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MICHIGAN STATE UNIVERSITY EAST LANSING • MICHIGAN 48823 • USA

COLLEGE OF AGRICULTURE AND NATURAL RESOURCES
INSTITUTE OF INTERNATIONAL AGRICULTURE
FOOD • NUTRITION • RURAL DEVELOPMENT • 113 AGRICULTURE HALL

September 20, 1968

Mr. David Mandell
Office for Capital Development
and Finance
Bureau for Near East & South Asia
Agency for International Development
Washington, D. C. 20523

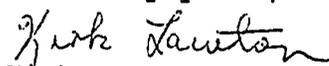
Dear Mr. Mandell:

Please find enclosed two copies of a proposal for an institutional relationship between Michigan State University and EPADC for the development of a seed potato industry in East Pakistan.

As you indicate, we would like this to be considered as an exploratory document subject to review and discussion. It is not unlikely that one of our Crop Science staff will be working with the Comilla Rural Academy on new crops (potatoes included) under irrigation this coming dry season. If this is the case, he could interact with Dr. Thompson.

We would be obliged if you would pass this proposal on to USAID Dacca to get their reactions. Recognizing that contracts take a substantial time to work out, it is possible that Dr. Thompson would be willing on short notice to spend 5 to 6 months with ADC during which time the contract would be worked out. We will be looking forward to comments from AID and EPADC.

Sincerely yours,



Kirk Lawton
Director

A PROPOSAL FOR AGRICULTURAL DEVELOPMENT AND RESEARCH
IN SEED POTATO MULTIPLICATION IN EAST PAKISTAN

PROPOSAL

It is proposed that Michigan State University, East Lansing, Michigan, contract to provide technical assistance to the Agricultural Development Corporation, Government of East Pakistan, Dacca, East Pakistan in the development of a seed potato industry.

COOPERATORS

1. The Institute of International Agriculture and the Crop Science Department of Michigan State University.
2. The Agricultural Development Corporation, Government of East Pakistan, Dacca, East Pakistan.

TERMS OF CONTRACT

1. Michigan State University agrees to provide technical advisers to ADC on the following basis:

<u>6 month adviser</u>	November 1968 - April 1969
short term	June, July, or August 1969
<u>6 month adviser</u>	November 1969 - April 1970
short term	June, July, or August 1970

ADC will be notified three months in advance of the appointment of each adviser to the contract, with the necessary bio-data and personal photographs included.

Semi-annual report of the activities of the adviser and the progress in implementation of the development of a seed potato industry will be provided to ADC within one month after the completion of each adviser's term of assignment.

2. Agricultural Development Corporation agrees to provide the following services to the technical advisers of Michigan State University:

- a. Pakistan counterpart concerned with seed potato production
- b. Secretarial help while in East Pakistan
- c. Normal assistance for contact with government organizations and personnel concerned directly or indirectly with a developing seed potato industry.
- d. Car (or Jeep) and driver for work on the project.
- e. Suitable housing in East Pakistan in lieu of per diem allowance.

PROJECTED WORK PROGRAM

It is proposed that the MSU technical adviser carry out the following activities during the first six months assignment.

- (1) Survey cultural practices suggested to Mr. Kazi of the Comilla Rural Academy, which should be started in

November, 1968.

- (a) tests of selected new varieties which have performed well in other tropical and semi-tropical regions. Seed delivered to Pakistan November 1968.
 - (b) fertilization, planting, and irrigation practices.
- (2) a. Assess diseases causing degeneration of seed to initiate control practices - serological tests specific for individual viruses.
 - b. Select plants suitable for seed in 1969-70.
Utilize hill selection techniques to provide an extended increase of imported seed if applicable.
- (3) Observe insect populations to determine time of maximum disease transmission and plant seed crop to precede population build-up, particularly aphid infestations.
 - (4) Utilize insecticide and fungicide programs to protect the crop.
 - (5) Initiate the type of seed program suggested by Akeley and Dalrymple, i.e., import only sufficient seed for a seed program. Increase this imported seed once under careful supervision to supply good quality seed for commercial planting the following year.

- (6). Supervise harvest and storage of seed for 1969-70 crop.
- (7) Assist in extension program to prepare for seed program.
If deemed necessary, spend the month of August, 1969
in Pakistan to:
 - (a) Assess quality of potatoes in storage.
 - (b) Assist in arrangements with selected growers
to handle seed production.
 - (c) Outline very specific procedures on removal
of seed from storage, transportation, and
preparation of seed for planting.
- (8) Observe personnel to recommend for training if desired
November of 1969 through season of 1970 in East Pakis-
tan, to assist in implementation of culture, seed and
storage projects. Increase variety testing to utilize
the best varieties currently available. Continue exten-
sion and promotional activities to improve production
practices.

After initial program of 1968-69, specialists in a
given discipline could be called upon for assistance for
short periods to advise on problems beyond the scope of the
field personnel if such are encountered.

Supervise training of project personnel in U.S.A.
either in degree programs or on a practical basis.

Maintain continuing involvement in the project through
graduate students at MSU. Perhaps taking course work at
East Lansing and research in East Pakistan to solve specific
problems.

POTATO ACTIVITIES

Michigan State University conducts a well balanced potato research program with leadership from the Crop Science Department. Cooperating departments are Soil Science, Botany and Plant Pathology, Entomology, Agricultural Engineering, and Food Science. The research projects are concentrated on an 80 acre farm in the area supplying potatoes for processing. Field studies are conducted throughout the state. The single objective is to produce higher yields of good quality potatoes. This involves breeding for better high yielding varieties; fertilizer studies, macro and micro nutrients, placement and time of application; cultural practices, methods of planting; weed control, irrigation; disease control; storage, design and construction, operation for seed, table stock and processing; pilot plant processing of new cultivars and plot samples for potato chips, french fries, and potato flakes.

The university has, in depth, an extension program where research personnel meet with growers each winter in each potato growing areas for formal presentation of results and informal discussions of specific problems.

To assist and advise in research, a Potato Industry Council was organized. This is a growers' organization with representation from brokers, processors, and retailers.

In the last ten years, Michigan has been able to regain the markets lost to other states by producing and delivering good quality products.

MSU TECHNICAL STAFF

1. Dr. Norman Thompson

Professor of Crop Science

B.S. 1939 Ontario Agricultural College

M.S. 1949 University of Toronto

Ph.D. 1952 Michigan State University

Member, Potato Association of America; American Association, Horticultural Science; Sigma Xi

Numerous publications in professional journals
In charge of potato breeding and seed multiplication at MSU.

Study leave 1962 - Netherlands and Northern Europe to pursue potato research

Study leave 1964 - Denmark, Germany, Ireland and Netherlands to pursue potato and plant breeding research

Degrees and responsibilities have been in Agronomy and Plant Breeding. Prior to joining the faculty at Michigan State in 1953, Thompson was responsible for potato breeding, production practices, i.e., plantings, fertilizer tests, insecticide and fungicide trials, storage and quality studies at the Ontario Agricultural College, Guelph, Ontario, Canada. He has had a broad training in all facets of potato culture.

Attendance of International meetings in Belgium, Denmark, England and Mexico has provided a personal knowledge of a great many of the world's leading potato researchers. Friendships evolving from these meetings have resulted in continuing exchanges of germplasm and research results.

Upon return from sabbatical leave in the Netherlands and Northern Europe a new seed potato certification program was initiated in Michigan. The best of the European programs was combined with U.S. practices to establish the program. Many of these techniques are now being followed by programs in other states.

MSU EXPERIENCE IN EAST PAKISTAN

Michigan State University has had extensive experience in East Pakistan particularly in the fields of agriculture, public administration and local government. This association has been mainly with the Rural Academy at Comilla. University faculty in the fields of Crop Science, Horticulture, Agricultural Engineering, Agricultural Economics, and Soils have provided the Comilla program with ideas and technical expertise. Although the Ford Foundation funds for this program will phase out, MSU will continue to associate itself with the development programs of East Pakistan and have continued interest in their success.

ESTIMATED CONTRACT BUDGET

1. Salaries

1 1/2 year professional salary + fringe	
benefits	\$36,000
Secretary at M.S.U. (1/4 time)	1,600

2. Travel

Overseas - Economy air fare (Lansing-Dacca-return)

Two 6 month advisers and spouses \$4,800

Two short term advisers (without spouses). 2,400

Excess baggage allowance - \$250 per adviser with spouse 500

Handwritten note:
?
15 hrs possible for 6 months

3. Allowances

Adviser - per diem \$15/ day x 540 days 8,100
or 105 rupees/day

4. Miscellaneous Expenses

a. Physical exams and inoculation (Adviser and spouse) 500

b. Passports and visas (Adviser and spouse) 90

c. Communications - cables, telephone postage 300

d. Supplies, orientation, reports 500

5. Participant Training none*

6. Overhead - Overseas Salary 15,000

\$69,790

*To be arranged and funded through USAID

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37p.

A.I.D. Loan No. 391-H '39

391-22-130-327

LOAN AGREEMENT
BETWEEN THE
PRESIDENT OF PAKISTAN
AND THE
UNITED STATES OF AMERICA
FOR
EAST PAKISTAN SEED POTATO MULTIPLICATION AND STORAGE

Dated: August 10, 1968

(CONFORMED COPY)

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PROJECT DESCRIPTION	ANNEX I	

LOAN AGREEMENT dated August 10, 1968, between the
PRESIDENT OF PAKISTAN ("Borrower") and the UNITED STATES
OF AMERICA, acting through the AGENCY FOR INTERNATIONAL
DEVELOPMENT ("A.I.D. ").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the
Borrower, pursuant to the Foreign Assistance Act of 1961, as amended,
an amount not to exceed Four Hundred Twenty Thousand United States
Dollars (\$420,000)("Loan") to assist the Borrower in carrying out the
Project referred to in Section 1.02 ("Project"). The Loan shall be
used exclusively to finance United States Dollar costs of goods
and services required for the Project ("Dollar Costs"). The aggregate
amount of disbursements under the Loan is hereinafter referred to
as "Principal".

SECTION 1.02. The Project. The Project shall consist of the
multiplication and storage of improved varieties of seed potatoes
in East Pakistan. The Project is more fully described in Annex I,
attached hereto, which Annex may be modified in writing. The
goods and services to be financed under the Loan shall be described
in the implementation letters referred to in Section 8,03 ("Imple-
mentation Letters").

ARTICLE II

Loan Terms

SECTION 2.01, Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of two and one-half percent (2-1/2%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement as such date is defined in Section 6.03, and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02, Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty -one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower

with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment.

All payments of interest and Principal hereunder shall be made in United States Dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D. C. U.S.A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. The Borrower agrees to negotiate with A.I.D. at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement

Prior to the first disbursement, or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Minister of Law of Pakistan or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 8.02, and a specimen signature of each person specified in such statement;
- (c) Evidence of the relending or other financial arrangements with regard to the use of the funds provided hereunder;

(d) Evidence that funds other than those provided hereunder which are necessary for the timely completion of the Project will be made available to the Agricultural Development Corporation (ADC) in a timely and effective manner;

(e) An executed contract with a U.S. firm or firms satisfactory to A.I.D. for the provision of engineering services with respect to engineering and supervising construction of five cold storage units.

SECTION 3.02. Conditions Precedent to Disbursements Other Than For Engineering Services. Prior to any disbursement or to the issuance of any Letter of Commitment under the loan for any purpose other than to finance the services referred to in Section 3.01, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An implementation plan for carrying out the Project, including but not limited to:

(1) final plans and justification for location of the five cold storage units,

(2) cost estimates,

- (3) a time schedule,
 - (4) a detailed plan for the provision and training of qualified East Pakistan Agricultural Development Corporation employees, including storage facility and horticultural personnel,
 - (5) plans for selecting and contracting with farmers for the seed multiplication program,
 - (6) plans for exploring alternative sources of imported seed,
 - (7) plans for providing seed and other physical inputs such as fertilizer, pesticides and credit to the farmers, and
 - (8) plans for undertaking a seed potato research and testing program;
- (b) Evidence of satisfactory arrangements for obtaining the services of a U.S. horticultural advisor for at least a two-year period;
- (c) An executed contract with a Pakistani firm satisfactory to A.I.D. for the provision of engineering services with respect to general construction of the five cold storage units;

(d) An executed contract or contracts with a firm or firms satisfactory to A.I.D. for the provision of equipment and materials required for the five cold storage units; and

(e) An executed contract or contracts with a firm or firms satisfactory to A.I.D. for construction of the five cold storage units.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement.

(a) If the conditions specified in Section 3.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D. at its option may terminate this Agreement by giving written notice to the Borrower. Upon giving of such notice, this Agreement and all obligations of the parties thereunder shall terminate.

(b) If all of the conditions specified in Section 3.02 shall not have been met within one hundred eighty (180) days or such later date as A.I.D. may agree to in writing, A.I.D. at its option may cancel the then undisbursed balance of the amount of the Loan or may terminate this Agreement by giving written notice to

the Borrower. In the event of a termination upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement, specified in Section 3.01 and, as the case may be, 3.02, have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, financial and administrative practices;

(b) The Borrower shall cause the Project to be carried out in

conformity with all of the contracts, schedules and other arrangements and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

SECTION 4.02. Funds and Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance of the consultants, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

SECTION 4.05. Operation and Maintenance. The Borrower shall operate, maintain and repair the Project in conformity with sound engineering, financial and administrative practices and in such

manner as to ensure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. Taxation. This Agreement, the loan and any evidences of indebtedness issued in connection herewith shall be free from and the Principal and interest shall be paid without deduction for and be free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. As, and to the extent that (a) any contractor including any consulting firm financed hereunder, any personnel of such contractor and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower, except as Borrower, contractors and A.I.D. may otherwise agree, shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.07. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing;

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.08. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D. accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09. Commissions, Fees and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there

be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreements to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in the country of the Borrower.

(c) A.I.D. from time to time may issue binding instructions concerning the eligibility for financing hereunder of commissions, including brokerage commissions and commissions paid to sales agents or suppliers, and allowances to purchasing agents or importers. Borrower agrees to comply with such instructions, to promptly report to A.I.D. any payment or allowance, or agreement to pay or permit any commissions or allowances, covered

by such instructions of which it has knowledge and to reimburse A.I.D. on request, in the amount of any payment or allowance made or permitted contrary to such instructions; provided, however, that this paragraph shall apply only to commissions or allowances arising from contracts or orders made or placed after the receipt by Borrower of notice of such instructions.

SECTION 4.10. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Project.

Such books and records shall be regularly audited, in accordance

with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.

ARTICLE V:

Procurement

SECTION 5.01. Procurement from the United States. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Section 6.01 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in the United States of America. All ocean shipping and marine insurance financed under the Loan shall have both their source and origin in the United States of America.

SECTION 5.02. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 5.03. Goods and Services Not Financed Under Loan. Goods and services procured for the Project but not financed under the Loan shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 5.04. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Sections 5.01 and 5.03 will be set forth in detail in Implementation Letters.

SECTION 5.05. Plans, Specifications, and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, construction schedules, bid documents, and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications, and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for engineering and other professional services;
- (ii) contracts for construction services,
- (iii) contracts for such other services as A.I.D. may specify,
and
- (iv) contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

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

SECTION 5.06. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 5.07. Shipping and Insurance.

(a) Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all goods financed by A.I.D. (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported to the country of the Borrower during each United States fiscal year on ocean vessels shall be transported on privately-owned United States-flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D. in a notice to the Borrower has designated as ineligible to carry A.I.D. financed goods or (ii) which has been

chartered for the carriage of A.I.D. goods unless such charter has been approved by A.I.D.

(c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods procured from the United States and financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all goods procured in the United States and financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be

used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 5.08. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 5.09. United States Government-Owned Excess Property. The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-Owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the

Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance the Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-Owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 5.10. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VI,

Disbursements

SECTION 6.01. Disbursements for United States Dollar Costs-Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time,

request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States 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 through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 3.02. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 6.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, in the case of disbursements pursuant to Section 6.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment.

SECTION 6.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment document which may be called for by another form of disbursement under Section 6.02 or amendment thereto shall be issued in response to requests received by A.I.D. after June 30, 1969, and no disbursements shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after December 31, 1970. A.I.D. at its option, may at any time or times after December 31, 1970, reduce the Loan by all or any part hereof for which documentation was not received by such date.

ARTICLE VII.

Cancellation and Suspension

SECTION 7.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D. by written notice to A.I.D.

cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 7.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
 - (b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
 - (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies.;
- then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 7.03, Suspension of Disbursements. In the event that at any time:

- (a) An Event of Default has occurred;
 - (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or
 - (c) Any disbursement would be in violation of the legislation governing A.I.D. ;
 - (d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement or any other agreement between the Borrower or any of its agencies and the Government of the United States of America or any of its agencies;
- Then A.I.D. may at its option:

(i) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit in which event A.I.D. shall give notice to the Borrower promptly thereafter;

(ii) Decline to make disbursements other than under outstanding commitment documents;

(iii) Decline to issue additional commitment documents, and

(iv) At A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 7, 04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 7.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 7.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within ninety days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the ~~events~~ specified in Section 7.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 7.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Secretary to the Government
of Pakistan
President's Secretariat
Economic Affairs Division
Islamabad, Pakistan

Cable Address: ECONOMIC
Islamabad

TO A.I.D.:

Mail Address: United States Agency for
International Development
Adamjee Court, Motijheel
Dacca, Pakistan

Cable Address: AMCONSUL
Dacca

Other addresses may be substituted for the above upon the giving

of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 8.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Secretary, Economic Affairs Division and A.I.D. will be represented by the individual holding or acting in the office of the Director, U.S.A.I.D. Mission to Pakistan. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 8.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

ANNEX I
PROJECT DESCRIPTION

The Project is the establishment of a program under the East Pakistan Agricultural Development Corporation (ADC) to import, multiply, store and sell improved seed potato stock in East Pakistan. The Project consists of two primary aspects: (1) import, multiplication and maintenance of adequate standards with respect to the improved seed potato and (2) construction and operation of five cold storage units in five districts.

1. Import, Multiplication and Maintenance of Standards.

ADC will import about 20,000 maunds of seed potato annually, contract with farmers in areas within reasonable distances of the proposed new cold storage units to multiply the imported seed, provide horticultural assistance and advice to farmers in good growing practices, establish certification standards, procure the multiplied seed meeting standards from the contract farmers at harvest time, ensure the seed is stored under satisfactory conditions, and distribute and sell the stored seed to commercial growers. The time cycle for this process will be about one year. These functions will be performed by an inspection staff consisting of a qualified horticulturist and two assistants attached to each of the five cold storage units. This staff will be assisted by an expatriate horticultural advisor for at least two years.

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2. Construction and Operation of Five Cold Storage Units.

Five cold storage units will be constructed and operated in the districts of Rangpur, Bogra, Rajshahi, Dacca and Comilla. These will be built with the assistance of a Pakistani engineering consultant to assist with general construction design and a U.S. engineering consultant to perform the engineering, construction supervision and training functions. Adequate staff for operating and maintaining the facilities will be provided by the ADC in sufficient time for training prior to start-up of the units, expected no later than January 1970.