

PDKA 4314

CONFORMED COPY

PROJECT

GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF ST. KITTS AND NEVIS

and the

UNITED STATES OF AMERICA

for

REGIONAL NON-FORMAL SKILLS TRAINING

538-0073

DATE: September 19, 1989

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Best Available Document

PROJECT GRANT AGREEMENT

Dated: September 19, 1989

Between

The Government of St. Kitts and Nevis ("Grantee")
And

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

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above 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 I, has the following goals: To improve employability of unemployed and underemployed youth, to assist in the development of businesses of interest to the youth, to supplement the income of the youth and to institutionalize non-formal skills training by creating financially sustainable delivery systems in each of the participating East Caribbean countries

SECTION 2.2 Incremental Nature of Project

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

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

Article 3: Financing

SECTION 3.1. The Grant

To assist the Grantee to meet the costs of carrying out the Project, U.S.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 Seventy-five Thousand (\$75,000) United States ("U.S.") Dollars ("Grant")

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

SECTION 3.2. Grantee Resources for the Project

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

(b) The resources provided by the Grantee for the Project as described in Annex I will not be less than the equivalent of US\$304,000, including costs borne on an "in kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is June 30, 1992, 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 U.S.A.I.D. may otherwise agree in writing, U.S.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 U.S.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 U.S.A.I.D. agrees to in writing.

After such period, U.S.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 disbursements, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by U.S.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 U.S.A.I.D. in form and substance satisfactory to U.S.A.I.D.

(a) Evidence that the required National Project staff has been appointed to serve for periods of not less than two years, and that procedures for handling staff turn-over are in place. The National Project staff will include, at a minimum, a Director, an Instructor Trainer, a Job Development Specialist and at least one Social and Entrepreneurship Skills Trainer.

(b) A certified fiscal report of the current total annual expenditures for the National Skills Training Project by workplan/budget line item and identifying the sources of funds expended.

SECTION 4.2. Subsequent Disbursements

Prior to subsequent disbursement of funds to finance the National Skills Training Project, the Grantee shall, except as the Parties may otherwise agree in writing, provide to U.S.A.I.D., on a quarterly basis following initial disbursement, in form and substance satisfactory to U.S.A.I.D., a certified fiscal

report of the current quarter's total expenditures for the National Skills Training Project. This report shall be in accord with the approved work plan and line item budget for the respective year and shall identify the sources of all funds expended for the Project during that quarter.

SECTION 4.3. Notification

When U.S.A.I.D. has determined that the condition precedent specified in Section 4.1. and 4.2., have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent

If all of the conditions specified in Section 4.1. have not been met within sixty (60) days from the date of this Agreement, or such later date as U.S.A.I.D. may agree to in writing, U.S.A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation

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

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

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

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

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

SECTION 5.2. Annual Work Plans

The Grantee hereby agrees to provide to U.S.A.I.D. for review and approval by U.S.A.I.D. a detailed work

plan for Project activities for the period beginning October 1, 1989 to September 30, 1990 and annually thereafter. Such plan will include details of the actions that will be undertaken to assure that the National Skills Training Project is technically, administratively and financially prepared to carry-out their national programs at an appropriate level of operations without external support after June 30, 1992. The work plans for years 2 and 3 will include a detailed report on accomplishments for the preceding years.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs

Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin and with respect to services, their nationality, in the United States (Code 000 of the U.S.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") and in participating countries noted in Annex I to this Agreement, except as U.S.A.I.D. may otherwise agree in writing, and, except as provided in the Project Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States except as U.S.A.I.D. may otherwise agree in writing.

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 U.S.A.I.D. may otherwise agree in writing, their origin in the participating countries or territories as noted in Annex I to this Agreement ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursements

SECTION 7.1. Disbursements for Foreign Exchange Costs

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

(1) By submitting to U.S.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 U.S.A.I.D. to procure commodities or services in the Grantee's behalf for the Project; or

(2) By requesting U.S.A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to U.S.A.I.D., committing U.S.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 U.S.A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs U.S.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 U.S.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 U.S.A.I.D. with U.S. dollars by purchase or;

(2) By U.S.A.I.D. (i) requesting the Grantee to make available the local currency for such costs, and (ii) thereafter making available to the Grantee, through the opening or amendment by U.S.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 procurements 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 U.S.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 in particular participating countries or territories by U.S.A.I.D. or any public or private agency for purposes of carrying out obligations of U.S.A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into local currency of the particular participating countries or territories at the highest rate of exchange which, at the time the conversion is made, is not unlawful.

Article 8: Miscellaneous

SECTION 8.1. Communications

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

To the Grantee:	The Permanent Secretary
Mail Address:	Ministry of Education, Health, and Community Affairs Government Headquarters Basseterre St. Kitts and Nevis West Indies
TO U.S.A.I.D.:	USAID Mission Director
Mail Address:	United States Agency for International Development P.O. Box 302 Bridgetown BARBADOS West Indies

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 any other U.S.A.I.D. office.

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 the Permanent Secretary, Ministry of Education and U.S.A.I.D. will be represented by the individual holding or acting in the office of the USAID 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 I. The names of the representatives of the Grantee, with specimen signatures, will be provided to U.S.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 II) 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

BY:

A. S. Williams
Aaron S. Williams

TITLE: Director

Date: September 19, 1989

THE GOVERNMENT OF ST. KITTS AND NEVIS

BY:

Kennedy A. Simmonds
Dr. The Right Hon.
Kennedy A. Simmonds, M.P.

Title: Prime Minister

Date: Sept 14th 1989

ILLUSTRATIVE BUDGET
SKILLS TRAINING PROJECT
ST. KITTS AND NEVIS
 (US\$000)

FY 1990 Illustrative Annual Budget

Staff Salaries	36
Staff Travel	6
Facility Maintenance	10
Instructor Salaries	22
Trainee Stipends	25
Staff Training	12
Office Equipment	4
Office Supplies	4
Vehicle Maintenance	5
Trainee Insurance	2
Tools and Equipment	14
Training Supplies	18
TOTAL	<u>158</u>
	===

Illustrative
 Life-of-Project Contributions *

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>TOTAL</u>
GRANTEE	64	100	140	304
USAID	94 **	66	34	194
TOTAL	<u>158</u>	<u>166</u>	<u>174</u>	<u>498</u>
	===	===	===	===

* Assumes an approximate 5 percent rate of growth annually.

** Includes the amount obligated in Section 3.1 of the Agreement and incremental funding to be added in FY 1990

REGIONAL NON-FORMAL SKILLS TRAINING PROJECT
PHASE FOUR
AMPLIFIED PROJECT DESCRIPTION

I. BACKGROUND

Unemployment rates among youth between the ages of 15 and 25 in the Eastern Caribbean islands range between 12 and 53 per cent according to most recent estimates. Meanwhile the availability of an appropriately trained labor force remains as a serious constraint to the expansion of manufacturing, agriculture and services. A series of Project commissioned labor market surveys found that while structural changes in the formal educational system might address manpower needs in the long run, there was no program which could address these needs in the short run other than the STP.

Training for self-employment would also be of help in alleviating the chronic problems of unemployment and the attendant social problems. Self employment opportunities exist in the informal sector in all of the Eastern Caribbean countries. However, young people need the necessary skills, capacities and business acumen to initiate income generating activities on their own. Skills training for self-employment considerably increases the potential for self-employment while contributing to the general process of economic development.

To help alleviate these constraints on economic development, USAID provided grant funds to the Organization of American States (OAS) to implement the Regional Non-Formal Skills Training Project. Since 1982, the project has been marked by substantial progress in training and placing youth in wage as well as self-employment opportunities. There has also been substantial progress toward full technical, administrative and financial institutionalization of the Skills Training Project. With regard to the progress toward financial institutionalization, participating Governments have been meeting the cost of core national staff salaries and office space from the time the project was initiated in the respective countries. USAID has been substantially meeting the cost of a regional coordination, long and short term technical assistance, student stipends, instructor salaries, staff travel, supplies and tools. Most recently, participating countries assumed further fiscal responsibility for the cost of in-country travel and office supplies.

The project still requires external support before it is fully institutionalized. During Phase 4 of the Project, USAID will

provide an additional three years of assistance on a declining basis to enable countries to assume full responsibility for the budget from internal sources.

II. PROJECT GOAL AND PURPOSE

The goal of the Project in this final phase is to ensure the permanence of institutions which provide demand driven, job related training to improve the employability and enhance the incomes of the unemployed and underemployed in the participating countries of the OECS. The main purpose is to support the institutionalization program initiated by the participating countries. A related secondary purpose is to continue ongoing skills training for unemployed and underemployed youth particularly between the ages of 15 and 25 years so as to help them improve their incomes and employment conditions.

End of Project Outputs

In order to achieve the Project's purpose, the following outputs are expected:

1. The project will be fully institutionalized in each of the participating countries. This will be evidenced by the following:

a) members of the project staff will be accorded established positions in the Government or in a non-governmental (statutory) organization.

b) Each national office will undertake without need for external assistance 1) planning and scheduling of training modules, 2) promotion and delivery of modules to private and public enterprises; 3) continuity in staffing; 4) training and professional development of staff; 5) prudential and timely budgeting of expenses; 6) timely and accurate reporting of expenses and activities; and 7) timely decision making and problem solving.

c) Provision of financial resources sufficient to pay the costs of operating Project activities including instructor salaries, training materials and trainee stipends.

2. The minimum number of additional people trained in the six countries will be 900 annually for a total of not less than 2,700 over the three years of phase 4. About 20% of those trained will be in self-employment. No less than 40% of the trainees will be women and no less than 20% of these women will be trained in areas which are non-traditional for women in the Caribbean.

3. The Phase three target of 80 percent of graduates placed within three months of graduation will be maintained.

III. ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS)

The objective of the Project Agreement with the OECS is to provide a broad range of support to its member countries participating in the Project. Specific activities for which the OECS will have responsibility include: contracting for and providing office space for one year for the Regional Small Business Skills Specialist; organizing and supporting bi-annual planning and coordinating meetings of the National Project Directors and respective Permanent Secretaries; and organizing, contracting and supporting short-term consultant services required by participating countries.

A. Technical Assistance

1. Long Term

The post of the Small Business Specialist which was filled during Phase 3 of the Project will be retained for 12 months during Phase 4. This is the only long term consultant to be provided under this phase of the project. The Specialist will continue work initiated under Phase 3 to help national project staff to develop a program of self-employment training. Such training will be linked to small business development opportunities and resources.

The responsibilities of the Specialist will include:

- o Developing local capacities to train young people in the technical skills required for self-employment
- o Offering trainees preparation in the business and managerial skills required for self-employment
- o Assisting STP graduates to develop business plans, guiding them through the process of securing credit and providing guidance for a period of up to six months after completion of training.

2. Short-term

The OECS will work in conjunction with National Project Offices to identify and contract the services of short-term consultants from within and outside the region to assist the process of institutionalization. A particular emphasis will be placed upon cooperation among participating countries in the use of such consultants. Up to 12 person-months of consulting services are anticipated to be required in the following areas:

- Design of revenue generation strategies
- Budgeting , accounting and management training
- Supervisory training
- Instructor training
- Other areas as determined and approved by the Regional Coordinating Committee

Primary preference in the selection of consultants will be given to residents in the participating countries. Secondary preference will be given to residents in the Eastern Caribbean. Use of extra-regional consultants will be the last option to be pursued.

B. Regional Coordination

At a meeting held in St. Lucia in December, 1988, Permanent Secretaries of the Ministries in which the project is housed in the six OECS countries supported the view that regional coordination should be sustained as countries assume greater responsibility for the Skills Training Project. They recommended that Permanent Secretaries, like National Project Directors, should meet bi-annually at Regional Coordinating Committee meetings to share information about project implementation, and to deal with common problems associated with the efforts of the six countries to institutionalize the Project.

The OECS will organize Regional Coordinating Committee Meetings for National Project Directors and Permanent Secretaries over the three year period of this Amendment. A single meeting will be held bi-annually for both National Directors and Permanent Secretaries. These meetings, inter alia, will be the venue for decisions on the nature and timing of short-term consultant services to be recruited and contracted by the OECS.

IV. BILATERAL AGREEMENTS

The objective of continued assistance to countries participating in the Skills Training Project is to support the full institutionalization of country activities and to continue training and placement of unemployed and underemployed youth.

By the end of the Project in June 1992, each participating

country will be able, without external support, to (a) plan its program of training, (b) organize and staff the program on an on-going basis with qualified personnel, (c) train its staff and sustain on-going staff development, (d) promote and organize training modules based on effective demand and schedule them at appropriate times and locations, (e) access training tools/equipment and develop new curricula and training materials as required by a changing industrial environment, (f) secure financial resources and budget and manage them prudently, (g) monitor and control all activities to ensure that they are proceeding as scheduled and that the training is meeting the established objectives effectively, and (h) place graduates in income-generating jobs or assist them in becoming self-employed, and (i) develop and implement an appropriate follow-up monitoring program.

A. National Staff

The principal national staff to be provided by participating Governments during Phase 4 of the Project will include a Director, an Instructor-Trainer, at least one Job Development-Specialist and at least one Social and Entrepreneurship Skills Trainer. In addition, there will be a full-time Clerk-Typist and a part time Accountant.

To minimize potential problems which may result from rapid turnover of staff, each participating country will establish and implement procedures for appointing each of the principal national project staff, by new contract, secondment, or other appropriate means, to serve for periods of not less than two years. These conditions should also apply to staff recruited to succeed those who terminate their relationship with the project at the end of their current period of service.

B. Revenue Generation Workshop

Effective institutionalization will in large part hinge on the identification of sources and strategies for revenue generation. Specifically, assistance will be provided for a study of options and a conference to be scheduled before the commencement of this phase of the project utilizing funds under the OAS Agreement which expires in September, 1989. The study and conference will focus on relevant experience from several countries in securing funding such as fee for service contracting, governmental contracting, corporate fundraising as well as alternate forms of taxation. As a follow-up to this workshop, technical assistance will be provided during Phase 4 of the Project, to each National Office to prepare and help implement a self-financing plan. Implementation of this plan will be carefully monitored and evaluated during Phase 4 of the Project.

C. Training Activities

Although institutionalization will be the primary focus of this Phase of the Project, emphasis will continue to be placed on skills training. Special emphasis will be placed on providing the trainees with business skills, an emphasis which began during Phase 3 of the Project. Additionally, supervisory training, which has been provided to upgrade the skills of earlier graduates, will continue.

For some technical modules, it may be necessary to contract the services of a consultant to provide specialized instructor training where such skills are neither available on the particular national staff or through cooperation with other participating country staffs. Agreement will be reached among participating countries and the OECS during Regional Coordinating Committee meetings convened by the OECS on the nature and timing of consultant services required for all elements of the project. The OECS will have responsibility for coordinating with participating countries in selecting, contracting and supporting consultants funded by the Project.

First level supervisory training will continue to be undertaken. Some technical assistance will be sought from the USAID Small Enterprise Project in this area.

IV. FINANCING

The financing arrangements for participation of the OECS and member countries in Phase 4 of the Skills Training Project are as follows:

A. Bilateral Project Agreements

Upon approval of the national work plans and budgets, USAID will agree to provide a specified percentage of budgetary support for expenditure against the approved budgets. USAID will provide a quarterly advance of funds to each of the six countries as required for a period not to exceed the first nine months (three quarters) of the Phase 4 of the project. Thereafter, the six countries will be required to advance funds needed for project implementation and claim reimbursement from USAID. Provision of the required advance by participating countries is regarded as an important indication of commitment to finance the project from internal resources.

Actual disbursement of USAID funds will be based upon quarterly submission by participating countries of a certified fiscal report verifying total expenditures incurred for the Skills Training Project for that quarter, including specific sources of funds.

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B. OECS Agreement

Grant funds will be provided to the OECS on the basis of a rolling 90 day advance. Disbursement will be contingent upon receipt, annually, of a brief schedule and budget for the activities for which the OECS will be responsible. Activities not included in this schedule which cost over 15 percent of the budget will require advance USAID approval.

V. MONITORING AND EVALUATION

The national project information systems which were developed earlier during the project will continue to provide the basis for project monitoring. The principal activity which will be monitored on a quarterly basis is actual expenditures by National Project Offices and sources of funds for these expenditures. The certified fiscal expenditure reports will be the instrument to affect this monitoring.

On an annual basis, the Grantees will develop and provide to USAID work plans for the upcoming year. These work plans will be prefaced with a summary report of the progress and accomplishments of the current year. Details of the contents of the work plans will be established in separate Implementation Letters from USAID.

USAID will conduct a final evaluation in mid-1992 to assess the overall impact of the Project and to develop lessons learned for application to similar training programs. This evaluation will be conducted by an independent evaluation contractor. The principal focus will be on (a) the effectiveness of the work of the Organization of American States in supporting the Governments to properly implement the skills training program and (b) the progress which the countries have made towards full institutionalization of their skills training program.

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

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

The Grantee will:

- (a) furnish U.S.A.I.D. such information and reports relating to the Project and to this Agreement as U.S.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 U.S.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 U.S.A.I.D., or caused U.S.A.I.D. to be informed, in the course of reaching agreement with U.S.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 U.S.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 payment have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant except fees, taxes, or similar payments legally established in the country of the Grantee.

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

Article C: Procurement Provisions

SECTION C.1. Special Rules

- a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.
- (b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

- (c) Any motor vehicles financed under the Grant will be of United States manufacture, except as U.S.A.I.D. may otherwise agree in writing.
- (d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

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

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

- (a) The Grantee will furnish to U.S.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 U.S.A.I.D. on preparation;
 - 2) such documentation will also be furnished to U.S.A.I.D., upon preparation, relating to any goods or services which, though not financed under the Grant, are deemed by U.S.A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this sub-section (a) (2) will be identified in Project Implementation Letters;
- (b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by U.S.A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;
- (c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Project Implementation Letters, will be approved by U.S.A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by U.S.A.I.D. prior to execution; and

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

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

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

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 U.S.A.I.D. Geographic Code 935 as in effect at the time of shipment; or, (2) on an ocean vessel which U.S.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 U.S.A.I.D. approval.
- (b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel or aircraft 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 U.S.A.I.D. approval 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 U.S.A.I.D. approval; or (2) on an ocean vessel which U.S.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 U.S.A.I.D. approval.

- (c) Unless U.S.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 U.S.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 U.S.A.I.D. and transported to the territory of the Grantee on dry cargo lines 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 U.S.A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided, (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as U.S.A.I.D. may agree in writing, 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 U.S.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 U.S.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 U.S.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 replacement will be of source and origin of countries listed in U.S.A.I.D. Geographic Code 935 as in

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effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the project.

Article D: Termination; Remedies

SECTION D.1. Termination. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to non-cancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination U.S.A.I.D. may, at U.S.A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to U.S.A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds

- (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, U.S.A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to U.S.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, U.S.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 U.S.A.I.D. within sixty (60) days after receipt of a request therefor.
- (c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provisions of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

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- (d) (1) Any refund under subsection (a) or (b), or (2) any refund to U.S.A.I.D. from a contractor, supplier, bank or 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 U.S.A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to U.S.A.I.D. in U.S. Dollars by the Grantee.

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

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to U.S.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 U.S.A.I.D. financed in whole or in part out of funds granted by U.S.A.I.D. under this Agreement.