

No. 19912

**UNITED STATES OF AMERICA
and
INDIA**

**Project Grant Agreement for application of science and
technology to rural development (with annexes). Signed
at New Delhi on 26 August 1978**

Authentic texts of the Agreement and annex 1: English and Hindi.

Authentic text of annex 2: English.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
INDE**

**Accord de don pour un projet relatif à l'application de la
science et de la technologie au développement rural
(avec annexes). Signé à New Delhi le 26 août 1978**

Textes authentiques de l'Accord et de l'annexe 1 : anglais et hindi.

Texte authentique de l'annexe 2 : anglais.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

**PROJECT GRANT AGREEMENT¹ BETWEEN THE PRESIDENT
OF INDIA AND THE UNITED STATES OF AMERICA FOR
APPLICATION OF SCIENCE AND TECHNOLOGY TO RURAL
DEVELOPMENT**

Dated: August 26, 1978

A.I.D. Project Number: 386-0465

TABLE OF CONTENTS

<p>Article 1. The Agreement</p> <p>Article 2. The Project Section 2.1. Definition of Project</p> <p>Article 3. Financing Section 3.1. The Grant Section 3.2. Grantee Resources for the Project Section 3.3. Project Assistance Completion Date</p> <p>Article 4. Conditions Precedent to Disbursement Section 4.1. First Disbursement Section 4.2. Notification Section 4.3. Terminal Dates for Conditions Precedent</p> <p>Article 5. Special Covenants Section 5.1. Project Evaluation</p>	<p>Article 6. Procurement Source Section 6.1. Foreign Exchange Costs</p> <p>Article 7. Disbursements Section 7.1. Disbursement for Foreign Exchange Costs Section 7.2. Other Forms of Disbursement Section 7.3. Rate of Exchange</p> <p>Article 8. Miscellaneous Section 8.1. Communications Section 8.2. Representatives Section 8.3. Standard Provisions Annex Section 8.4. Language of Agreement</p> <p>Annex 1. Project Description</p> <p>Annex 2. Project Grant Standard Provisions Annex</p>
--	---

A.I.D. Project No. 386-0465

PROJECT GRANT AGREEMENT dated August 26, 1978, between the PRESIDENT OF INDIA ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

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

¹ Came into force on 26 August 1978 by signature.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of the financing of professional and technical services and equipment and materials for the carrying out of collaborative sub-projects which will apply science and technology to India's rural development efforts. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Two Million United States ("U.S.") Dollars (\$2,000,000) ("Grant"). The Grant may be used only to finance foreign exchange costs, as defined in Section 6.1, of goods and services required for the Project.

Section 3.2.¹ 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 or caused to be provided by Grantee for the Project will be not less than the equivalent of U.S. \$500,000, including costs borne on an "in-kind" basis.

Section 3.3.¹ PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is September 30, 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. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which dis-

¹ Paragraphs 3.2 (a) and (b) and 3.3 (a) and (b) appear in the English authentic text only.

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

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence of the establishment of a Government of India (GOI) Inter-Departmental Committee, its composition, and a statement of its procedures to perform the functions outlined in paragraph 4 of the Project Description, Annex 1.

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 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Grantee agrees to establish an evaluation program satisfactory to the Parties 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 point 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.

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.

Article 7. DISBURSEMENTS

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services

required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

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

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

Section 7.2. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.3. RATE OF EXCHANGE. If funds provided under the Grant are introduced into India 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 India at the highest rate of exchange which, at the time the conversion is made, is not unlawful in India.

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:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi

Alternate Address for Cables:

ECOFAIRS, NEW DELHI

To A.I.D.:

Mail Address:

Mission Director
USAID
American Embassy, West Building
New Delhi

Alternate Address for cables:

USAID, NEW DELHI

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

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

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

Section 8.4. LANGUAGE OF AGREEMENT. This Agreement is prepared in both English and Hindi. In the event of ambiguity or conflict between the two versions, the English language version will be used for final interpretation.

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.

The President of India:

The United States of America:

By: [Signed]

By: [Signed]

Name: MANMOHAN SINGH

Name: ROBERT F. GOHEEN

Title: Secretary to the Government of
India
Department of Economic Af-
fairs
Ministry of Finance

Title: Ambassador

ANNEX 1. PROJECT DESCRIPTION

A.I.D. Project No. 386-0465

1. The project purpose is to increase Indo-U.S. collaboration in the application of science and technology to India's rural development effort. The project will support approved collaborative activities (sub-projects) falling under the general parameters and priority areas identified by the Indo/U.S. Joint Commission and its sub-commissions, and meeting the project criteria described in paragraph 3 below.

2. The Grant will finance U.S. dollar costs of sub-projects in accordance with their approved budgets. Such costs may include equipment and materials (including prototype hardware), professional services and consultancies, exchanges and study tours of personnel, the conduct of workshops and other approved sub-project costs. Local costs of the sub-projects will be met from Indian sources or collaborating U.S. agencies.

3. To be eligible for consideration for support under the Grant, sub-projects proposed by collaborating agencies will meet the following criteria:

a. The technology or activity concerned must have relevance to significant problems in rural areas and concern the application of science and technology (including social science) to such problems. Basic research in frontier and emerging areas cannot be considered. Technologies and activities should be appropriate to the social and cultural context in which they are to be applied.

b. To the extent quantification is feasible, sub-projects should demonstrate a favorable cost/benefit ratio. Direct rather than indirect (or remote) benefits and costs should be emphasized in such calculations.

c. Sub-projects should have potential for providing near or medium term benefits to the target population.

d. Sub-projects will include measures for the dissemination, adoption, or field testing of the technologies concerned in order to test their appropriateness for wider implementation or delivery to rural areas.

e. Sub-projects must show reasonable potential for increasing the income and/or well-being of the rural poor.

4. Sub-projects proposed by collaborating agencies will be screened, selected, and approved by a GOI Inter-Departmental Committee chaired by the Department of Science and Technology, which is the central implementing agency for the project. The committee will be guided in its approvals by the agreed criteria outlined above, and by the priorities established by the Indo-U.S. Joint Commission and its Sub-commissions. The committee will provide technical and substantive approval of sub-projects.

5. The Department of Economic Affairs will provide GOI funding approval for all costs of the sub-projects. AID will concur in sub-project approvals by affirming in writing that sub-projects meet the established criteria and that costs to be charged to the Grant are eligible for financing under the terms and conditions of this Agreement. For these purposes, sub-project descriptions will include a detailed time-phased budget, breaking down cost estimates between local and foreign exchange costs, identifying those U.S. dollar costs to be charged to the Grant, and the sources of other funding requirements of the sub-project.

6. At least 25 percent of each sub-project will be financed from Indian sources, unless otherwise agreed by AID.

7. The Department of Science and Technology, as Implementing Agency for the project, will be the authorized representative for authorizing expenditures for sub-projects approved by the Inter-Departmental Committee and the Department of Economic Affairs. The Department of Science and Technology will also function as project secretariat responsible for the following:

a. Arrange annual project evaluations, as described in the following paragraph.

b. Serve as focal point within GOI for participating institutions and professionals.

c. Monitor progress of sub-projects.

d. Serve as main contact for AID regarding grant activities.

e. Maintain accounts on expenditures, procurement, training, exchanges, etc.

f. Prepare activity reports for Joint Commission and sub-commissions.

g. Assist participating institutions and professionals, as needed, to expedite activities under sub-projects.

8. The project will be jointly evaluated annually, if possible shortly prior to the annual meeting of the Indo-U.S. Joint Commission. Representatives of the Department of Science and Technology, Department of Economic Affairs, AID, and the American Embassy Counselor for Scientific and Technological Affairs will participate in the evalua-

tion, together with other agencies or individuals as may be invited by mutual agreement of the Department of Science and Technology and AID. The evaluation will review and report on project activities, as follows:

- a. Progress of sub-projects in achieving project objectives.
- b. Effectiveness of criteria and application of criteria in selecting sub-projects.
- c. Administrative effectiveness of sub-project selection and procurement procedures, exchanges, etc.
- d. Requirements for Grant funds.
- e. New areas in which the Grant might be effectively used.
- f. Any issues concerning project relationship to Indo-U.S. Joint Commission.
- g. Specific implementation problems on either GOI or U.S. side.

ANNEX 2. PROJECT GRANT STANDARD PROVISIONS ANNEX

A.I.D. Project No. 386-0465

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

Article B. GENERAL COVENANTS

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

Section B.2. EXECUTION OF PROJECT. The Grantee will:

- (a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section B.3. UTILIZATION OF GOODS AND SERVICES. (a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

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

Section B.4. TAXATION. (a) This Agreement and the Grant will be free from any taxation or fees imposed under any of the Central, State (including Union Territories), City or Municipal laws in effect in India.

(b) No proceeds of the Grant shall be disbursed on account of payment of identifiable taxes, tariffs, duties or other levies imposed by or under any of the Central, State (including Union Territories), City or Municipal laws of the Grantee on goods or services or on the importation, manufacture, procurement or supply thereof. A Project Implementation Letter, jointly agreed-upon, will indicate the details of the implementation of this sub-section.

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 the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

Section B.6. COMPLETENESS OF INFORMATION. The Grantee confirms:

- (a) That the facts and circumstances of which it has informed A.I.D., or caused 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, as appropriate, mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. PROCUREMENT PROVISIONS

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

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

(c) No motor vehicles will be financed under the Grant, except as A.I.D. may otherwise agree in writing.

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

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 or cause to be furnished to A.I.D. upon preparation, 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 as described in Project Implementation Letters. Material modifications in such documentation will likewise be furnished A.I.D. on preparation.

(b) Such documents as described in Project Implementation Letters 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.

(c) As specified in Project Implementation Letters, contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials 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.

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

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

Section C.6. SHIPPING. (a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

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

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

vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. INSURANCE. (a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, than all goods shipped to the country 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. To the extent the Grantee does not insure or cause to be insured goods financed under the Grant imported for the Project, the Grantee will assure that funds for any necessary repair or replacement will be available in the currency in which such goods were financed or in any freely convertible currency.

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 non-cancellable 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.

(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.
