PDKAW596

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/ Managua
APO Miami 34021-3241

AGENCIA INTERNACIONAL PARA EL DESARROLLO
Pista Sub Urbana
Apartado Postal C-167, Managua
ZP 13

Proyecto de A.I.D.
No. 524-0313

Convenio de Proyecto de Donación

30 de Julio de 1991

Entre

El Gobierno de Nicaragua ("Donatario" o "GON")

Y

Los Estados Unidos de América actuando a través de la Agencia para el Desarrollo Internacional ("A.I.D.").

Artículo 1: El Convenio

El objetivo de este Convenio es definir el entendimiento de las partes arriba mencionadas ("Partes") con respecto a la ejecución por parte del Donatario del proyecto descrito a continuación, y sobre el financiamiento del proyecto por las Partes.

Artículo 2: El Proyecto

SECCION 2.1. Definición del Proyecto

El Proyecto, ampliamente descrito en el Anexo I, consistirá de, primero, una serie de donaciones a Organizaciones Privadas Voluntarias (OPVs) registradas con A.I.D., para llevar a cabo actividades de desarrollo en las áreas de salud,

A.I.D. Project No. 524-0313

Project Grant Agreement

July 30, 1991

between

The Government of Nicaragua ("Grantee", or "GON")

And

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project

The project, which is further described in Annex I, will consist of one, a series of Grants to U.S. Private Voluntary Organizations (PVOs) registered with A.I.D. to carry out development activities in the fields of health, family planning,

Telephone: International -011-505-2 (Local No.)
Local No. -670502, 670503, 670504
674028, 674029, 674030

Facsimile: 75711

planificación familiar, microempresas, generación de empleos y protección del medio ambiente; segundo, el establecimiento y funcionamiento de una Unidad de Administración de Proyectos para gestionar estas donaciones, y tercero, un Contrato de Servicios Personales con un ciudadano Estadounidense, que maneje para la A.I.D. todo lo relativo a la implementación del proyecto. El Anexo I, adjunto, amplía la definición del proyecto. Dentro de los límites de la anterior definición del proyecto, algunos elementos de la Descripción Ampliada en el Anexo I, podrían variar, sin ninguna enmienda formal a este Convenio, por acuerdo escrito de los representantes autorizados de ambas partes, mencionados en la Sección 8.2.

microenterprise, employment generation, and environmental protection; two, the establishment and operation of a Project Management Unit to oversee these grants; and three, a Personal Services Contract with a U.S. citizen to manage all implementation aspects of the project for A.I.D. Annex I, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex I may be changed by written agreement of the Parties named in Section 8.2., without formal amendment of this Agreement.

SECCION 2.2. <u>Aspecto Incremental del Proyecto</u>

(a) La contribución de la A.I.D. al proyecto será hecha en incrementos, el inicial estará disponible de conformidad a la Sección 3.1 de este Convenio. Incrementos posteriores estarán sujetos a la disponibilidad de fondos de A.I.D. para este propósito, y al mutuo acuerdo de la Partes para proceder, al momento de un incremento subsecuente.

(b) Dentro del período comprendido en la Fecha de Terminación de Asistencia al Proyecto estipulado en este Convenio, la A.I.D., basada en consultas con el Donatario,

SECTION 2.2. <u>Incremental Nature of the Project</u>

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

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project

puede especificar en Cartas de Ejecución de Proyecto, los períodos apropiados para el uso de los fondos donados por la A.I.D. bajo un incremento individual de asistencia.

Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Artículo 3: Financiamiento

Article 3: Financing

SECCION 3.1. La Donación

SECTION 3.1. The Grant

Para asistir al Donatario a cubrir los costos de ejecución del Proyecto, la A.I.D., de acuerdo al Acta de Asistencia Exterior de 1961, según enmendada, acuerda otorgar al Donatario, bajo los términos de este Convenio, una cantidad no mayor de CUATRO MILLONES DE DÓLARES ESTADOUNIDENSES ("EEUU") ($4,000,000) ("Donación").

To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed FOUR MILLION UNITED STATES ("U.S.") DOLLARS ($4,000,000) ("Grant").

La Donación puede ser utilizada para financiar los costos en moneda extranjera, definidos en la Sección 6.1., y costos en moneda nacional, definidos en la Sección 6.2., de bienes y servicios requeridos para este Proyecto.

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.

SECCION 3.2 Recursos del Donatario para el Proyecto

SECTION 3.2. Grantee Resources for the Project

(a) El Donatario acuerda proveer o gestionar la obtención de todos los fondos para el proyecto, además de la donación, y de todos los otros recursos necesarios para ejecutar oportuna y eficazmente el Proyecto.

(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) Los recursos otorgados por el Donatario no serán menor al equivalente de CINCO MILLONES DE DÓLARES ESTADOUNIDENSES ("EEUU") ($5,000,000), incluyendo los

(b) The resources provided by the Grantee will be not less than the equivalent of FIVE MILLION UNITED STATES ("U.S") DOLLARS ($5,000,000), including costs

3

costos aportados "en especie".

SECCION 3.3. Fecha de Terminación de Asistencia al Proyecto.

(a) La "Fecha de Terminación de la Asistencia al Proyecto" (FTAP) la cual es el 30 de Junio de 1996, o cualquier otra fecha que las Partes acordaran por escrito, es la fecha para la cual las Partes estiman que todos los servicios financiados bajo la donación habrán sido realizados y todos los bienes financiados bajo la Donación habrán sido proporcionados al Proyecto como ha sido proyectado en este Convenio.

(b) Excepto que la A.I.D. de otra forma acordara por escrito, la A.I.D. no emitirá o aprobará documentos que puedan autorizar desembolsos de parte de la Donación para servicios llevados a cabo después de la FTAP o para bienes suministrados para el proyecto, según proyectados en este Convenio, en fecha posterior a la FTAP.

Artículo 4. Condiciones Previas a Desembolsos

SECCION 4.1. Primer Desembolso

Previo a cualquier desembolso o a la emisión de cualquier documento de Compromiso bajo el Convenio del Proyecto, con excepción para la unidad y el Coordinador administrativo del Proyecto de la USAID, el GON

borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is June 30, 1996, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

Article 4. Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement

Prior to any disbursement or the issuance of any commitment documents under the Project Agreement, except for the project management unit and the USAID Project Coordinator, the GON shall, except as the

deberá proporcionar, excepto que las Partes determinen lo contrario por escrito, en forma y substancia satisfactoria a la A.I.D.:

(a) Una opinión de asesoría jurídica aceptable para la A.I.D. de que este Convenio ha sido debidamente autorizado y/o ratificado y ejecutado en nombre del Donatario y que esto constituye un compromiso válido y legal del Donatario en conformidad con todos sus términos; y

(b) Un informe del nombre de la persona encargada o actuando en el oficio del Ministro de Cooperación Externa, y de cualesquiera otros representantes adicionales, junto con una muestra de las firmas de cada persona especificada en dicha declaración.

SECCION 4.2. Notificación

Cuando la A.I.D. haya determinado que las condiciones previas detalladas en la Sección 4.1. han sido alcanzadas, se le notificará de inmediato al Donatario.

SECCION 4.3. Fechas de Terminación de las Condiciones Previas

Si todas las condiciones detalladas en la Sección 4.1. no se han logrado dentro de los 120 días desde la fecha de este Convenio, u otra fecha posterior que acordase por escrito la A.I.D., la A.I.D. tendrá la opción de dar por terminado este Convenio

Parties may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

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

(b) A statement of the name of the person holding or acting in the office of the Minister of External Cooperation, and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Notification

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

SECTION 4.3. Terminal Dates for Conditions Precedent

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

5

mediante notificación escrita al Donatario

Artículo 5: Convenios Especiales

SECCION 5.1. Evaluación del Proyecto

Las partes acuerdan establecer un programa de evaluación como parte del Proyecto. Con excepción de lo que las Partes de otra forma acordaran por escrito, el programa incluirá durante la implementación del Proyecto y en una o más ocasiones posteriores:

(a) Una evaluación del progreso hacia el logro de los objetivos del Proyecto.

(b) Una identificación y evaluación de áreas problemáticas u obstáculos que puedan impedir dichos logros.

(c) Evaluación de como dicha información puede ser utilizada para ayudar a superar dichos problemas; y

(d) Evaluación, al grado conveniente, del impacto general del proyecto en el desarrollo del país.

SECCION 5.2. Reconocimiento de las Organizaciones Privadas Voluntarias Estadounidenses Registradas con A.I.D.

Por este medio, el Gobierno de Nicaragua conviene en otorgar, a cualquier OPV Estadounidense registrada con la A.I.D., que aplique a la A.I.D. para una

the Grantee

Article 5: Covenants

SECTION 5.1. Project Evaluation

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

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

(b) identification and evaluation of problem areas 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 development impact of the Project in the country.

SECTION 5.2. Recognition of Registered U.S. Private Voluntary Organizations

The Government of Nicaragua hereby covenants that it will grant to any U.S. PVO registered with A.I.D. that applies to A.I.D. for a grant

6

donación bajo este Projecto y cumpla el requerimiento de registro con el Ministerio de Gobernación, reconocimiento legal oficial y cualquier y todos los permisos, autorizaciones u otros documentos necesarios para permitir a dichas OPVs Estadounidenses, llevar a cabo actividades de desarrollo en Nicaragua. Se sobreentiende que las OPVs cumplirán con las leyes y reglamentos locales, incluyendo registro con el correspondiente ministerio técnico. Las exenciones de impuestos para los OPVs serán dispuestas entre ambos Gobiernos de acuerdo a sus reglamentos y políticas respectivas, según estipuladas en un intercambio de cartas anexo a este Convenio.

from this Project and fulfills the requirement for registration with the Ministry of Government, official legal recognition and any and all permits, approvals, and other like documents needed to allow such a U.S. PVO to carry out development activities in Nicaragua. It is understood that PVOs will comply with local laws and regulations, including registration with the relevant technical ministry. Tax exemptions for PVOs will be agreed to by the Parties in accordance with their respective rules and policies as explained is an exchange of letters annexed to this agreement.

Artículo 6: Fuente de Ingreso

SECCION 6.1. Costos en Moneda Extranjera

Los desembolsos, de acuerdo a la Sección 7.1. ("Desembolso para los Costos en Moneda Extranjera") serán utilizados exclusivamente para financiar los costos de bienes y servicios requeridos en el Proyecto, que tengan, con respecto a los bienes, su procedencia y origen, y con respecto a los servicios, su nacionalidad, en los Estados Unidos o en el país cooperante y en los países miembros del Mercado Común Centroamericano, excepto que la A.I.D. de otra forma acordara por escrito.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs

Disbursements pursuant to Section 7.1. ("Disbursement for Foreign Exchange Costs") 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 or the cooperating country and Central American Common Market Countries, except as A.I.D. may otherwise agree in writing.

7

SECCION 6.2. Costos en Moneda Nacional

Los desembolsos de acuerdo a la Sección 7.2. ("Desembolsos para los Costos en Moneda Nacional") serán usados exclusivamente para financiar los costos de bienes y servicios requeridos para el proyecto teniendo su procedencia y excepto que la A.I.D. de otra forma acordara por escrito, su origen en Nicaragua.

SECTION 6.2. Local Currency Costs

Disbursement pursuant to Section 7.2. ("Disbursement for Local Currency Costs") will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree en writing, their origin in Nicaragua.

Artículo 7: Desembolsos

SECCION 7.1. Desembolsos para los Costos en Moneda Extranjera

Por este medio el Donatario acuerda que:

(a) Una vez satisfechas las condiciones previas anteriores, la A.I.D. podrá presentar y desembolsar fondos de la Donación para cubrir los Costos en Moneda Extranjera de bienes o servicios requeridos para el Proyecto de acuerdo con los términos de este Convenio, emitiendo Ordenes de Ejecución de Proyectos y otorgando Contratos o Donaciones de acuerdo con las instrucciones incluidas en esas Ordenes de Ejecución de Proyecto; y

(b) Ninguna autorización adicional de parte del Donatario será necesaria para permitir a la A.I.D. presentar y desembolsar fondos de este proyecto para los Costos en Moneda Extranjera de bienes y servicios requeridos para el mismo.

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs

The Grantee hereby agrees that:

(a) After satisfaction of the above Conditions Precedent, A.I.D. may commit and disburse 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 issuing Project Implementation Orders and awarding contracts or Grants in accordance with the instructions contained in those Project Implementation Orders; and

(b) No further approval from the Grantee shall be required to allow A.I.D. to commit and disburse funds from this Project for the Foreign Exchange Costs of goods and services required for the Project.

SECCION 7.2. Desembolsos para Costos en Moneda Local

Por este medio el Donatario acuerda que:

(a) Una vez satisfechas las condiciones previas anteriores, la A.I.D. podrá presentar y desembolsar fondos pertenecientes a la Donación para Costos en Moneda local de bienes y servicios requeridos para el Proyecto de acuerdo con los términos de este Convenio, emitiendo Ordenes de Ejecución de Proyectos u otorgando Contratos o Donaciones, de acuerdo con las instrucciones incluidas en esas Ordenes de Ejecución de Proyecto; y

(b) Ninguna autorización adicional de parte del Donatario será necesaria para permitir a la A.I.D. presentar y desembolsar fondos de este Proyecto para los Costos en Moneda local de bienes y servicios requeridos para el mismo.

(c) La moneda local necesaria para tales desembolsos puede ser obtenida por la A.I.D. a través de su compra con dólares de los Estados Unidos.

SECCION 7.3. Otras formas de Desembolsos

Desembolsos de la Donación podrán hacerse también a través de cualesquiera otros medios las Partes acuerden por escrito.

SECTION 7.2. Disbursement for Local Currency Costs

The Grantee hereby agrees that:

(a) After satisfaction of the above Conditions Precedent, A.I.D. may commit and disburse funds under the Grant for the Local Currency Costs of goods or services required for the Project in accordance with the terms of this Agreement by issuing Project Implementation Orders and awarding contracts or Grants in accordance with the instructions contained in those Project Implementation Orders; and

(b) No further approval from the Grantee shall be required to allow A.I.D. to commit and disburse funds from this Project for the Local Currency Costs of goods and services required for the Project.

(c) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase.

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.

SECCION 7.4. Tasa de Cambio

A excepción de lo que pudiera específicamente estipularse en la Sección 7.2, si fondos suministrados bajo esta Donación son introducidos a Nicaragua por la A.I.D. o por cualquier otra Agencia pública o privada, con el propósito de cumplir con compromisos de la A.I.D. aquí descritos, el Donatario hará todos los arreglos pertinentes de manera que dichos fondos puedan ser convertidos a moneda de Nicaragua a la tasa de cambio más alta, que al momento que se efectúe la conversión no sea ilegal en Nicaragua.

Artículo 8: Varios

SECCION 8.1. Comunicaciones

Cualquier notificación, solicitud, documento u otro tipo de comunicación sometida por cualquiera de las Partes a la otra bajo este Convenio será por escrito, telegrama o cable, y deberá ser considerada como debidamente entregada o enviada a las Partes a las direcciones siguientes:

Al Donatario:

Ministerio de Cooperación Externa
Managua, Nicaragua

A la A.I.D.
Edificio A.I.D., Pista Suburbana; Apto. Postal C-167, ZP 13
Managua, Nicaragua

SECTION 7.4. Rate of Exchange

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

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:

Ministerio de Cooperación Externa
Managua, Nicaragua

To A.I.D.
Edificio A.I.D., Pista Suburbana; Apto. Postal C-167, ZP 13
Managua, Nicaragua

Toda forma de comunicación será en inglés, a menos que ambas partes acuerden de otra forma por escrito. Se pueden sustituir otras direcciones por las anteriores bajo previa notificación.

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.

SECCION 8.2. Representantes

Para todos los propósitos pertinentes a este Convenio, el Donatario será representado por la persona a cargo o actuando en el oficio de Ministro de Cooperación Externa, y la A.I.D. será representada por la persona a cargo o actuando en el oficio del Director de la Misión de la A.I.D., cada uno de los cuales, por notificación escrita, podrá designar representantes adicionales para todo propósito que no sea el ejercicio del poder estipulado bajo la Sección 2.1., de revisar los elementos de la Descripción Ampliada en el Anexo I. Los nombres de los Representantes del Donatario, con muestra de sus firmas, serán remitidas a la A.I.D., la cual podrá aceptar como debidamente autorizado cualquier documento firmado por dichos Representantes durante la implementación de este Convenio, hasta que no se reciba una notificación escrita revocando su autoridad.

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 Minister of External Cooperation, and 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 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.

SECCION 8.3. Anexo de Estipulaciones Generales

Adjunto se encuentra un "Anexo de Estipulaciones Generales del Proyecto de Donación" (Anexo II) el cual forma parte

SECTION 8.3. Standard Provisions Annex

A "Project Grant Standard Provisions Annex" (Annex II) is attached to and forms part of this Agreement.

11

de este Convenio.

SECCION 8.4 Idioma del Convenio

Este Convenio está preparado en ambos idiomas, inglés y español. En el caso de ambigüedad o conflicto entre ambas versiones, prevalecerá la versión en inglés.

EN FE DE LO CUAL, el Donatari y los Estados Unidos de América, cada uno actuando a través de su Representante debidamente autorizado, han dado lugar para que este Convenio sea firmado en sus respectivos nombres y librado a partir del día y año antes indicados.

GOBIERNO DE NICARAGUA

Por: _____
Roberto Atha Ramírez

Ministro, Por la Ley del Ministerio de Cooperación Externa

SECTION 8.4 Language of Agreement

This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English Language version will control.

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: _____
Janet C. Ballantyne

Director

ANNEX I: AMPLIFIED PROJECT DESCRIPTION

NICARAGUA PVO CO-FINANCING PROJECT

A. Objectives of the Project

The PVO Co-Financing Project will respond to Nicaragua's need for social services in the areas of health, family planning, employment, microenterprise and protection against environmental degradation. Numerous Private Voluntary Organizations (PVOs) wish to assist Nicaragua in restoring these services to an adequate level; this Project will assist them in so doing. The Project's goal will be to promote broad based, sustainable economic growth and improve the health of Nicaragua's population. Its purpose will be to expand the availability of primary health care and family planning services and employment opportunities for lower income families, and to promote sustainable natural resource management.

B. Summary Description of the Project

To move toward these objectives, A.I.D. will use funds from this Project to award grants to United States PVOs to carry out development activities in the areas of health, family planning, employment, microenterprise and protection against environmental degradation. These sectors have been identified as priorities by both A.I.D. and the Government of Nicaragua (GON).

A.I.D. will award grants only to U.S. PVOs registered with A.I.D. However, A.I.D. will strongly encourage these grantees to work with locally-based organizations, particularly local PVOs (LPVOs). This will enable the U.S. PVOs to tap local knowledge about the needs of the target population and strategies for meeting those needs, forge links with the beneficiary populations, and assist the LPVOs to develop their management and accounting capabilities. This Project will also provide training directly to local PVOs to improve their capacity to design, administer, and manage the finances of small-scale development activities. It is expected that during the life of this Project, such assistance will help develop within some of the LPVOs the capacity to implement direct grants from other donors.

Many PVOs have already approached USAID/Nicaragua for assistance. To assist USAID in evaluating all of the submissions now in hand or expected and choosing those suitable for funding, USAID will also use funds from this Project to finance two contracts. First, A.I.D. will execute a Personal Services Contract with a qualified individual to serve as the USAID Mission's PVO Coordinator. This contractor will be responsible for overall administration of the Project, including monitoring implementation through site visits and reports; maintaining effective financial supervision of Project-funded grantees; supervising baseline data collection,

activity monitoring and periodic evaluation; and assisting USAID in coordinating policies with the GON and with other donors.

Second, A.I.D. will contract with a U.S. for-profit firm to establish and operate a Project Management Unit (PMU). This will allow USAID and the GON to monitor and evaluate the impact of Project-funded activities on intended beneficiaries, and will mitigate the heavy administrative burden that would be imposed on the new USAID Mission to Nicaragua were each of these activities to be managed as a separate project.

A.I.D. will select this contractor through full and open competitive procedures. The PMU's responsibilities will include receiving proposals from U.S. PVOs for subproject activities, assisting those PVOs in modifying their proposals to correspond with the selection criteria set forth below, making recommendations to A.I.D. as to which proposals merit funding, designing and carrying out a training program for local PVOs, and overseeing and managing all PVO subprojects. USAID's experience, as well as its discussions with sources familiar with the human resources available locally, indicate ample availability of qualified Nicaraguans to staff many of the positions within this PMU.

Given the need for competitive procurement of technical assistance, USAID does not expect that the PMU contractor will arrive on site until January 1992. Yet in view of the pressing problems facing Nicaragua, USAID will award at least one grant in the fourth quarter of Fiscal Year (FY) 1991 to one of the U.S. PVOs that have already presented Concept Papers to USAID. Then, in the first quarter of FY 1992, USAID will award as many as two additional grants prior to the arrival of the PMU contractor. Funds for these grants will come from this Project.

Implementation of Project activities will begin with the signature of this Project Grant Agreement, and continue through a Project Assistance Completion Date (PACD) of June 30, 1996.

C. Criteria for Award of Grants to PVOs

PVO proposals are expected to address a wide range of special development concerns. Preference will be given to those subprojects that direct activities to priority development areas (health, family planning, employment, microenterprise, and environmental protection) conforming to established A.I.D. and GON policy objectives, have high impact and visibility, indicate some possibility of sustainability without further USAID assistance, and involve LPVOs. To be considered, proposals from PVOs must also fully demonstrate strong community involvement in design and implementation. In general, subprojects will be completed within three years. A.I.D. will consider extensions only when necessary to achieve particular longer term objectives.

Except under compelling special circumstances, the minimum sized subproject to be considered will be $500,000; the maximum will be $3,000,000.

To be considered by USAID, all subprojects will have to comply with the following minimum criteria:

- The proposing organization must be registered with A.I.D. as a U.S. Private Voluntary Organization.

- The proposal must be in general accordance with or complement the parameters of the GON Development Plan and the USAID Country Strategy.

- Planned activities must contribute to achievement of the Project Purpose

- The proposal must be technically, administratively, financially, economically, socially and environmentally sound;

- The proposal must contain precise financial and implementation plans;

- Planned activities must be developmental rather than welfare-oriented;

- The proposal must demonstrate the willingness and organizational capacity of the prospective grantee to:

  -- implement, monitor, and report on all program activities;
  -- generate gender-disaggregated data;
  -- evaluate the impact of activities on the intended beneficiaries;
  -- evaluate and manage subgrant activities with LPVOs;
  -- contain provisions to assure that some degree of activity will continue after the completion of A.I.D. assistance; and
  -- deliver politically neutral benefits.

When required to choose among the many proposals competing for Project resources, USAID will give higher priority to proposals that also meet some or all of the following <u>activity</u> criteria:

- Demonstrate the prospective grantee's particular expertise or competence with the proposed activities.

- Are participatory in nature, involving to the degree possible beneficiaries and local organizations in design and implementation;

- Involve LPVOs in program implementation through subgrants or contracts;

- Are directed toward improvements in living conditions of the poor;

- Encourage the participation of women; and

- Include a Logical Framework, Decision Tree, or similar schematic (goal, purpose, outputs, inputs) identifying subproject objectives, assumptions, intended beneficiaries and expected impact on those beneficiaries.

Higher priority will likewise be given to proposing PVOs that meet some or all of the following organizational criteria:

- Have an established record that demonstrates the PVO's possession of financial, managerial, and analytical skills related to the activity to be undertaken.

- Have a capable professional staff who are career employees or are otherwise committed to significant long-term involvement in the activities of that PVO.

- Have an institutional philosophy of commitment to development and to democratic principles.

- Have field staff located in the regions of planned activity, or otherwise positioned to be able to monitor implementation adequately.

- Have other programs commensurate with the scope and level of its proposed activities under this Project, and have funding for its core staff in Nicaragua from sources other than A.I.D.

Proposals should also document links between planned subproject activities and community, provincial, national, PVO, USAID or other donor efforts in the same geographic or technical area.

Proposals that involve any of the following kinds of activities will not be approved for Project financing:

- Beautification, recreation or other civic, nondevelopmental activities;

- Development activities whose intended beneficiaries are not in keeping with the project's target income groups;

- Political activities or activities that discriminate among beneficiaries on a political basis or are otherwise inconsistent with the promotion of democratic institutions

16

and values;

- o Activities that discriminate among beneficiaries on basis of gender, religion, race or ethnicity;
- o Construction;
- o Religious activitie
- o Activities that are determined to have a negative environmental impact.
- o Support for or promotion of abortion in any manner.

D. Role of the Government of Nicaragua

The Government of Nicaragua's Ministry of External Cooperation will sign this Project Grant Agreement with the United States. Through this Ministry, the GON will participate in the Project by:

- o Participating in a consultative committee to review and monitor project progress and exchange information with USAID and other GON Ministries involved in implementation of the project (such as MINSA or IRENA).
- o Designating a counterpart official who will serve as the contact point for project implementation issues and problems and will be principally responsible for monitoring on the GON's behalf progress toward project objectives. This Official will be a member of the Consultative Committee.
- o Granting official recognition and any and all permits, approvals, authorizations, licenses, and other like documents needed to allow an organization to carry out development activities in Nicaragua to U.S. PVOs registered with A.I.D. that apply for an award from this Project and comply with the requirement to register with the GON Ministry of Government. A letter submitted in connection with the signing of the Project Grant Agreement will address the tax exemptions for U.S. PVOs. USAID/Nicaragua will provide to the GON, upon request from the GON, confirmation as to whether or not a given PVO that has applied for official recognition from the GON is in fact registered with A.I.D.
- o Designating a representative to serve as a member of the evaluation team for a first mid-term evaluation of this Project in or around July 1993 and a second mid-term evaluation in or around July 1995, and for facilitating project implementation.

17

With respect to its responsibility for facilitating project implementation, the GON agrees by signing this Project Grant Agreement that USAID/Nicaragua may commit and disburse funds for the foreign exchange and local currency costs of Project-funded activities by executing contracts with qualified firms and/or individuals, and by awarding grants to U.S. PVOs, to carry out development activities consistent with the criteria set forth in Section C of this Amplified Project Description. No further approval from the Grantee shall be required to allow A.I.D. to commit and disburse funds from this Project for the foreign exchange and local currency costs of goods and services required for the Project.

E. Role of USAID/Nicaragua

USAID will be responsible for reviewing and approving PVO proposals for subproject activities. To select those proposals that merit funding, USAID will establish a formal Project Review Committee consisting or representatives from appropriate Offices within the USAID/Nicaragua. The Committee will review documentation presented by PVOs and recommend whether the subproject proposal should be approved, developed further in collaboration with the originating PVO, or rejected. Once the Committee has made its selection and the PVO in question has completed a full-scale Proposal acceptable to USAID, USAID will negotiate a Grant Agreement with that PVO.

Beginning in January 1992, USAID will carry out these responsibilities with the assistance of the Project Management Unit described in Section B above of this Amplified Project Description.

F. Illustrative Financial Plan and Budget

The Parties to this Project Grant Agreement estimate that the overall cost of the PVO Co-Financing Project will be $24.52 million. A.I.D. plans to contribute a total of not more than $15 million to this Project, and the GON will contribute a total of not less than the local currency equivalent of U.S. $5.0 million, including costs borne on an in-kind basis. Additionally, U.S. PVOs that receive grants will be expected to contribute $4.52 million, or 25% of the entire cost of grant activities, from sources other than the U.S. government to the cost of those grants.

USAID plans to obligate an initial tranche of $4.0 million in FY 1991. Subsequent A.I.D. contributions to this Project will be subject to the availability of funds in accordance with the AID/OYB allotment process.

Table I-A on the following page summarizes the estimated cost of the PVO Co-Financing Project by project element.

TABLE I-A: Summary Cost Estimate by Project Element and Funding Source (U.S. $ '000 or equivalent)

Project Element:	A.I.D.:	PVOs:	GON:	Total:	% of Total
Project Coordination	950	0	0	950	3.87
Proj. Management Unit*	4,360	0	0	4,360	17.78
Evaluation and Audit	250	0	0	250	1.02
Grants to PVOs	8,560	4,520	5,000	18,080	73.74
Sub-Total	14,120	4,520	5,000	23,640	96.41
Contingency	298	0	0	298	1.22
Inflation (5%)	582	0	0	582	2.37
Total Costs:	15,000	4,520	5,000	24,520	100.00

* This amount is a maximum for the institutional contract.

ANEXO I: DESCRIPCION AMPLIADA DEL PROYECTO

PROYECTO DE CO-FINANCIAMIENTO DE ORGANIZACIONES PRIVADAS VOLUNTARIAS PARA NICARAGUA

A. Objetivos del Proyecto

El Proyecto de Co-Financiamiento de Organizaciones Privadas Voluntarias (OPV) dará respuesta a las necesidades en Nicaragua de servicios sociales en las áreas de salud, planificación familiar, empleo, microempresas y protección del medio ambiente. Numerosas organizaciones privadas voluntarias desean ayudar a Nicaragua a restaurar estos servicios hasta un nivel adecuado. Este proyecto les ayudará a lograrlo. La meta del Proyecto será promover un crecimiento económico sostenido y de bases amplias y mejorar la salud del pueblo de Nicaragua. Su propósito será aumentar la disponibilidad del cuidado primario de la salud, servicios de planificación familiar, oportunidades de empleo para familias de escasos recursos y la promoción de una administración de recursos naturales sostenible.

B. Resumen Descriptivo del Proyecto

Para lograr estos objetivos la A.I.D. usará fondos de este proyecto para otorgar donaciones a U.S. OPVs para llevar a cabo actividades de desarrollo en las áreas de salud, planificación familiar, empleo, microempresas y protección del medio ambiente. Estos sectores han sido considerados por ambos, la A.I.D. y el Gobierno de Nicaragua, como prioritarios.

La A.I.D. otorgará donaciones solamente a U.S. OPVs adscritos a la A.I.D. Sin embargo, la A.I.D., alentará con mucho énfasis a estos Donatarios para que trabajen con organizaciones nacionales, particularmente con OPVs locales. Esto les permitirá a los U.S. OPVs familiarizarse con las necesidades de la población objeto de este Convenio y con las estrategias para cubrir esas necesidades, promover lazos con la población beneficiaria y asistir a las OPVs nacionales a desarrollar capacidad Administrativa y Contable. Este proyecto también suministrará entrenamiento directo a las OPVs nacionales a fin de mejorar su capacidad para diseñar, administrar y manejar las finanzas para actividades de desarrollo de menor escala. Se espera que mientras dure el Proyecto dicha asistencia ayude a desarrollar, dentro de algunas de las OPV nacionales, la capacidad para implementar donaciones directas de parte de otros Donantes.

Muchas OPV ya han solicitado asistencia a la A.I.D. en Nicaragua.

Para asistir a la A.I.D. en la evaluación de todas las solicitudes recibidas y las que esperan recibir y la selección de las más apropiadas para ser financiadas, la A.I.D. empleará también fondos del proyecto para financiar dos contratos. Primero, la A.I.D. elaborará un Contrato de Servicios Personales para contratar a una persona calificada que actúe como Coordinador de los OPVs por parte de la A.I.D. El Contratado será responsable de la total administración del proyecto, incluyendo el monitoreo de la implementación a través de visitas al campo y reportes; mantener una supervisión financiera efectiva de los Donatarios usuarios de fondos de proyectos; una supervisión a la base de recolección de datos, monitoreo de las actividades y evaluaciones periódicas; y asistir a la A.I.D. en la coordinación de políticas con el Gobierno de Nicaragua y con otros Donantes.

Segundo, la A.I.D. contratará a una firma con fines de lucro Estadounidense para establecer y operar una Unidad de Administración de Proyectos (UAP). Esto permitirá a la A.I.D y al Gobierno de Nicaragua monitorear y evaluar el impacto de las actividades subsidiadas por el Proyecto sobre los beneficiarios proyectados, y mitigar el gran peso administrativo que sería impuesto a la nueva misión de la A.I.D. en Nicaragua, de ser manejada cada actividad como un proyecto separado.

La A.I.D. seleccionará al Contratista a través de procedimientos competitivos totales y abiertos. Las responsabilidades de la UAP incluirán el recibir propuestas de OPVs de E.U. para actividades de sub-proyectos, ayudando a esas OPVs a modificar sus propuestas para que correspondan en los criterios de selección descritos más adelante, haciendo recomendaciones a la A.I.D. en cuanto a cuales propuestas merecen ser financiadas, diseñando y llevando a efecto programas de entrenamiento para OPVs nacionales, y supervisando y manejando todos los sub-proyectos de las OPV. La experiencia de la A.I.D., así como sus discusiones con fuentes familiarizadas con los recursos humanos disponibles localmente indican que hay una vasta disponibilidad de Nicaragüenses calificados para ocupar muchas de las posiciones dentro de la UAP.

Dada la necesidad de procurar de manera competitiva la asistencia técnica, la A.I.D no espera que el contratista de la UAP arribe a Nicaragua sino hasta Enero de 1992. Pero en vista de los apremiantes problemas que enfrenta Nicaragua, la A.I.D. otorgará por lo menos una donación en el cuarto trimestre del año fiscal (AF) 1991, a una de las U.S. OPVs que haya sometido a la USAID los documentos conceptuales. Después, en el primer trimestre del año fiscal 1992, la USAID otorgará hasta dos donaciones adicionales previo a la llegada del contratista de la UAP. Los fondos para estas donaciones saldrán de este proyecto.

La implementación de actividades del Proyecto comenzará con la firma de este Convenio de Proyecto de Donación y proseguirán hasta la Fecha de Terminación de Asistencia al Proyecto (FTAP) que será el 30 de Junio de 1996.

C. Criterio para Otorgar Donaciones a las OPVs.

Se espera que las propuestas de las OPV contengan amplios márgenes de intereses concernientes al desarrollo. Se les dará preferencia a aquellos sub-proyectos que dirijan sus actividades hacia áreas prioritarias de desarrollo (salud, planificación familiar, generación de empleos, microempresas y protección ambiental) conforme a lo establecido por la A.I.D. y a los objetivos del gobierno, que tengan un gran impacto y visibilidad, que indiquen alguna posibilidad de sustentabilidad sin asistencia adicional de parte de la A.I.D. y (4) que involucre a OPVs locales. Con el fin de que sean consideradas las propuestas de los OPVs, deberán también demostrar lo profundamente involucrada que está la comunidad en el diseño e implementación. En general, los sub-proyectos serán completados dentro de un período de tres años. La A.I.D. considerará extensiones sólo cuando sea necesario para lograr objetivos específicos a largo plazo.

Salvo bajo alguna circunstancia especial ineludible, el menor sub-proyecto a considerarse será de U.S.$500,000; y el máximo, de U.S.$3,000,000.

A fin de que sean considerados por la A.I.D., todos los sub-proyectos tendrán que cumplir, mínimo, con los siguientes requisitos:

- La organización aspirante deberá estar registrada con la A.I.D. como una OPV de los E.U..
- La propuesta deberá estar en completo acuerdo con, o complementar los parámetros del plan de desarrollo del GON y la Estrategia de la A.I.D. para el país.
- Las actividades planeadas deben contribuir al logro de los Propósitos del Proyecto.
- La propuesta debe ser bien definida en los campos tecnológicos, administrativos, financieros, económicos, sociales y del medio ambiente.
- La propuesta debe contener planes financieros y de implementación.
- Las actividades deberán ser orientadas a través de desarrollo y no de beneficencia.

22

La propuesta debe demostrar la buena voluntad y capacidad organizativa del Donatario en prospecto para:

-- Implementar, monitorear y reportar todas las actividades del programa.

-- Generar información de una manera desglosada.

-- Evaluar el impacto de las actividades en los beneficiarios seleccionados.

-- Evaluar y administrar actividades de sub-donaciones cc OPV locales.

-- Retener disposiciones que aseguren que cierto nivel de actividades continuarán una vez completada la asistencia de la A.I.D.; y

-- Proporcionar beneficios políticamente neutrales.

Cuando sea necesario escoger entre las muchas propuestas que se disputan los fondos para los proyectos, la A.I.D. dará mayor prioridad a las propuestas que además cumplan con algunos o con todos los siguientes <u>requisitos</u>:

- Que demuestren experiencia particular ó competencia del Donatario anticipado, en relación a las actividades propuestas.

- Que sean de naturaleza participativa, involucrando en el mayor grado posible, a beneficiarios y organizaciones locales en el diseño e implementación.

- Que involucre a las OPV locales en la implementación del programa a través de sub-donaciones ó contratos.

- Que sean dirigidas al mejoramiento de las condiciones de vida de los pobres.

- Que fomenten la participación de la mujer; y,

- Que incluyan un marco de trabajo lógico, un diagrama de decisiones, ó un esquema similar (metas, propósitos, rendimientos e insumos) identificando los objetivos del sub-proyecto, suposiciones, los beneficiarios escogidos y e impacto esperado en estos beneficiarios.

De la misma forma se le dará mayor prioridad a OPVs propuestas que cumplan algunos o todos los siguientes requisitos <u>organizativos</u>:

- Que tengan un registro establecido que demuestre capacidad

analítica, administrativa y financiera de la OPV en relación a la actividad a emprenderse.

- Que tengan un personal profesional capacitado y con experiencia ó que de otra manera estén comprometidos a involucrarse significativamente por largo plazo en las actividades de esa OPV.

- Que tengan una filosofía institucional de compromiso con el desarrollo y los principios democráticos.

- Que tengan personal ubicado en las regiones donde se llevarán a cabo las actividades programadas o ubicados de manera que puedan monitorear adecuadamente la implementación.

- Que tengan otro programa proporcional con el alcance y nivel de las actividades propuestas en este Proyecto, y que cuenten con fondos diferentes de los de A.I.D. para su personal en Nicaragua.

Las propuestas deben promover vínculos entre las actividades programadas del sub-proyecto y esfuerzos de la comunidad, la provincia, la nación, OPV, A.I.D. u otro donante en la misma área técnica o geográfica.

Las propuestas que involucren cualquiera de los siguientes tipos de actividades no serán aprobadas para financiamiento del proyecto:

- Embellecimiento, recreación u otras actividades cívicas que no sean de desarrollo.

- Actividades de desarrollo cuyos beneficiarios escogidos no corresponden con las metas de ingreso de los grupos objeto del Proyecto.

- Actividades políticas o actividades que discriminen a los beneficiarios por motivos políticos ó que de otra manera sean inconsistentes con la promoción de valores y de instituciones democráticas.

- Actividades que discriminen a los beneficiarios en base a su religión, sexo, raza, o grupo étnico.

- Construcción.

- Actividades religiosas.

- Actividades que estén determinadas a tener un impacto negativo en el medio ambiente.

- El apoyo o promoción, de alguna manera, del aborto.

D. Función del Gobierno de Nicaragua.

El Ministerio de Cooperación Externa del Gobierno de Nicaragua firmará con los Estados Unidos este Convenio de Proyecto de Donación. A través de este Ministerio, el Gobierno participará en el proyecto de la siguiente manera:

- Participando en un Comité Consultivo para analizar y monitorear el progreso del proyecto e intercambiar información con la USAID y otros Ministerios del Gobierno involucrados en la ejecución del Proyecto (tales como MINSA o IRENA).

- Designando una contraparte Oficial que actuará como punto de contacto en los asuntos y problemas relativos a la implementación del Proyecto y principalmente será responsable de monitorear de parte del Gobierno, el progreso hacia los objetivos proyectados. Dicho funcionario será miembro del Comité Consultivo.

- Otorgando un reconocimiento oficial y cualquier otro permiso, aprobación, autorizaciones, licencias u otro documento similar que sea necesario para permitir a una organización llevar a cabo actividades de desarrollo en Nicaragua con OPV de los E.U., registradas con la A.I.D., que apliquen para una donación bajo este proyecto y cumplan con el requerimiento de registro con el Ministerio de Gobernación. Una carta presentada en conexión con la firma del presente Acuerdo de Proyecto tratará sobre las exenciones de impuestos de las OPVs. La A.I.D./Nicaragua, a solicitud del Gobierno de Nicaragua, emitirá una constancia de que la OPV aspirante está debidamente registrada con la A.I.D.

- Designando un representante, como miembro del equipo de evaluación para una primera evaluación a mitad del período en o alrededor de Julio de 1993 y una segunda evaluación a mitad del período, en o alrededor de Julio de 1995; y facilite la implementación del proyecto.

Con respecto a sus responsabilidades para facilitar la implementación del proyecto el Gobierno de Nicaragua conviene a través de la firma de este Convenio de Proyecto de Donación, que la A.I.D./Nicaragua presentará y desembolsará fondos para los costos de tasas de cambio y de moneda nacional de las actividades con fondos de los proyectos, ejecutando contratos con firmas calificadas y/o individuales, otorgar donaciones a OPVs de los E.U., llevar a cabo actividades de desarrollo en concordancia con los requisitos estipulados en la Sección C de esta Descripción Ampliada del Proyecto. Ninguna aprobación adicional de parte del

Donatario será necesaria para permitir a la A.I.D. presentar y desembolsar fondos de este proyecto para los costos de tipo de cambio en moneda nacional de los bienes y servicios requeridos en este proyecto.

E. Función de la A.I.D. en Nicaragua.

La A.I.D. será responsable de supervisar y de aprobar las propuestas de las OPV para actividades de sub-proyectos. Para seleccionar las propuestas que ameriten ser financiadas, USAID establecerá un Comité de Revisión de Proyecto, componiéndose de representantes de la AID/Nicaragua. El Comité revisará la documentación presentada por los OPVs y recomendará si la propuesta para el sub-proyecto deberá ser aprobada, desarrollada más ampliamente en colaboración con las OPV, o rechazada. Una vez que el comité haya hecho su selección y las OPV en cuestión hayan completado una propuesta con un grado total de aceptación de parte de la A.I.D., ésta negociará un Convenio de Donación con esa OPV.

Empezando en Enero de 1992, la A.I.D. llevará a cabo estas responsabilidades con la asistencia de la Unidad de Administración de Proyectos descrita en la Sección B mencionada en esta Descripción Ampliada del Proyecto.

F. Plan Ilustrativo Financiero y de Presupuesto.

Las partes de este Convenio de Donación de Proyecto estiman que el costo total del proyecto del co-financiamiento de las OPV será de U.S.$24.52 millones. La AID planea contribuir a este proyecto con un total no mayor de los U.S.$15 millones, y el Gobierno contribuirá con un total no menor del equivalente en moneda nacional de U.S.$5 millones, incluyendo los costos iniciales en especies. Adicionalmente, se espera que las OPV de los E.U. que reciban donaciones contribuyan con U.S.$4.52 millones, o con el 25% del costo total de las actividades de las donaciones, con fondos provenientes de cualquier otra fuente que no sean el Gobierno de los E.U.

La A.I.D. planea obligar un desembolso inicial de U.S.$4.0 millones en el Año Fiscal de 1991. Contribuciones adicionales de la A.I.D. a este proyecto dependerán de la disponibilidad de fondos de acuerdo con el proceso de asignación AID/OYB.

La tabla I-A, a continuación, resume el costo estimado del proyecto de co-financiamiento de la OPV en base a los elementos del proyecto.

TABLA I-A: Resumen Estimado de Costos según los Elementos del Proyecto y Fuentes de Financiamiento.

Elementos del Proyecto	A.I.D.	OPVs	GOB:	Total:	Total
Coordinación del Proyecto	950	0	0	950	3.87
Unidad de Administración del Proyecto*	4,360	0	0	4,360	17.78
Evaluación y Auditoría	250	0	0	250	1.02
Donaciones a la OPVs	8,560	4,520	5,000	18,080	73.74
Sub-Total	14,120	4,520	5,000	23,640	96.41
Contingencia	298	0	0	298	1.22
Inflación	582	0	0	582	2.37
Costos Totales	15,000	4,520	5,000	24,520	100.00

* Esta suma es un máximo para el contrato institucional.

ANNEX 2

Project Grant Standard

Provisions Annex

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

Article A: Project Implementation Letters

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

Article B: General Covenants

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

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

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

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

Article B: General Covenants (Continued)

SECTION B.3. Utilization of Goods and Services.

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

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use. [See HB 18.]

SECTION B.4. Taxation.

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

(b) 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, Audit.

The Grantee will:

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

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

Article B: General Covenants (Continued)

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

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

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

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

SECTION B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, 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 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 registr at the time of shipment.

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

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

Article C: Procurement Provisions (Continued)

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

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

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

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

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise by furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

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

Article C: Procurement Provisions (Continued)

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

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

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

SECTION C.6. Shipping.

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

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

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

Article C: Procurement Provisions (Continued)

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

SECTION C.7. Insurance.

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

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

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

Article D: Termination; Remedies.

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

SECTION D.2. Refunds.

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

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

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

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

Article D: Termination; Remedies (Continued)

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

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

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