize Telecommunication Authority, respectively.

III. Implementation Schedule and Procurement Plan

The following time schedule identifies the major steps in Phase II implementation.

<u>Event</u>	<u>Target Date</u>
-- Signing of Amendment No. 4 to the Project Agreement	September 1987
-- Prepare and issue Request for Proposal	November 1987
-- A.I.D. Project Manager on board	November 1987
-- Phase I Project Assistance Completion Date	December 1987
-- Prepare and issue Invitations for Bids for equipment	February 1988
-- Award equipment contracts	March 1988
-- Two advisors on board	March 1988
-- Equipment delivery begins	May 1988
-- Equipment delivery complete	July 1988
-- Evaluation I	July 1989
-- Evaluation II	October 1990
-- PACD	April 1991

A detailed and comprehensive procurement plan will be developed prior to the start of any procurement. The procurement plan will be developed jointly by the GOB and A.I.D.

In general terms, an AID Direct Contract will be executed with a US Firm for the Technical Assistance and Training components which would utilize the Grant Funds in the Project. Commodities and equipment will be procured by the GOB in accordance with A.I.D. Host Country contracting regulations. The services of a Procurement Services Agent will be used by the MOW for procurement that involves numerous, diverse commodities.

IV. Responsibilities of Participants

The GOB will implement the Project through the MOW, as described under Project Components, above. The GOB will

ensure that all planned GOB Project resources as described in this Annex and as reflected in Attachment 1 to this Annex, Illustrative Financial Plan are provided on a timely basis. The GOB will comply with all pertinent A.I.D. regulations and policies, especially those relevant to procurement.

USAID will monitor the Project through its Agricultural Development Office. USAID will also advise the GOB regarding all A.I.D. procurement regulations pertinent to the Project. USAID will be responsible for A.I.D. Direct Procurement actions, with GOB participation and concurrence. Subject to funding availability, USAID will seek to provide planned A.I.D. funding on a timely basis.

V. Evaluations

Two evaluations are planned for Phase II. The first is scheduled for July 1989, approximately 15 months after April 1988, i.e. the date when the key A.I.D.-financed inputs should arrive in country. A second evaluation is scheduled 15 months later, or in October 1990, six months before the PACD.

Among the key factors identified for examination during the evaluations are:

- Quality of operation and level of performance of the eight Road Maintenance and Rehabilitation Units
- Performance and capabilities of the central and six district workshops
- MOW management practices and capabilities
- GOB budget allocations to the MOW
- Level of GOB and national support to the objective of secondary road maintenance
- Degree of diversion of A.I.D.-financed equipment from scheduled maintenance activities
- Degree to which MOW secondary road maintenance capabilities have been institutionalized

VI. Project Implementation Letters

Project Implementation Letters (PILs) will be utilized to explain and expand upon the terms of the Loan and Grant Agreement and its Amendments, regarding Phase II of the Project. The PIL No. 1 will further explain procurement guidelines and procedures, financing arrangements, reporting requirements, as well as other important topics.

14

VII. Illustrative Financial Plan

Attachment 1 to this Annex contains the Illustrative Financial Plan, which includes both GOB and A.I.D. contributions. Planned future A.I.D. obligations are subject to the availability of funds.

15

ILLUSTRATIVE FINANCIAL PLAN
(In U.S.\$000)

	PHASE I		PHASE II		HOST LC	PROJECT TOTALS	
	PRIOR. A.I.D. OBLI- GATIONS	HOST LC ^{1/}	THIS OBLI- GATION	A.I.D. ^{2/} FUTURE OBLI- GATIONS		A.I.D.	HOST LC
Technical Assistance and Training	1,840	0	0	1,500	0	3,340	0
Equipment	2,482	0	1,816	530	0	4,828	0
Spare Parts	607	0	250	250	0	1,107	0
Shop Improvements	0	0	0	300	0	300	0
Tires	0	0	0	450	0	450	0
Fuel and Lubricants	0	400	0	0	800	0	0
Shop Tools	199	0	75	0	0	274	1,200
Shipping and Transport	473	200	0	0	0	473	200
Local Labor Costs	0	850	0	0	1,000	0	1,850
Construction Materials	287	0	0	0	50	287	50
Contract Construction Costs (Bridges)	0	3,000	0	0	0	0	3,000
Administrative Expenses	156	0	0	90	0	246	0
Evaluation/Audit	0	0	0	50	0	50	0
Contingency	76	47	0	500	120	576	167
Inflation	30	33	0	39	50	69	83
Totals	6,150	4,530	2,141	3,709	2,020	12,000	6,550

^{1/} Host LC = GOB Local Currency from Economic Stabilization Funds Local Currencies and In-kind Contributions

^{2/} Under Phase II, A.I.D. obligations are expected to total U.S.\$5,850,000, subject to the availability of funding, and comprising U.S.\$1,700,000 in Grant Funding and U.S.\$4,150,000 in Loan Funding. Grant Funding is budgeted to include Technical Assistance and Training, Administrative Expenses, Evaluation and Audit, and \$60,000 in contingencies. Loan Funding includes: Equipment, Spare Parts, Shop Tools, Shop Improvements, Tires, and U.S.\$440,000 in contingencies.

ANNEX II

Combined Loan and Grant

Standard Provisions Annex

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

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

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

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

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

SECTION B.4 Taxation. (a) This agreement and the Assistance will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Cooperating Country.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Assistance, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Assistance, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Cooperating Country, the Cooperating Country will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Assistance.

SECTION B.5. Reports, Records, Inspections, Audit. The Cooperating Country will:

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

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the

Assistance. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

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

SECTION B.6. Completeness of Information. The Cooperating Country confirms:

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

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

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

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

Article C: Procurement Provisions

SECTION C.1. Special Rules. (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

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

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

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

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

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

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

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Assistance, including documentation relating to the 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 Assistance, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of proposals for goods and

20

services financed under the Assistance will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

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

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

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

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

SECTION C.6. Shipping

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

(b) Costs of ocean or air transportation (of goods or persons) and related delivery service may not be financed under the Assistance, if such goods or persons are carried: (1) on an ocean vessel or aircraft (the latter financed under the loan

21

portion of the Assistance) 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) in the case of aircraft, the cost of which is financed under the grant portion of the Assistance, on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written A.I.D. approval; or (3) on an ocean vessel which A.I.D., by written notice to the Cooperating Country, has designated as ineligible; or (4) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately-owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Cooperating Country on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of the sub-section must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance

(a) Marine Insurance on goods financed by A.I.D. which are to be transported to the territory of the Cooperating Country may be financed under the Assistance as a Foreign Exchange Cost under this Amendment provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as A.I.D. may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the government of the Cooperating Country, by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Cooperating Country financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

28

(b) Except as A.I.D. may otherwise agree in writing, the Cooperating Country will insure, or cause to be insured, goods financed under the Assistance imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Cooperating Country under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Cooperating Country for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of 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 Cooperating Country agrees that, wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Assistance, should be utilized. Funds under the Assistance may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies

SECTION D.1. Cancellation by Cooperating Country

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

SECTION D.2. Events of Default; Acceleration

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

(1) such repair Principal and accrued interest hereunder will be due and payable immediately; and

(2) the amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

SECTION D.3. Suspension.

If at any time:

(a) An Event of Default has occurred; or

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Assistance will be attained or that the Cooperating Country will be able to perform its obligations under this Agreement; or

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

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

(1) suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Cooperating Country;

(2) decline to issue additional commitment documents or to make disbursement other than under existing ones; and

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

SECTION D.4 Cancellation by A.I.D.

If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3., cause of causes

thereof have not been corrected, A.I.D. may cancel any part of the Assistance that is not then disbursed or irrevocably committed to third parties.

SECTION D.5. Continued Effectiveness of Agreement.

Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder, provided, that any obligations arising out of the expenditure of Grant funds will not be extinguished by such payment of principal and interest.

SECTION D.6. Refunds.

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

(b) If the failure of the Cooperating Country to comply with any of its obligations under this Agreement has the result that goods or services financed under the Assistance are not used effectively in accordance with this Agreement, A.I.D. may require the Cooperating Country to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

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

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

Loan funds, will be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder, and (ii) if derived from Grant funds will be applied to reduce the amount of the Grant.

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

SECTION D.7. Nonwaiver of Remedies.

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

SECTION D.8. Assignment

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