

UNITED STATES GOVERNMENT

# Memorandum

3910413-4

PD-ADD-192

30p

TO : Distribution

DATE: October 19, 1979

FROM : ASIA/PD/SA, Howard Sharlach *AS*

SUBJECT: Pakistan - On-Farm Water Management (391-0413)  
Project Grant Agreement

Attached for your information and files is a copy of subject document.

Attachment: a/s

Distribution:

FM/LD:ASmith  
FM/BFD:JO'Neill  
CM/SD:JMurphy  
ASIA/PNS:BGeorge  
GC/ASIA:HMorris  
ASIA/PD/ENG:WHodgin  
ASIA/TR:TArndt  
ASIA/DP:RHalligan  
DS/DIU/DI  
COM/A:BViragh



A.I.D. Project No. 391-0413  
Appropriation No. 72-1191021  
Allotment No. 943-50-391-00-69-91

PROJECT GRANT AGREEMENT

BETWEEN

PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

ON-FARM WATER MANAGEMENT

DATED: August 30, 1979

(CONFORMED COPY)

## TABLE OF CONTENTS

### Project Grant Agreement

<u>Section Number</u>	<u>Title</u>	<u>Page</u>
ARTICLE 1:	The Agreement	1
ARTICLE 2:	The Project	1
SECTION 2.1	Definition of Project	1
ARTICLE 3:	Financing	2
SECTION 3.1	The Grant	2
SECTION 3.2	Grantee Resources for the Project	2
SECTION 3.3	Project Assistance Completion Date	2
ARTICLE 4:	Conditions Precedent to Disbursement	4
SECTION 4.1	Disbursement for SCS Advisors	4
SECTION 4.2	Disbursements for Organization and Management Advisors	4
ARTICLE 5:	Special Covenants	4
SECTION 5.1	Project Monitoring	4
SECTION 5.2	Project Evaluation	5
SECTION 5.3	Water User's Associations	7
SECTION 5.4	Small Farmers	7
SECTION 5.5	Federal Level Office of Water Management	7
SECTION 5.6	Program Guides	8

SECTION 5.7	Standards and Specifications	8
SECTION 5.8	Training Manuals	8
SECTION 5.9	Taxes, Tariffs and Other Duties	9
SECTION 5.10	Termination of the OFWM Loan	9
ARTICLE 6:	Procurement Source	9
SECTION 6.1	Foreign Exchange Costs	9
ARTICLE 7:	Disbursement	10
SECTION 7.1	Disbursement for Foreign Exchange Costs	10
SECTION 7.2	Other Forms of Disbursement	10
SECTION 7.3	Rate of Exchange	10
ARTICLE 8:	Miscellaneous	10
SECTION 8.1	Communications	10
SECTION 8.2	Representatives	11
SECTION 8.3	Standard Provisions Annex	12

A. I. D. Project No. 391-0413  
Appropriation No. 72-1191021  
Allotment No. 943-50-391-00-69-91

Project Grant Agreement

Dated: August 30, 1979

Between

The President of the Islamic Republic of Pakistan,  
Acting through the Government of Pakistan (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 understanding of the parties named above (Parties) with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

Section 2.1: Definition of Project. The Project which is further described in Annex 1, consists of a grant to provide technical assistance in support of the On-Farm Water Management (OFWM) Loan Project (A. I. D. Loan No. 391-T-172). 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 Six Hundred Thousand United States (U.S.) Dollars (\$600,000) (Grant). The Grant may be used only to finance foreign exchange costs, as defined in Section 6.1, of services required for the Project. The Financial Plan is set out in Attachment 'A' to Annex 1. Attachment 'B' to Annex 1 provides additional details on inter-relationships between various grant and loan components of this overall OFWM program.

**Section 3.2: Grantee Resources for the Project.**

- (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.
- (b) The resources provided by the Grantee for the Project will be not less than the equivalent of US \$200,000 including costs borne on an "in-kind" basis.

**Section 3.3: Project Assistance Completion Date (PACD)**

- (a) The PACD is December 31, 1980 or such other date as the Parties may agree to in writing. The PACD 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: Disbursement for SCS Advisors.** There are no conditions precedent to the disbursement of funds for on-going technical assistance provided by the SCS advisors.

**Section 4.2: Disbursements for Organization and Management Advisors.** Prior to disbursement under the Grant or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for organization and management of Water User's Associations, 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 work schedule which outlines the Grantee's plan for the establishment and operation of Water Users' Association (WUAs). This work plan will describe: (a) the WUA model the Government intends to implement; (b) proposed legislation or other legal cover necessary for WUAs; (c) other activities including the requirement for technical expertise which will be necessary to establish and operate WUAs in the Project area; and (d) time frame for the accomplishment of these activities.

**Article 5: Special Covenants**

**Section 5.1: Project Monitoring.** The Parties agree to establish a monitoring program which will be applicable to both the Grant and Loan aspects of the OFWM program. Except as the Parties otherwise agree in writing, the program will include, during the implementation

of the Project and at one or more points thereafter:

- (a) monthly and quarterly progress reports submitted by each of the provinces through the Federal Government;
- (b) quarterly and annual meetings at the Federal level to review the status of the project; and
- (c) a bi-annual review of the status of the project in each province.

Section 5. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, the program will include, during the implementation of the Project, joint Government and A. I. D. evaluations conducted regularly and linked to the key decisional requirements of the Project. The next joint Government and AID comprehensive evaluation will be held within 9 months of the signing of this Agreement. The exact timing will be determined no later than July, 1979. The evaluation will:

- identify changes in Project environment and revalidate continuing relevance, value and priority of the Project;
- examine continuing validity of Project targets and assumptions, and the degree to which targeted Project beneficiaries are reached;

- measure actual versus planned progress at output and purpose level; including:
  - (a) status of water users (irrigation) associations and their capability to distribute water and maintain watercourses,
  - (b) adequacy of tested/proven standards and specifications, program guides and training manuals,
  - (c) adequacy of technical and administrative staff trained,
  - (d) adequacy and extent of adoption of research results provided through the associated dollar and rupee grants,
  - (e) the expansion and availability of water and water management services.
- discernable progress, if any, at the impact level such as increase in income, production and productivity of the target beneficiaries;
- identification and assessment of Project problem areas and constraints, and recommendations for improvement;
- assessment of Project technical assistance requirements and recommendation for numbers and background of technical advisors required for the Project; and,
- recommendations concerning follow-on funding.

Section 5.3: Water Users' Associations. The Grantee will arrange for the enactment of suitable legislation to provide for the establishment of WUAs by December 31, 1979. The Government will also provide the necessary organization and management assistance, financial assistance, training and support to enable WUAs to assume the responsibilities of repair and maintenance of improved watercourses.

Section 5.4: Small Farmers. The Grantee will cause all of the activities to be conducted under this Project to be directed to the small and medium size farmers. The Grantee in connection with the OFWM Project has defined such farmers as those having up to 25 acres of land in the Punjab and NWFP and upto 32 acres of land in Sind. Within this group A. I. D. has established a Target Group who should be the primary beneficiaries of Project activities. In the Punjab and NWFP this Target Group is defined as farmers with operational holdings of 12.5 acres of land or less. In Sind the Target Group farmer will have operational holdings of 16 acres or less.

Section 5.5: Federal Level Office of Water Management. The Grantee will appoint to the Federal Office of Water Management a full-time project director. The Grantee also will by September 30, 1979 assign all authorized staff and provide support, such as office space and equipment, so that it can regularly coordinate Project activities. The Grantee in cooperation with the Provincial Governments

will formulate a plan which would provide for a permanent Water Management Office at the Provincial level.

Section 5.6: Program Guides. The Grantee will finalize a national Program Guide within six months of the execution of this Agreement. The Program Guide will provide guidance to the Provinces in the implementation of the Project. It will cover the administrative, technical and related requirements of the Project and will include appropriate Implementation Letters issued by A.I.D.

Section 5.7: Standards and Specifications. The Grantee will finalize a set of national standards and specifications for watercourse improvement and precision land leveling, taking into consideration the ones currently being used and the special conditions which exist in each province. The Grantee will submit the standards and specifications to A.I.D. within three months, which will be finalized within six months of signing of the Agreement.

Section 5.8: Training Manual. The Grantee will update the National Training Manual currently in use and incorporate appropriate material on: (a) watercourse improvement; (b) the organization of associations; and (c) other relevant subject matter concerning the respective provinces. The Grantee agrees to complete the initial update within six months from the execution of this Agreement and then update from time to time as needed with a major review and revision at least once a year.

Section 5.9: Taxes, Tariffs or Other Duties. The Grantee will exempt any contractor, including any consulting firm, and any personnel (and such personnel's personal effects and household goods) of such contractor from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in Pakistan in accordance with the Treaty for Technical Cooperation and Economic Assistance between the United States of America and Pakistan.

Section 5.10: Termination of the OFWM Loan. If the OFWM Loan Project is terminated the Parties agree to terminate this grant companion Project. Also if at some time in the future the OFWM is redesigned the Parties agree to combine both the Grant and Loan Project into one 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 AID 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. Upon execution of this Agreement in the case of activities described in Section 4.1 and satisfaction of conditions precedent in the case of activities described in Section 4.2, the Grantee may obtain disbursements of funds under the Grant for foreign exchange costs of goods and services in accordance with the terms of this Agreement by approval of Project Implementation Orders (PIOs) or other documentation to be issued by the Government of Pakistan.

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. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Pakistan 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 Pakistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Pakistan.

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: Economic Affairs Division  
Government of Pakistan  
Islamabad

Alternate address for cables:

To A. I. D.:

Mail Address: USAID/Islamabad

Alternate address for cables: USAIDPAK ISLAMABAD

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 the Joint Secretary for Agriculture and the Deputy Secretary for EAD. A. I. D. will be represented by the individual holding or acting in the office of the Director, USAID.



Annex 1

PROJECT DESCRIPTION

This Grant Project is a component of the On-Farm Water Management Program which includes an A. I. D. Loan (391-T-172) and other projects set out in Attachment B to Annex 1. The Grant is a part of the five year pilot effort to establish the capability within agencies of the Grantee, private contractors and farmers' groups in planning and carrying out activities necessary for efficient On-Farm Water Management. Within the five years it planned that 1,500 viable WUAs will be established which will improve their watercourses and that 425,000 acres of land will be precisely leveled. Extension services will be improved in the Project areas to insure that improved crop and water management techniques are adopted by the Target Group of farmers. Project activities are currently underway in all four provinces. The Project provides the direct advisory services to the Grantee and its provinces in connection with primarily the technical aspects of the On-Farm Water Management Project. A major technical assistance (TA) component is the services being provided by the United States Department of Agriculture's Soil Conservation

Service (SCS) Team. This TA will include agronomists, engineers in the Provinces and a team leader located in Islamabad.

The team leader's duties are to provide assistance and guidance to the Government of Pakistan (GOP) and Provincial officials in developing project plans and implementation procedures obtaining farmer cost-sharing in precision land levelling (PLL) and preparation of standards and guidelines for watercourse improvement, PLL, improved water management and agronomic techniques and to inform these officials of progress in project implementation and problems where remedial action is required. Additionally, he will supervise and guide technical assistance personnel and coordinate their activities with provincial officials. The technical assistance agronomist and engineering advisors will assist and advise the GOP and Provincial officials in planning, design, and construction of watercourses, irrigation water management, crop production and tillage practices on irrigated lands, operation and maintenance of land levelling equipment and monitoring field progress and will assist in project activities in Baluchistan as requested. In addition, consultants are planned for organization and management of WUAs. These advisors will be provided, subject to the condition precedent of Section 4.2, for short-term or for long-term assistance.

If for long-term, the advisors will be subject to personnel ceiling levels to be decided for this Project. Their scope of work will include: (a) assistance to the Government in developing the procedures for organization of WUAs and the development of appropriate management systems for WUA and (b) assistance to the Government in developing a WUA training curriculum and training courses for OFWM officials and for local WUA officials.

The dollar grant assistance planned for this Project will be used to finance SCS technical services and other technical assistance. A detailed description and estimated cost of these project components is enclosed as Attachment 'A'.

Attachment A to Annex 1

**Table 1: Financial Plan - Summary Cost Estimates (1975-1979) - (000)**

	AID 1973-1978 Grant (\$)	AID 1979 Grant (\$)	Borrower/Grantee Host Country Contribution * Rs.
Technical Assistance:	1,679	600	-
Commodities & Equipment	69.7	-	-
Other (GOP)	-	-	21,700
<b>Total:</b>	<b>1,748.7</b>	<b>600</b>	<b>21,700</b>

\*Contribution estimated in OFWM PP 391-T-0413.

Other Funding Support

This Dollar Grant Project is a companion to the OFWM Loan Project which provides \$ 7.5 million financing for the improvement of watercourses and precision land leveling. In addition to this Dollar Grant for inter alia technical services of the SCS advisors, USAID has previously provided approximately \$ 1, 750, 000 for advisors and commodities.

AID is also providing grant dollar assistance for water management research conducted by Colorado State University (CSU) scientists. Under existing and previous research contracts with CSU, AID has provided \$ 5, 750, 000 for research for Pakistan and other worldwide applications. Additional grant funding is planned in 1979, subject to the availability of funds, in the amount of \$ 850, 000 for phasing out this research by the end of March 30, 1980.

In addition to loan and grant dollar assistance AID is also financing with U.S. owned rupees, additional projects for water management research and training, evaluation and monitoring, and strengthening related OFWM project activities. The Rupee Grant Projects are companion projects in support of the related dollar OFWM Projects. Approximately Rs. 56 million in Rupee Grant Projects have been approved or are planned as follows:

Project

	<u>Obligation</u> (Rs. 000)	<u>Expiry Date</u> Status
Previous seven projects	13,189	Terminated
391-0390 (73-4) (CSU) Water Management Research and Water Management Advisory Training (Punjab/CSU/SCS)	1,000	12-31-1979
204-77-3(77-3) Water Users' Association (ARC/CSU)	512	06-09-1979
Water Users' Association (ARC/CSU)	1,468 **	Proposed
Water Management Research (WAPDA/CSU)	12,505 **	Proposed
Water Management Research (Faisalabad Univ. /CSU)	9,000 **	Proposed
Strengthening of Water Management Project Activities *(Federal/WAPDA SCS/CSU)	<u>18,360 **</u>	Proposed
<b>Total:</b>	<b>56,034</b>	

---

\*Includes the Evaluation and Monitoring Program for OFWM at Rs. 11 million to be conducted by WAPDA under the auspices of the Federal Ministry of Agriculture.

\*\*Subject to availability of funds.

Project Grant Standard  
Provisions Annex

**Definition:** 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 Pakistan.

(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 Pakistan, the Grantee will pay or reimburse the same with funds other than those provided under the Grant.

(c) Details of arrangements implementing subsection (b) may be more specifically provided in the Agreement to which this Annex is attached or in Project Implementation Letters.

**SECTION B. 5. Reports, Records, Inspections, Audit,**  
The Grantee will:

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

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

Project toward completion; and

(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; and

(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 Pakistan.

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 Pakistan 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, 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 to 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 Pakistan 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 Pakistan 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 Pakistan 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 Pakistan financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

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

**SECTION C. 8. U.S. Government-Owned Excess Property.**

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

**ARTICLE D****Termination; Remedies.**

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

**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.