## No. 17328

# UNITED STATES OF AMERICA and LIBERIA

# Project Grant Agreement for agricultural co-operative development (with annexes). Signed at Monrovia on 12 August 1977

Authentic text: English.

Registered by the United States of America on 24 November 1978.

# ÉTATS-UNIS D'AMÉRIQUE et LIBÉRIA

# Accord de don relatif à un projet de développement de l'agriculture coopérative (avec annexes). Signé à Monrovia le 12 août 1977

*Texte authentique : anglais. Enregistré par les États-Unis d'Amérique le 24 novembre 1978.* 

## PROJECT GRANT AGREEMENT<sup>1</sup> BETWEEN THE REPUBLIC OF LIBERIA AND THE UNITED STATES OF AMERICA FOR AGRICULTURAL CO-OPERATIVE DEVELOPMENT

Dated: August 12, 1977

## A.I.D. Project No. 669-0127

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PROJECT GRANT AGREEMENT dated August 12, 1977, between the REPUBLIC OF LIBERIA ("Grantee") and the UNITED STATES OF AMERICA acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.")

### Article 1. THE AGREEMENT

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

<sup>&</sup>lt;sup>1</sup> Came into force on 12 August 1977 by signature.

<sup>&</sup>lt;sup>2</sup> Not printed herein; for the text, see "Project Grant Agreement between the Arab Republic of Egypt and the United States of America for applied science and technology research, signed at Cairo on 29 March 1977" in United Nations, *Treaty Series*, vol. 1116, p. 97.

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#### Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The project is designed to increase Liberian small farmers' productivity and income through the development of an effectively structured and functioning cooperative system. Full development of such a system is deemed a long-term undertaking of which this project represents the first phase. Specifically, the project is intended (a) to improve Ministry of Agriculture (MOA) services to operational cooperatives; (b) to analyze issues basic to expansion and evolution of the cooperative system; (c) to use conclusions from the analysis and project experience in planning for a second or expansion phase of cooperative development if continued support is considered cost-effective and desirable.

Efforts to improve MOA services to cooperatives through the MOA Cooperative and Marketing Division (C&MD) will include (1) development and installation of training programs and materials in the following areas: (a) cooperative concepts and programs; (b) member roles and responsibilities; (c) management; (d) administration; (e) record-keeping and accounting; the courses will be offered to C&MD staff, cooperative officials and cooperative members; (2) initiation of C&MD managerial advisory service to improve cooperative operations and to develop and test cooperative systems and approaches; and (3) improvement of C&MD audit capability.

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

## Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed one million four hundred thousand United States ("U.S.") dollars (\$1,400,000) through the Project Assistance Completion Date as set out in Section 3.3 below.

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.

Grant funds will be used to provide the following: up to 108 person/months of technician services comprised of 36 months in cooperative administration and planning; 36 months cooperative financing and 36 months in cooperative training; up to 14 months of short-term consultants; in-country seminars and workshops; up to 24 months of academic training for each of two participants in cooperative studies and up to 24 months of academic training for one participant in credit union management; 12 months of non-academic training in cooperatives; and equipment, supplies, vehicles and technical support costs in support of 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 Grantee for the project will not be less than the equivalent of four hundred and ninety-two thousand U.S. dollars (\$492,000) including costs borne on an "in-kind" basis. The MOA contribution will consist of the "in-kind" provision of at least three counterparts for U.S. technicians, office equipment, secretarial

services, extension, audit training staff, and participants' international travel costs, materials and supplies.

These in-kind contributions (not including inflationary factors) will amount to approximately \$139,000 per year. The GOL will deposit \$25,000 per year in a trust fund account in accordance with Section 5.2 of this Agreement.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. a. The "Project Assistance Completion Date" (PACD), which is March 31, 1981, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

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

c. Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

#### Article 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT. There are no conditions precedent to initial disbursement.

Section 4.2. CONDITIONS PRECEDENT TO SUBSEQUENT DISBURSEMENT. Disbursements for services for years two and years three will be made pursuant to satisfactory performance of the project. Such performance will be judged by satisfaction of Special Covenants and acceptable response to evaluation recommendations.

## Article 5. SPECIAL COVENANTS

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

- a. Evaluation of progress toward attainment of the objectives of the Project;
- b. Identification and evaluation of problem areas or constraints which may inhibit such attainments;
- 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 of the Project.

Two evaluations are to be scheduled. The first will take place approximately twelve months after the arrival of the A.I.D.-financed technicians; the second, twenty-four months after their arrival in Liberia. These ongoing evaluations are to be considered an integral part of the project, determining project viability and recommending whether further financing should be provided. A negative evaluation will be grounds for discontinuing the project upon thirty days' notice. A positive finding will set the stage for a Phase II activity.

The evaluation team will consist of a representative of the Government of Liberia, an "outside" consultant to be financed by this Grant, and a representative of USAID. Other evaluation team members may be added as mutually agreed upon by the MOA and USAID.

Section 5.2. TRUST FUND. The Grantee agrees in accordance with Section 3.2 of this Agreement to deposit into a USAID-administered Trust Fund twenty-five thousand (\$25,000) U.S. dollars per year for the maintenance, repair and operating costs of vehicles financed and provided by USAID, for in-country training costs and for "other costs" not itemized in the MOA nor the USAID project budget. The first deposit to such fund will be made not later than 90 days following the execution of this Agreement. The two subsequent deposits will be made 12 and 24 months following the initial deposit. A detailed Trust Fund budget will be jointly prepared by USAID and the Ministry of Agriculture representatives subsequent to the arrival of the Chief of Party of the USAID-financed contract team.

Section 5.3. VEHICLES. Title for vehicles provided by A.I.D. under Section 3.1 shall rest with the GOL/MOA. Third-party liability insurance for the three vehicles assigned to U.S. technicians will be secured from a commercial carrier. Premiums for the above-mentioned three vehicles will be paid from the GOL/MOA Trust Fund, in accordance with Section 5.2 of this Agreement. Vehicles assigned for U.S. technicians' use will be under the control of the U.S. project technicians.

Section 5.4. FAILURE TO COMPLY WITH SPECIAL COVENANTS. Failure to comply with Special Covenants may result in the termination of the Project. USAID will monitor the provisions of Article 5 and will notify the Grantee in writing should Grantee-initiated action be required. Failure of the Grantee to respond in writing and failure to rectify the itemized problem is cause for A.I.D. to cancel the then undisbursed balance of the Grant and/or terminate this Agreement by written notice to the Grantee.

### Article 6. PROCUREMENT SOURCE

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

Section 6.2. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Liberia ("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.

Section 6.3. IMPORTED SHELF ITEMS. Shelf items are eligible for local cost financing in unlimited quantities if they have their source and origin in the United States. Shelf items having their source and origin in countries included in geographic code 941 are eligible for financing if the price of one unit does not exceed \$2,500. The total amount of imported shelf-item purchases from Free World sources (code 935) other than from the United States may not exceed 10 percent of total local costs financed by A.I.D. for the project or \$10,000, whichever is higher.

## Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) 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:

- By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services or (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

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

Section 7.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. The Grantee or authorized contractor may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

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.

### 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:

Mail address: Ministry of Agriculture Monrovia, Liberia

Alternate address for cables: Ministry of Agriculture Monrovia, Liberia To A.I.D.:

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Mail address: Director of USAID P.O. Box 1445 Monrovia, Liberia Alternate address for cables:

USAID c/o American Embassy Monrovia, Liberia

Other addresses may be substituted for the above upon the giving of notice.

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding, or acting in, the office of Minister of Agriculture; A.I.D. will be represented by the individual holding, or acting in, the office of Mission Director, each of whom by written notice may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. STANDARD PROVISIONS ANNEX. A "Project Grant Standards Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS THEREOF, 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.

The Republic of Liberia: By: FLORENCE CHENOWETH Title: Minister of Agriculture The United States of America: By: S. J. SIEGEL

Title: Director, U.S. AID Date: August 12, 1977

By: DAVID NEAL

Title: Minister of Planning and Economic Affairs

*By:* JAMES T. PHILLIPS, JR. *Title:* Minister of Finance

#### ANNEX 1

#### **PROJECT DESCRIPTION**

The project is designed to increase Liberian small farmers' productivity and income through the development of an effectively structured and functioning cooperative system. Full development of such a system is a long-term undertaking of which this project represents the first phase. Specifically the project is intended to:

- a. Improve Ministry of Agriculture (MOA) services to operational cooperatives;
- b. Analyze issues basic to expansion and evolution of the cooperative system;

c. Use conclusions from the analysis and project experience, provided these are positive and indicate cost effectiveness, in planning for a second or expansion phase of cooperative development.

Efforts to improve MOA services to cooperatives through the MOA Credit, Cooperative and Marketing Division (C&MD) will include:

- a. Development of training programs and materials and [the] conduct[ing] of training for C&MD and cooperative officials and members of cooperative concepts and programs, member roles and responsibilities, management, administration, record keeping and accounting;
- b. Initiation of a C&MD managerial advisory service to cooperatives to improve cooperative operations and to develop and test cooperative systems and approaches; and
- c. Improvement of C&MD audit capability.

The agricultural sector goal is to increase small farmer productivity and income. To do so is to affect, positively, the majority of Liberia's population (70%). The goal is consistent with the basic objectives of Liberia's Four-Year Plan which calls for diversification of production, dispersion of socio-economic activities and a more equitable distribution of the benefits of economic growth. Even though the agricultural sector contributes 24% of real gross domestic product, the small farmer does not benefit from the fruits of a modern agriculture, nor does he have adequate access to improved technology and resources which are available to his more advanced countrymen. Cooperative societies have been identified as the most cost-effective vehicle by which small farmers can profitably market their crops and through which they can be advised on modern agricultural techniques and receive needed inputs and services.

By the end of this project (Phase I), its investigations will have produced conclusions on the feasibility for achieving integral participation of small farmers in the cooperative movement and its operations, and on issues related to co-op finance and management. Given favorable conclusions on key issues, plans would have been developed for a follow-on Phase II project intended to expand the scale of the cooperative system and further improve its effectiveness in helping small farmers to participate fully in the rural development process. This undertaking does not imply any commitment of future A.I.D. support for a possible Phase II project.

The Ministry of Agriculture's Cooperative and Marketing Division (C&MD) and the USAID will join resources under this three-year project to achieve the project purpose. Three A.I.D.-financed technicians working with the Cooperative and Marketing Division (C&MD) staff will install a service system for currently operational cooperatives. Concurrently, they will develop a planning base for follow-on activities by analyzing issues related to achieving appropriate participation of rural households in the cooperative movement. Issues related to economic, financial and managerial problems of cooperative expansion will also be analyzed.

MOA/C&MD services to existing cooperatives will intervene in managerial capability within the cooperatives, specifically:

- Developing, installation and follow-up supervision of record keeping and accounting;
- Across-the-board education, training and supervision bearing on cooperative operations and membership rights;
- Initiation of a C&MD service in support of primary societies; this counseling will deal with marketing, financial management, budgeting and capital expenditure analyses.

The U.S. team and the C&MD counterparts will develop training materials, instructional methods and the logistic support needed to convey this information to its intended recipients. Illustrative of these materials and support are feasibility studies, a market price information system, advice on security measures, on-the-job training and seminars to discuss cooperative issues. This project is focused on the cooperative assistance and supervision structure (C&MD) and on the cooperatives. During Phase I the project will set out the governmental/farmer linkages, including regular audit, advisory and market information service which will lead to a strengthening of the

cooperative movement and an increase in farmer revenues and farmer-received services. Prior to January 1979 a basic re-organization of C&MD and the production of extension techniques and aids will be developed, installed and tested.

A training program will be established. The program will concentrate first on the C&MD's staff of 36 persons (train the trainers). This will be followed by on-the-job training and supervision at the cooperative level with initial concentration going to the approximately 25 existing cooperatives in areas other than Bong and Lofa Counties.

At least 1,000 members of cooperatives will be educated in the purpose and operations of their cooperatives and in their responsibilities. The project will also improve the capacity of the credit union movement to serve its members through assistance to the credit union federation, the Liberian Credit Union National Association (LCUNA).

The Registrar of Cooperatives and the Cooperative and Marketing Division of the Ministry of Agriculture are responsible for assuring that Credit Unions are properly registered and managed. This Project will improve the existing linkages between LCUNA and the C&MD. At the same time the Project will provide support to strengthen the managerial capabilities and operations of LCUNA.

The LCUNA manager will train (on-the-job) two counterpart LCUNA associate managers. Project assistance will provide LCUNA with moderate amounts of commodity and participant support as shown in the project inputs table of this Annex (see below).

In summary, the C&MD and the U.S. advisors will be engaged in producing the following outputs:

- a. Development and use of management capability within the co-ops, including a simplified and uniform bookkeeping and accounting system and implementation of a regular systematic auditing schedule;
- b. Development and use of a package of "extension tools" (audio visual, radio spots, booklets, pamphlets and manuals);
- c. An appraisal of the Cooperative Societies Act of 1936 and the sample cooperative by-laws with recommendations to the Minister of Agriculture for suggested changes;
- d. Analysis of the existing organization and preparation and adoption of a new organizational pattern for the C&MD if necessary;
- e. Development and installation of a multi-year training program for cooperative officials, board members, accountants, farmers and managers;
- f. Development and installation of a set of produce marketing standards for commonly marketed produce such as rice, coffee and cocoa and a produce information network consisting of newsletters and broadcasts to keep cooperatives informed of current prices and anticipated price changes;
- g. Regular quarterly visits to cooperatives by MOA/C&MD personnel (non-audit) that will provide up-to-date management techniques and technical assistance;
- h. Provide advisory services and train three members of the C&MD staff in capital development and financial management of cooperatives; as the cooperatives grow they will need to procure trucks, build warehouses and purchase produce-handling equipment, thus needing assistance in financial management and capital budgeting;
- *i*. Strengthen the Liberian credit unions and their apex organization the Liberian Credit Union National Association (LCUNA) through yearly seminars, internal auditing for their member unions and participant training;
- *j.* Develop Phase II project and reduce problems identified in Phase I by preparing an analysis of issues relating to small farmer participation in an expanded cooperative system and of its financial and managerial aspects; this assessment will consider reaction of present and potential cooperative members, and experiences gained during earlier efforts to provide MOA services to the currently operational cooperatives.

#### Administrative arrangements

The Ministry of Agriculture is the project executing agency. The MOA's Cooperative and Marketing Division (C&MD) is the principal administrative unit of the project. Liaison with other divisions within the MOA and other GOL agencies will be arranged through the Director of the C&MD. The Minister of Agriculture or his designee will be responsible for assuring that at least three counterparts are appointed to work with the U.S. technicians in the following skills: accounting, training and financial management. USAID's administrative responsibility for the project will reside in the Rural Development office. One of the three U.S. technicians will serve as team leader for all administrative matters and as the point of liaison with the USAID. Likewise, the team leader will serve as point of liaison with the Director of the C&MD and the USAID project manager in the Rural Development office of USAID.

#### Project inputs (USG and GOL only)

1. The USAID will provide:

	months
U.S. advisors	
-Senior Cooperative Administrative/Planning Specialist	36
—Financial Management Specialist	36
-Cooperative Training Specialist	36
-Short-term consultants	14
Participant training	
For MOA:	
-Academic training (U.S./Third Country)	48
Non-academic training	12
In-country training.	
For LCUNA:	
-Academic training	24
-In-country training	

### Commodities\*

---Vehicles: 3, 1 camper; 2 carry alls; 4-wheel drive, short wheel base;

-Equipment and supplies.

2. The Government of Liberia will provide:

#### Senior staff

- -1 Chief of Division;
- -1 Deputy Chief;
- ----3 Assistant Chiefs;
- -1 Auditor;
- -1 Cooperative Auditor;
- -2 Field Supervisors;

Junior staff

- -10 Field Officers;
- -2 Secretaries;
- -8 Cooperative Offices;
- -2 Field Clerks;

<sup>\*</sup>Includes vehicles and equipment support for LCUNA.

Other staff

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-2 Drivers; -2 Messengers; Miscellaneous -Trust Fund;

-Office space and equipment;

-Office supplies and secretarial support;

-Utilities.

## ATTACHMENT 1 TO ANNEX 1. PROJECT FINANCIAL PLAN (source and application of funding—thousands)

Agricultural Cooperative Development Project No. 669-0127 6 June 1977

#### PROJECT INPUTS, AID

	FX (000)	LC (000)	Total
1. Personnel			
Long-term	726		726
Short-term	179		179
2. Training			
Academic	49		-49
Non-academic	19		19
In-country workshops and local training support costs	123		123
3. Commodities			
Vehicles.	65		- 65
Equipment and supplies			
MOÂ	95		95
LCUNA	10		10
4. Other costs	134		134
GOL/MOA			
1. MOA/C&MD budget and facilities		417	417
2. Trust fund		75	75
Total	1400	492	1892