

No. 19879

**UNITED STATES OF AMERICA
and
TUNISIA**

Project Grant Agreement for agriculture technology transfer (with annexes). Signed at Tunis on 31 August 1978

Authentic texts: English and French.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
TUNISIE**

Accord de subvention pour un projet de transfert de technologie agricole (avec annexes). Signé à Tunis le 31 août 1978

Textes authentiques : anglais et français.

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

**PROJECT GRANT AGREEMENT¹ BETWEEN THE REPUBLIC OF
TUNISIA AND THE UNITED STATES OF AMERICA FOR
AGRICULTURE TECHNOLOGY TRANSFER**

Date: August 31, 1978

A.I.D. Project No. 664-0304

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GRANT AGREEMENT dated August 31, 1978 between the REPUBLIC OF TUNISIA (Cooperating Country) 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 Cooperating Country of the Project described below, and the financing thereof by the Parties.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of a Participant Training Program to assist the Government of Tunisia in development of an agricultural cadre to identify, select, and manage the future agricultural technology of the country. Annex 1, attached, contains the detailed project description cited in this Section and identifies those

¹ Came into force on 31 August 1978 by signature.

elements of the Project for which Grant financing will be employed. Within the limits of the above definition of the Project, elements of the description contained in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Section 2.2. INCREMENTAL NATURE OF PROJECT. (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to 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 Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Cooperating Country under the terms of this Agreement not to exceed one million four hundred eighty thousand (\$1,480,000) United States (U.S.) dollars (Grant). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 of goods and services required for the Project.

Section 3.2. COOPERATING COUNTRY RESOURCES FOR THE PROJECT. (a) The Cooperating Country agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Cooperating Country over the life of the Project are estimated to be approximately the equivalent of U.S. \$1,598,000, including costs borne on an "in-kind" basis, but not less than 25% of the total cost of the Project.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is August 31, 1985, 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 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., by giving notice in writing to the Cooperating Country, 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 docu-

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

A statement of the name of the person holding or acting in the office of the Cooperating Country specified in Section 8.2, 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 Cooperating Country.

Section 4.3. TERMINAL DATES FOR CONDITIONS PRECEDENT. If all of the conditions precedent 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 the Cooperating Country.

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 periodic 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) recommendations as to how such problems or constraints should be addressed; 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 services, except as A.I.D. may otherwise agree in writing.

Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of conditions precedent, the Cooperating Country 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 reimbur-

- sement for such goods or services, or (b) requests for A.I.D. to procure commodities or services in Cooperating Country'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 Cooperating Country in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Cooperating Country 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. 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. DATE OF DISBURSEMENT. Disbursements of the assistance by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Cooperating Country or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

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 address:

To the Cooperating Country:

Ministère des Affaires Etrangères
Direction de la Coopération Internationale
Avenue Mohamed V
Tunis, Tunisia

To A.I.D.:

Agency for International Development
c/o American Embassy
144 Avenue de la Liberté
Tunis, Tunisia

Alternate address for cables:

Director, USAID
Amembassy Tunis

All such communications will be in English or French. 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 Cooperating Country will be represented by the individual holding or acting in the office of Minister of Foreign Affairs and A.I.D. will be represented by the individual holding or acting in the Office of Director, USAID to Tunisia,

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 detailed description in Annex 1. The names of the representatives of the Cooperating Country, 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 “Grant Standard Provisions Annex” (Annex 2) is attached to and forms part of this Agreement.

Section 8.4. LANGUAGE OF AGREEMENT. This Agreement, its Annexes and Project Implementation Letters are prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Republic of Tunisia 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.

Republic of Tunisia:

[Signed]

By: RIDHA BACH BAOUAB
Ministry of Foreign Affairs

United States of America:

[Signed]

By: HERMON S. DAVIS
Director, USAID

ANNEX 1

GRANT AGREEMENT—THE PROJECT

The Project will provide, through participant training of up to 79 M.S. and Ph.D students, a major input of scientific agricultural leadership where trained personnel are lacking, to greatly increase Tunisia's ability to train Tunisians to the M.S./Ph.D levels. Directly and indirectly this will strengthen staffing of both the national centers of agricultural teaching and research and the regional institutes that have been established recently to permit effective addressing of problems of small farms throughout the semi-arid regions of the nation through an effective adaptive research and extension program. Both the institutional capability and the information (technology) base for sound technology transfer in the Central and Southern regions are lacking. Changes in village and grazing systems are essential to arrest the rapid deterioration of the land resources through these regions which threatens the existence of multitudes of small owner-operated farms and to begin to realize the much higher production potential for cereals and meat, two commodities now being imported. Some participants will be trained in horticulture and food technology to provide the science base and technology to use limited irrigation resources to capitalize on climatic advantages in early vegetable and fruit production and to

improve grading packaging, processing and marketing of these products both domestically and for export. It is vital to develop and provide to small farmers alternative technologies tested in the local areas that will permit a shift from existing practices that are causing ever more rapid deterioration of land by wind and water erosion.

Short-term training, consultants, faculty thesis research advisors and commodities, including library materials, are provided in support of the participant training and program efforts of the eleven agricultural institutions involved.

The Project funding will be provided in increments and is expected to total \$4.5 million. It is expected that technical assistance will be provided by a contract between the Government of Tunisia (GOT) and the Mid-America International Agricultural Consortium (MIAC).

1. *U.S. Contribution*

The A.I.D. contribution will finance the following items:

- (1) Long-term training
- (2) Short-term training
- (3) U.S. university thesis research supervisor and faculty advisors of thesis research in Tunisia
- (4) Consultants
- (5) Commodities to support thesis research, including strengthening library and soil testing capabilities
- (6) Administrative and coordinating support
- (7) Support for periodic project evaluation
- (8) U.S. graduate research student assistants

2. *Government of Tunisia (GOT) Contribution*

The Government of Tunisia (GOT) contribution will consist of direct budget support of salary and GOT counterparts, in-country transportation, office, workshop, laboratory, and conference facilities, supplies and services. The GOT will also provide for participant international travel, medical examinations, and other participant processing and in-country transportation for the full-time U.S. thesis advisors, and U.S. graduate research student assistants.

3. *Detailed Description*

A. The proposed Project will provide up to 79 trained scientists with tentative distribution as follows:

INAT (Institut National Agronomique de Tunisie)	12
INRAT (Institut National de la Recherche Agronomique de Tunisie)	17
Field Crops Institute at Le Kef	16
Arid Lands Institute at Medenine	7
Horticulture Institute at Chott Meriem	10
Food Technology Institute at Tunis	3
Livestock Production Institute at Mateur	3
Institute of Economics and Rural Development at Moghrane	2
Institute of Forestry and Pastures at Tabarka	2
Extension	5
Librarians	2

The 79 long-term advanced degree participants will be placed at qualified universities agreed upon with DRFC within and outside the MIAC consortium with MIAC handling the contract funding requirements.

The 37 participants for Ph.D degrees will carry out their thesis research in Tunisia as part of the research program and on the payroll of their institutions but under the supervision of U.S. university advisors. An important product of the Project will be the documented research results in theses on 37 Tunisian problems selected to provide the needed information base for small farm agriculture in the semi-arid regions.

An additional 8 theses may be prepared by U.S. graduate student research assistants doing their Ph.D thesis research in Tunisia in cooperation with Tunisian Ph.D students on similar problems. Supervision, needed research equipment, a soil testing laboratory, and library resources required in thesis research will be provided under the contract. The possible total of 45 research studies will represent the establishment of on-going institutional research programs in place and operational when participants complete their degrees.

The 42 participants earning M.S. degrees in agriculture in the United States will fit into important teaching and research roles among the several institutions. The two participants getting degrees in Library Science will fit into the National Center for Agricultural Documentation and libraries of INAT and INRAT. With the assistance of library consultants and commodity funding, they will organize and improve the acquisition, documentation, retrieval and distribution functions of the agricultural library system in support of research, teaching and extension activities.

Consultants will be provided in problem areas such as soil testing and food technology and include administrators of agricultural programs in the MIAC institutions in order to build the institutional linkages that the GOT considers very important. The approximately 30 faculty advisors in various trips to Tunisia to supervise thesis research of Ph.D students will be a major consulting resources and also a stimulus to institutional linkage.

One full-time U.S. university thesis research supervisor is provided for 4-½ years (4 in Tunisia) to provide continuous supervisory contact and coordinate participant preparation and placement, purchase of commodities, and effective functioning of faculty advisors on their short-term visits to Ph.D students. Short-term training will be provided selected participants in areas such as food technology and extension. In-country seminars and conferences will be set up, if deemed necessary, to complement other training to meet overall objectives.

B. The Project will be implemented through the DRFC (Division of Research and Formation of Cadres), Ministry of Agriculture. The institutes involved are administratively responsible to the Director of DRFC. An implementation plan will be developed jointly by U.S. advisors and the GOT, subject to USAID Mission approval, that will include the following elements: (1) a detailed set of measurable, end-of-project institutional objectives with respect to structure, location, staffing and research capabilities; (2) procedures for planning the research program to be carried out in Tunisia by the Ph.D students, including criteria for determining requirements for advisory visits by faculty advisors; and (3) a five-year program with respect to the various research topics providing objectives and methodologies of the individual theses with proposed time table and budget estimates.

C. Participants will be selected according to agreed upon criteria by DRFC. Careful selection is to be practiced so admission requirements of Graduate Colleges in U.S. universities will play will be met. Detailed descriptions of the training desired and the anticipated role he will play will be developed for each participant. Their admission applications will be presented to universities that offer excellent training in the various subject matter areas. All participants will be sent to the U.S. for 10 weeks of intensive English training before initial graduate college enrollment. Ph.D participants will be integrated into research projects of their major advisor and function as graduate research student assistants in order to build a background of experience before returning to undertake their thesis research.

Plans for thesis research will be developed by the advisor and Tunisian students in the U.S. in communication with DRFC in Tunisia. Equipment needs for thesis research will be identified and procurement initiated early enough so it will be on hand when Ph.D participants return to Tunisia to initiate their research. Funds for a small professional library will be provided each participant to give essential supplementation to the limited library resources in Tunisia. Four trips to Tunisia are planned for each advisor to supervise thesis research and conduct final oral exams.

U.S. graduate student research assistants may be programmed to carry out their Ph.D thesis research in association with the Tunisian Ph.D students to help create the research environment and improve liaison with the on-site thesis research supervisor and advisors in the U.S.

4. *Project Evaluation*

Annual evaluations will be jointly conducted by MIAC, A.I.D. and the DRFC. Attention will be given to the success in selecting participants and their academic progress and the functioning of advising, equipment procurement, and progress of thesis research. Activities in short-term training and use of consultants to achieve the objectives of the program will be reviewed.

In the last six months of the Project, an evaluation will be carried out by the same agencies.

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.

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

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) 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 be furnished A.I.D. on preparation;

(2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the 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

(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 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) 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 (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, 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 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 payments 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 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 is 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.