

UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

PAKISTAN: CONSULTING SERVICES

AID-DLC/P-840

UNCLASSIFIED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

UNCLASSIFIED

AID-DLC/P-840  
June 12, 1969

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Pakistan: Consulting Services

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$3,000,000 to the President of Pakistan to finance the foreign exchange costs of feasibility, sectoral and other studies, and consulting services required in implementation of Pakistan's development program.

Please advise us as early as possible but in no event later than close of business on Thursday, June 19, 1969, if you have a basic policy issue arising out of this proposal.

Rachel C. Rogers  
Assistant Secretary  
Development Loan Committee

Attachments:

Summary and Recommendations  
Project Analysis  
ANNEXES I-III

UNCLASSIFIED

PAKISTAN: CONSULTING SERVICES

<u>Table of Contents</u>	<u>Page</u>
I. SUMMARY AND RECOMMENDATIONS	1
II. PAKISTAN'S NEED FOR CONSULTING SERVICES AND A.I.D. ASSISTANCE	4
III. IMPLEMENTATION OF A.I.D. LOAN NO. 391-H-058 TO THE GOP FOR CONSULTING SERVICES	6
IV. PURPOSE AND USE OF THE LOAN	10
V. IMPLEMENTATION OF THE LOAN	13
VI. REPAYMENT PROSPECTS	16
VII. CONCLUSIONS AND RECOMMENDATIONS	17
ANNEX I -- STATUTORY CRITERIA	18
ANNEX II - DRAFT CAPITAL ASSISTANCE LOAN AUTHORIZATION	
ANNEX III - DRAFT LOAN AGREEMENT	

PAKISTAN - CONSULTING SERVICES

I. SUMMARY AND RECOMMENDATIONS

1. APPLICANT

The Government of Pakistan (GOP). The Economic Affairs Division (EAD) of the GOP will handle the loan for the GOP, but the implementing entities will be the various government departments and firms to whom consulting services are provided financed from the loan.

2. AMOUNT OF LOAN

\$3,000,000

3. PURPOSE OF LOAN

To finance the foreign exchange costs of hiring U.S. consulting firms, organizations, and/or individual experts and small quantities of special equipment to provide assistance and advice to agencies of the GOP and/or to private Pakistani firms. Such assistance will be for various types of consultant advice, sectoral and industrial studies, feasibility studies, market surveys, and be in the areas of water and power, transportation, industry, agriculture, etc.

As a condition of the loan, AID will approve each individual study in accordance with standard guidelines before funds are disbursed, thus retaining control of use of the loan.

4. DESCRIPTION OF PROJECT

Pakistan is short of expertise in numerous areas. This loan will assist the GOP in providing U.S. expertise to Government agencies and/or private firms as needed.

5. COST OF PROJECT

The loan amount will be \$3,000,000. Rupee costs of the various studies and consulting advice that will be provided will vary dependent on the nature, type, and length of study or services, but might be expected to be about 50 percent of the dollar costs overall. The implementing entities of the consulting services will finance the rupee costs.

6. BACKGROUND OF PROJECT

This loan will be a successor to AID Loan No. 391-H-058 of \$2,000,000 to the GOP, which was authorized and signed in FY 1963. Substantially all of the funds under this loan have been committed and disbursed and final payment from this loan will be made on or before December 31, 1969. Loan 391-H-058 had the same purposes as this new loan, and was successfully implemented. The GOP applied for the new loan in FY 1968.

7. EXPORT IMPORT BANK CLEARANCE

The Export Import Bank indicated on August 12, 1968 that it would not consider a loan for this project.

8. MISSION VIEWS

The Mission drafted this CAP, and recommends approval of the loan with the terms and conditions indicated below.

9. STATUTORY CRITERIA

Statutory criteria has been met. (See Annex I.) Conte-Long considerations are discussed in the Capital Assistance Paper dated 6 May 1969 for the Indus Basin Loan (A.I.D./DLC P-821). The determination concerning applicability of the Conte-Long Amendment referred to therein has not yet been made. Although the current \$71,000,000 commodity Loan (391-H-140) does not contain a withholding provision, we shall assure that a sufficient amount will be held back under that loan so that any necessary Conte-Long deduction for Pakistan can be made from it if the determination is forthcoming before 1 July 1969. If the determination is made after that date and if it requires a deduction, the deduction will be made from FY 1970 assistance to the extent that it is not possible to use the \$71,000,000 commodity loan for this purpose.

10. ISSUES

None.

11. RECOMMENDATIONS

Authorization of a loan in an amount not to exceed \$3,000,000 with the following terms:

- (a) Borrower to repay the loan to AID in U.S. Dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years from the date of such first disbursement.

- (b) Borrower to pay interest to AID in U.S. Dollars of two percent (2%) per annum on the amount of principal outstanding during the grace period. From and after expiration of the grace period, Borrower to pay interest in U.S. Dollars of three percent (3%) per annum on the amount of principal outstanding.
- (c) All goods and services financed from the loan will have their source and origin in the U.S.
- (d) Such other terms and conditions as AID may deem advisable.

DEVELOPMENT LOAN COMMITTEE

	<u>At the Mission</u>	<u>At AID/W</u>
Loan Officer:	H.R. Vermilye	D. H. Mandel
Engineer:	F. Locher	O. L. Folsom
Lawyer:	E.J. Weiss	T. Carter
Desk:	-----	W.R. Brown

DRAFTING OFFICERS:

USAID/Pakistan: RCMalley/KDGreiner  
AID/W: DHMandel

## II. PAKISTAN'S NEED FOR CONSULTING SERVICES AND AID ASSISTANCE

Pakistan has experienced reasonably steady and satisfactory economic growth since independence in 1947, particularly in the period since 1958. Some of this growth must be attributed to the large number of foreign experts in many areas that have assisted GOP agencies and private firms over the years.

As development proceeds, the need for outside expertise does not necessarily decline. Despite substantial growth of indigenous skills in many fields, the demand for such skills may also increase rapidly in other fields as the economy advances and becomes larger and more complex. Pakistan's own professional resources thus remain insufficient to provide the quantity and quality of manpower needed to support growth and modernization in many areas. Such discrepancy between the supply and demand of specialized talent is common to most less developed economies.

Countries assisting Pakistan in economic growth have financed consulting services both separately and as related and significant portions of capital projects. For example, the IHRD is financing general consulting services to the highway departments in both West and East Pakistan, British advice has been provided to the railways, the Swedes have assisted with experts in family planning and technical schools, and funding of power plants by an assortment of donors (West Germany, Czechoslovakia, USSR, U.S., Canada, etc.) includes professional consulting services in power generation.

AID has attached considerable importance to the financing of such services. Grant funds have been used to set up technical schools, provide assistance in statistics and agriculture, etc. Dollar loans for such capital projects as power plants, railways, roads, ports, etc., almost invariably include financing for related expert services. In addition, the following AID dollar development loans have been primarily or completely for consulting services. All of them have been or are being implemented in reasonably satisfactory fashion:

1. Loan H-058, for Consulting Services. Implementation of this loan is discussed in the following section of this CAP. This CAP recommends that another loan of this type be authorized by A.I.D.

2. Loan H-062, of \$4,400,000, for general consultant services to the East Pakistan Water and Power Development Authority (EPWAPDA). The U.S. firm International Engineering Co. (IECO) was financed from this loan.
3. Loan H-068, of \$1,500,000 for assistance to the East Pakistan Department of Public Health Engineering (DPHE). The U.S. firm Camp, Dresser and McKee was financed from this loan, and a new loan H-136, was signed in FY 69 to continue the services of this firm.
4. Loan H-069, of \$5,600,000, for general and special consultant services to the West Pakistan Water and Power Development Authority (WPWAPDA). The U.S. firms Harza Engineering and Tipton and Kalmbach were financed under this loan.
5. Loan H-073, of \$1,500,000 for expert assistance to the Mechanical Equipment Organization (MEO) of EPWAPDA. The U.S. firm Vinnel Corporation was financed from this loan.
6. Loan H-107, of \$6,000,000 to continue the services to WPWAPDA previously financed under Loan H-069.
7. Loan H-124, of \$2,400,000 to continue the general consulting services previously financed under Loan H-062 until the IBRD assumed responsibility for this activity in February 1969. This loan is also being used to finance a power plant training program for EPWAPDA as well as selected special consultants.

Pakistan itself has developed more expertise as development has proceeded. Much has been learned from foreign experts. Consulting firms exist, particularly in the Karachi area. Yet the need for outside expertise continues to be great, especially in light of the more complex, difficult and ambitious growth and investment goals that are expected to characterize the forthcoming Fourth Five Year Plan (1970-75).

III. IMPLEMENTATION OF AID LOAN NO. 391-H-058 TO THE GOP FOR CONSULTING SERVICES

During FY 1963 the GOP submitted an application to AID for a loan of \$2,000,000 to finance the foreign exchange costs of U.S. firms to conduct feasibility studies only. This term is used to describe a detailed professional report containing the analysis of an individual project from the technical, economic, and financial viewpoints, arriving at conclusions as to the overall soundness of the project. The GOP applied for this loan because it felt particularly short of engineers, financial analysts, and economists for analysis of individual projects.

The loan was authorized on February 22, 1963, and the Loan Agreement was signed on March 27, 1963. Implementation Letter No. 1 was issued and a Letter of Commitment for the entire \$2,000,000 was established at The Chase Manhattan Bank, New York, New York, on September 19, 1963; individual letters of credit are opened against this letter of Commitment with AID approval. Several studies financed from the loan got underway soon thereafter, notably three under auspices of the Pakistan Industrial Credit and Investment Corporation (PICIC).

Unfortunately however, the demand for feasibility studies that the GOP and AID expected did not develop, and for some time the loan lagged with much of the funds uncommitted. One reason was lack of experience with this type of loan. Another was the military confrontation of Pakistan with India during 1965 and early 1966, during which time the GOP understandably devoted prime attention to defense matters rather than implementation of foreign loans. Also, the GOP decided to concentrate on on-going projects rather than development of new projects.

Later in 1966, when Pakistan was again able to turn prime attention to economic matters, the GOP and AID reconsidered the status of Loan H-058. It was decided that limiting the loan to feasibility studies only, although it might have made sense in 1963, was no longer desirable because of consulting needs in areas outside the scope of the loan as it existed. Consequently it was decided to broaden the purposes of the loan. On February 1, 1966 a formal amendment to the Loan Agreement was signed and on March 2, 1966 Implementation Letter No. 11 was issued changing the scope of studies permitted under the loan to include the following in addition to feasibility studies:

1. Industrial and sectoral studies which would enable the Government of Pakistan to achieve a greater degree of forward planning, thus making possible more efficient use of investment capital.
2. Market surveys to determine if proposed projects are economical and of sufficiently high priority in the economic development of Pakistan resources.
3. Provide readily available financing for a variety of foreign consulting services recognized by AID to be needed in the design, supervision or inspection of construction, start-up, operation and maintenance of projects.

Subsequent to this amendment, various studies were put forward by the GOP to AID for financing under the loan, and enough were approved so that most of the funds from the loan now are disbursed or committed. Applications for the balance are in preparation or on hand, but these will be handled from any new loan. Studies other than feasibility studies as such have been the nature of the recent approvals.

The funds under Loan H-058 have been used as follows:

1. Feasibility study of a water supply and sewage system for the city of Khulna in East Pakistan, \$90,000. Completed for the East Pakistan Department of Public Health Engineering (DPHE) by the James H. Montgomery Co. The study is satisfactory. Certain work recommended has been carried out by DPHE's own forces. More difficult parts of the work have been set aside for future action.
2. Feasibility study of a newsprint mill for Habib Sugar Mills under auspices of PICIC, \$47,500. Completed by Brown and Root, Inc. The study is satisfactory, and indicated that the project is not feasible at this time.
3. Feasibility study of a hardboard project for Crescent Sugar Mills under auspices of PICIC, \$28,600. Completed by Eastern Engineering Co. The study is satisfactory, and Crescent Sugar Mills hopes to undertake construction of the project.
4. Feasibility study of a paper plant for Hyesons Sugar Mills under auspices of PICIC \$47,500. Completed by Brown and Root, Inc. The study is satisfactory and indicated raw material problems. The company is investigating possible raw material sources for the project.

5. Feasibility studies of irrigation projects near the Karnafuli River, \$226,030. These studies were performed for EPWAPDA by Justin-Courtney-Hohlweg-Watts. Reports were recently received and confirm the technical and economic feasibility of the projects. The IERD has project financing under consideration.
6. Feasibility studies of small electric pump irrigation units in East Pakistan, \$99,830, being performed for EPWAPDA also by Justin-Courtney-Hohlweg-Watts. Reports were recently received and confirm the feasibility of the project. The IERD has project financing under consideration.
7. Feasibility study of an irrigation project southwest of Dacca, \$183,228. Being performed for EPWAPDA by Engineering Consultants, Inc. Reports confirming the general feasibility of the project have been received. Pending the outcome of additional work by the consultant being financed by EPWAPDA, the IERD will finance this project.
8. General study of the possibilities of mining salt by solution water methods rather than in rock form, \$150,000. Being performed for the West Pakistan Industrial Development Corporation (WPIDC) by Brown and Root, Inc. It is anticipated that the report will be ready for submission by beginning of 1970.
9. Feasibility studies of development of five inland water ports in East Pakistan (Barisal, Chandpur, Narayanganj, Dacca and Khulna), \$210,000. Reports were submitted by Frederic R. Harris, Inc. to the East Pakistan Inland Waterways Transport Authority. AID is presently awaiting an assessment of these reports by the U. S. Department of Transportation.
10. Preliminary energy survey, \$30,000, performed for the Planning Commission by Zinder International. This study completed in November 1968, recommends that a major energy study of Pakistan be undertaken. The recommendation is presently being considered by the GOP and could result in an application for financing under the proposed loan.

11. Consulting services to modernize accounting and statistical practices on the Pakistan Western Railway (PWR), \$131,000, being performed by Booz, Allen and Hamilton. This is a continuation of work financed under AID Loan H-085 to the PWR. The work is going well.

The above 11 contracts are either completed or well underway under letters of credit. The range of studies completed or underway under Loan H-058, and the number of agencies involved, is wide, as indicated above. Results of the studies have been favorable overall. Of the eleven activities three have produced concrete results (Nos. 1, 7 and 11), and three more may produce results (Nos. 3, 5 and 6). Two studies (Nos. 2 and 4) produced benefits in the sense that <sup>one</sup> by finding the project not feasible and the other by uncovering a serious problem prevented a waste of scarce resources. One study (No. 8) is still underway and two studies (Nos. 9 and 10) are under review. On the basis of this record AID considers the loan can be a success.

#### IV. PURPOSE AND USE OF THE LOAN

The GOP applied for a new loan of \$3,000,000 for consulting services to succeed Loan H-058 in February 1968. Discussions have been held between GOP officials and AID Mission staff since that time. Agreement has been reached that the new loan will have the same broad scope as the existing loan, and that the loan will be appropriately publicized among GOP agencies and private firms to insure that the \$3,000,000 is effectively committed within a reasonable period of time not to exceed two years.

There are a number of activities, applications for which are in various stages of preparation or completion, which could conceivably be financed from the loan. Some are listed below:

1. Mongla-Ghasiakhali Link Canal:

An application for this project was received from IWTA in late fiscal 1968, but insufficient funds in that year prevented authorization. Since then it has been decided, as a result of careful review to finance the required dredge from a commodity loan, 391-H-131, and the consulting services from this loan. Amount: \$150,000. The Mission has signed a special agreement with the GOP which applies to the activity many of the same controls and implementation procedures which would be applied to a project loan.

2. Training of Siddhirganj (EPWAPDA):

The power plant at Siddhirganj (near Dacca) was financed from Loan 391-H-082. Additional training will be needed after the plant goes into commercial operations if the investment is to be protected and the potential benefits realized. Amount: \$400,000.

3. Accounting Modernization (PWR):

Under an existing contract, Booz, Allen, Hamilton (BAH) have been working with the PWR to modernize the railroad's accounting system. The new system is being designed so that it can be readily transferred onto electronic data processing machinery. It is anticipated that the accounting system can be "modernized" (but not "mechanized") by June 30, 1970. At present BAH is being financed from Loan 391-H-058 and 391-H-085, but funds will be exhausted by September 30, 1969. The proposed loan could be used to carry the consultants for the nine months ending June 30, 1970. Amount: \$72,000.

4. Coastal Embankment Consulting Services (EPWAPDA)

The construction of the coastal embankment scheme in East Pakistan is being financed under Loan 391-H-059. Although procurement will be completed by December 31, 1969 consulting services will be required through June 30, 1971. It is anticipated that funds for this final 18 months of services would come from this proposed loan. Amount: \$700,000.

It is relatively certain that the above activities, totalling more than \$1.3 million would be financed from the proposed loan, shortly after authorization. In addition, there are other activities that might be developed over the next year or so if funds from the proposed loan were available. The list of possibilities includes:

1. Potash Survey - As a result of a mineral survey conducted by the USGS over the past few years, there are indications that West Pakistan has sizable potash deposits. The GOP is presently considering the advisability of a survey to determine the magnitude of the deposit and the technical and economic feasibility of developing it. Amount \$250,000.
2. Energy Survey - The preliminary study financed under loan 391-H-058 recommended a more complete survey. This study and its recommendation are presently being considered by a high level Energy Commission and the Planning Commission. Amount: up to \$ ,000,000.
3. Chittagong Port Rate Study - It has become apparent as a result of AID's review of this port in connection with Loan 391-H-094 that the Port's accounting system and rate structure should be reviewed and perhaps modernized and/or overhauled. Discussions between the Mission and the Port will begin shortly. Amount: \$250,000.
4. Special Studies - EPWAPDA - It is conceivable that the need for special studies may become apparent as the new IBRD financed general consultants to EPWAPDA develop their program. Amount: Unknown at present.
5. Pakistan Western Railway (PWR) - The railway has indicated that it would like advisory assistance in developing an "in-house" capability for the rehabilitation of diesel locomotive crankshafts and engine blocks which are now returned to the U.S. Amount: \$50,000.

The above list is not all-inclusive, but is meant to be illustrative. The amounts, where given, are highly tentative, and subject to refinement if and when the application is developed. The Mission is confident however that \$3,000,000 could easily be committed during the two years subsequent to signing and therefore recommends a loan of this amount.

The nature of this kind of loan is of course such that the need for studies or consultant assistance develops as discussions are held, problems identified, and assessments of indigenous capabilities are made. A continuous availability of this type of financing is desirable. The studies and services should benefit Pakistan's economy substantially. However, just as under the prior loan, AID will not be committed in any way to financing projects that might result from studies made under the loan; the GOP understands this. The loan has the further advantage of providing the Mission with means of financing particular activities and projects that it feels of particular importance to the development effort.

## V. IMPLEMENTATION OF THE LOAN

Assuming the new loan is authorized in late June 1969, execution of the Loan Agreement in August or September 1969 seems reasonable, since no unusual conditions precedent to disbursement of funds will be attached to the loan, the standard conditions should be satisfied in short order, say in September or October 1969, and Letters of Commitment can be opened immediately thereafter.

Loan H-058 does not provide for the financing of equipment considered ancillary to the consulting services being financed. In the new loan, however, such equipment will be eligible for financing upon the specific approval of A.I.D. The equipment must of course be necessary to effective performance of the services, and be a relatively minor portion of the total cost. For example, if a special calculating machine is necessary to effective work of the consultants, and not available in Pakistan, then it can be financed under the loan from the U.S. if A.I.D. approves. The requirement of A.I.D. approval assumes that the major purpose of the loan for consulting services will be retained.

Each of the studies financed under this loan will be developed and administered in accordance with the A.I.D. Capital Projects Guidelines as they relate the Borrower Procurement of Engineering and Other Professional Services of the United States Source and Origin. (M.O. 1441.1 dated January 1969). The respective responsibilities and authority of the Mission and AID/W will be determined on a case by case basis.

In line with the Agency policy of decentralization, maximum responsibility and authority should be vested in the Mission. It is recognized, however, that a given study may be involved with an area or subject beyond the purview of then existing Mission staffing and that AID/W, either as a result of (1) access to expertise in other agencies or even outside the government, or (2) in-house capability, may well be in a position to more clearly delineate the proposed scope of work and evaluate the consultant's progress.

It is anticipated that specific studies will be developed as follows:

1. Informal discussions between the Mission and a party for whom the study would be performed would reveal the possible need for a study or consultant services financed by this loan. The party could be an agency of either the central government or a provincial government or a private firm.
2. If, as a result of these discussions, the Mission feels such a project would be eligible and appropriate for financing it

would work with the party to develop an application for submission through EAD. This proposal would include a notice for publication in the Commerce Business Daily as well as a proposed scope of work.

3. In studying the application the Mission would consider the following points:
  - (a) The need, desirability, and extent of AID/W participation in the further preparation and subsequent administration of the study. Specifically, the Mission would focus on the need for assistance in writing the scope of work to be included in the contract. If possible, the Mission would draft a scope of work at this point, for submission to AID/W, otherwise assistance would be requested from AID/W.
  - (b) The need or desirability of prequalifying consulting firms.
  - (c) Special contract provisions including the provisions for any interim reports or review sessions.
4. The Mission would submit its evaluation of the application, including the above points and an estimate of the cost to AID/W, with a recommendation to proceed. (The Mission's decision not to proceed with a given study would be conveyed to EAD without prior reference to AID/W).
5. At this point, AID/W would review the borrower's application and the Mission's recommendation and scope of work (if provided) and take the following action:
  - (a) Concur in the Mission's recommendations (which may include participation in the preparation of the scope of work) and publish the CBD notice; or
  - (b) Question and perhaps modify the Mission's recommendations as a result of discussions with the Mission.

It would be at this point that AID/W would indicate any further action which it planned to take. Consistent with existing delegation of authority, the Mission will have action responsibility and authority to the extent AID/W participation is not requested at this point.

6. The Mission would inform EAD of AID's agreement in principle upon notification from AID/W and the CBD notice would be published.
7. After responses to the CBD notice are received, firms would be prequalified or requests for technical proposal would be prepared and released, with AID approval.
8. The Borrower would select a firm, negotiate a contract and submit it to A.I.D. for review and approval. The A.I.D. contract review will pay particular attention to the scope of work and fee.
9. A separate L/Comm will be opened for each approved contract.
10. In accordance with the contract, A.I.D. would review the final draft of the study and final payment would require A.I.D. approval.

## VI. REPAYMENT PROSPECTS

An assessment of Pakistan's external debt position and prospects leads A.I.D. to share the view of other observers including the IBRD, that Pakistan can support additional debt as long as the blend of terms continues to be sufficiently soft. Pakistan's external public debt amounted to less than \$200 million at the end of the First Plan. By June 1968, Pakistan had received long and medium term loan aid commitments or contracted for loan aid totalling \$3.2 billion requiring service in foreign exchange. Of the total commitments, only \$2.1 billion had actually been disbursed by that time and was subject to debt service calling for approximately \$150 million in foreign exchange in FY 1969, of which \$25 million is for privately placed debt and the balance of \$125 million is for publicly placed debt. This service is equivalent to about 16-17 percent of projected foreign exchange earnings this year. During FY 1969, Pakistan expects to complete commitments of approximately \$500 million of additional foreign exchange credits excluding dollar repayable fractions under PL-480, and expects disbursements of about \$150 million. If Pakistan's additional requirements for foreign capital are met on the existing average terms (after adjustment for recent changes in the rates of interest and terms of payment from some sources), its debt service on long and medium term debt will probably average over \$200 million a year for the Fourth Five Year Plan. However, if foreign exchange earnings continue to rise by 8-10 percent a year, the foreseeable debt service should remain within the range of 16-20 percent of earnings for the Fourth Plan period.

It is seeking aid from donors to keep blend of terms reasonable, and to reduce the proportion of hard term credits. Even if every effort is made to sustain the good export performance, there remain uncertainties outside Pakistan's control, such as the future of jute, on which its foreign exchange earnings are heavily dependent. It would, therefore, not be prudent to propose any significant hardening of terms at present. Although Pakistan can continue to accept some debt on conventional terms, its ability to do so depends on a degree of continuity in such relations and on the availability of the bulk of its requirements on soft terms. If these considerations are observed, Pakistan should be able to service the debt foreseen.

VII. CONCLUSIONS AND RECOMMENDATIONS

We conclude that:

1. Pakistan has substantial need for foreign consulting services.
2. A.I.D. Loan 058 for consulting services has been or will be beneficial to Pakistan's economy.
3. It is desirable to make another loan for purposes similar to Loan 058. Potential demand for the funds exists among a wide group of entities.
4. The loan will be effectively implemented.
5. The GOP has the ability to repay the loan.
6. All statutory criteria have been met.

Therefore, A.I.D. recommends authorization of a loan for this project to the Government of Pakistan in the amount not to exceed \$3,000,000 with the following terms.

1. Borrower to repay the loan to A.I.D. in U.S. dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years from the date of such first disbursement.
2. Borrower to pay interest to A.I.D. in U.S. dollars of two percent (2%) per annum on the amount of principal outstanding during the grace period. From and after expiration of the grace period, Borrower to pay interest in U.S. dollars of three percent (3%) per annum on the amount of principal outstanding.
3. All goods and services financed from the loan will have their source and origin in the U.S.
4. Such other terms and conditions as A.I.D. may deem advisable.

June 12, 1969

ANNEX ICHECKLIST OF STATUTORY CRITERIAI. COUNTRY PERFORMANCEA. Progress Towards Country Goals

1. FAA Sec. 201 (b) (5), 201 (b) (7), 201 (b) (8), 208.  
Discuss the extent to which the country is:

(a) Making appropriate efforts to increase food production and improve means for food storage and distribution. - Pakistan's increase in foodgrain production has been dramatic and appropriate efforts are being made in food storage and distribution.

(b) Creating a favorable climate for foreign and domestic private enterprise and investment. - Pakistan's leaders have recognized that domestic and foreign private investment is essential to Pakistani economic development, and efforts supporting private investment continue.

(c) Increasing the people's role in the developmental process. - Pakistan has applied great emphasis in its Basic Democracies Program and agricultural improvement program in bringing the people into its development process.

(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs. - Pakistan's development programs embodied in its Third Five Year Plan stress key development areas, and governmental expenditures are used for development and not diverted to unnecessary military purposes or foreign intervention.

(e) Willing to contribute funds to the project or program. - Pakistan is providing the local currency resources required for this project.

(f) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangement; and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise. - Under the new Martial Law Administration, Pakistan's adhering to the maintenance of the Rule of Law, individual freedom and relative freedom of expression and of the press is recognized. Private initiative and enterprise are regarded as having an important place

in Pakistan's economic development drive. Measures have recently been taken which it is expected will permit even greater opportunity for the exercise of initiative and private enterprise.

(g) Responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures. The emphasis Pakistan has placed on development is noteworthy and the country has demonstrated an unusual determination to carry through self-help measures.

B. Relations with the United States

1. FAA Sec. 620 (c). Is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's, or a predecessor's unconditional guarantee? - Pakistan is not ineligible under this section.

2. FAA Sec. 620 (d). If the loan is intended for construction or operation of any productive enterprise that will compete with U.S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U.S. of more than 20 percent of its enterprise's annual production during the life of the loan? - The project will not compete with U.S. enterprises.

3. FAA Sec. 620 (e) (1). Has the government or any government agency or subdivision within the country (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50 percent beneficially owned by U.S. citizens, (b) taken steps to repudiate or nullify existing contracts or agreements with such citizen or entity, or (c) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, has it failed within a reasonable time to take appropriate steps to discharge its obligations under international law toward such citizen or entity? - Pakistan is not ineligible under this section.

4. FAA Sec. 620 (j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction? - Pakistan is not in violation of this section.

5. FAA Sec. 620 (l). Has the government instituted an investment guaranty program under FAA Sec. 221 (b) (1) for the specific risks of inconvertibility and expropriation or confiscation? - Pakistan has instituted an investment guaranty program covering these specific risks.

6. FAA Sec. 620 (o). Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters? - Pakistan has not seized or imposed any penalty or sanction against a U.S. fishing vessel on account of its fishing activities in international waters.

7. FAA Sec. 620 (q). Has the country been in default, during a period in excess of six months, in payment to the U.S. on any FAA loan? Pakistan is not in default in payment of principal or interest on any loan made under the FAA.

8. FAA Sec. 620 (t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed? - Pakistan has not severed diplomatic relations with the United States.

9. App Sec. 106. Describe any attempt made by the country to create distinction because of race or religion in granting personal or commercial access or other rights otherwise available to U.S. citizens generally. - Pakistan has not attempted to create such discrimination.

C. Relations with Other Nations and the U.N.

1. FAA Sec. 620 (i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance? - Pakistan is not ineligible under this section.

2. FAA Sec. 620 (a), 620 (n); App. Sec. 107 (a), 107 (b), 116. Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Viet Nam items of economic, military, or other assistance? - Pakistan is not in violation of these sections.

3. FAA Sec. 620 (u); App. Sec. 114. What is the status of the country's U.N. dues, assessments, or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues, or arrearages? - Pakistan is not delinquent in any obligations to the United Nations.

D. Military Situation

1. FAA Sec. 620 (i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance? - Pakistan is not ineligible under this section.

2. FAA Sec. 620 (s). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment? Is the country diverting U.S. development assistance or P.L. 480 sales to military expenditures? Is the country diverting its own resources to unnecessary military expenditures? (Findings on these questions are to be made for each country at least once each fiscal year, and, in addition, as often as may be required by a material change in relevant circumstances.) - State/A.I.D. in consultation with the inter-agency advisory committee concerned with the implementation of Section 620 (s) (the Symington Amendment) of the Foreign Assistance Act of 1961, as amended, has determined (a) that Pakistan resources are not being diverted to military expenditures to a degree which materially interferes with its development, and (b) that neither U.S. development assistance nor P.L. 480 sales are diverted by Pakistan to military purposes.

3. FAA Sec. 620 (v). Since January 1, 1968 has the country purchased "sophisticated weapons systems," disbursements for which are required during the current A.I.D. fiscal year? If so, has the withholding of an equivalent amount of A.I.D. assistance been adequately provided for? - We have no confirmed information that Pakistan has not made such purchases since the effective date of the provision. See Section I, 9 of the CAP.

## II. CONDITION OF THE LOAN

### A. General Soundness

#### a. Interest and Repayment

1. FAA Sec. 201 (d), 201 (b) (2). Is the rate of interest excessive or unreasonable for the borrower? What capacity does the borrower have to repay the loan at a reasonable rate of interest? Is the rate of interest less than 2 percent per annum following the grace period? Is the rate of interest higher than the country's applicable legal rate of interest? - The funds will be lent in compliance with the laws of the United States and of Pakistan, and the lending terms are considered reasonable. The rate of interest is less than Pakistan's discount rate. See section on Repayment Prospects.

#### b. Financing

1. FAA Sec. 201 (b) (1). To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.? - Other financing for this loan is not available.

c. Economic and Technical Soundness

1. FAA Sec. 201 (b) (2), 201 (e). The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner? - The Project is considered economically and technically sound in part because of the successful utilization of a previous loan of this type. An application has been received. Sufficient information and assurances have been received and adequate controls will be incorporated in the loan agreement to indicate that the funds will be used in an economically and technically sound manner. Considered in Section V.

2. FAA Sec. 611 (a) (1). If substantive technical or financial planning is required, have engineering, financial, and other plans necessary to carry out assistance, and a reasonably firm estimate of the cost of assistance to the U.S., been completed? - To the extent applicable, this requirement is considered in Sections III and IV.

3. FAA Sec. 611 (b); App. Sec. 101. Have plans for a water or related land-resource construction project or program included a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility? - Not applicable to this loan.

4. FAA Sec. 611 (c). If this is a Capital Assistance Project with U.S. financing in excess of \$1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project? The required Certification has been prepared.

B. Relation to Achievement of Country and Regional Goals

a. Country Goals

1. FAA Sec. 207, 281 (a). Describe this loan's relation to:

(a) Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development. - It is possible that the loan will finance studies or services which will strengthen or develop institutions.

(b) Enabling the country to meet its food needs, both from its own resources and through development,

with U.S. help, of infrastructure to support increased agricultural productivity. - Studies or services may be financed which would contribute to attainment of agricultural self-sufficiency.

(c) Meeting increasing need for trained manpower. - It is expected Pakistani firms will participate with U.S. firms in the studies undertaken with resulting increase in their capacity and experience.

(d) Developing programs to meet public health needs. - Studies or services may be financed in this field.

(e) Assisting other important economic, political, and social development activities, including industrial development; growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communications systems; capabilities for planning and public administration; urban development; and modernization of existing laws. - This loan may finance studies or services designed to bring about development changes in some of the listed areas.

2. FAA Sec. 201 (b) (h). Describe the activity's consistency with and relationship to other development activities. - The making of feasibility studies and provision of expert assistance is generally regarded as essential to proper project development and implementation. By providing financing for such studies and services, this loan should contribute to the success of development projects required for Pakistan's economic growth.

3. FAA Sec. 201 (b) (9). How will the activity to be financed contribute to the achievement of self-sustaining growth? - The premise of this loan reflected throughout the paper is that it will contribute to the achievement of self-sustaining growth.

4. FAA Sec. 201 (f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development. - See Section II.

5. FAA Sec. 201 (b) (3). In what ways does the activity give reasonable promise of contributing to development of economic resources, or to increase of productive capacities? - Considered throughout the loan paper.

6. FAA Sec. 281 (b). How does the program under which assistance is provided recognize the particular needs, desires and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes? - Considered in Section II of the Loan Paper.

7. FAA Sec. 601 (a). How will this loan encourage the country's efforts to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions? - (a) All goods and services will be from the U.S.; (b), (c), (d), (e) funds from this loan will be available to private firms and other organizations for studies and services which may contribute to Pakistan's efforts in these areas; (f) no direct effect.

8. FAA Sec. 202 (a). Indicate the amount of money under the loan which is: going directly to private enterprise; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from private sources. - All purchase of goods and services will be made from private U.S. firms through normal commercial channels.

9. FAA Sec. 611 (a) (2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan? - No legislative action required for this loan.

a. Regional Goals

1. FAA Sec. 619. If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multi-lateral organizations or plans? - Not applicable.

2. FAA Sec. 209. If this loan is directed at a problem or an opportunity that is regional in nature, how does assistance under this loan encourage a regional development program? - The U.S. is collaborating with IBRD-IDA and other free world countries to provide foreign exchange assistance to aid Pakistan in its economic development.

C. Relation to U. S. Economy

a. Employment, Balance of Payments, Private Enterprise

1. FAA Sec. 201 (b) (6); 102, Fifth. What are the possible effects of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position. --Commodities and services will be purchased directly from U. S. firms, thus benefitting the U.S. economy. No particular benefit to areas of labor surplus is anticipated.
2. FAA Sec. 612 (b), 636 (h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign-owned currencies are utilized in lieu of dollars? - The local currency portion of all studies and services will be met by the Government of Pakistan. The Loan Agreement will require assurance of adequate local currency financing.
3. FAA Sec. 601 (d); App. Sec. 115. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the **contractors** be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained? - Professional services of U.S. firms will be financed under this loan. The loan will not be used to finance construction.
4. FAA Sec. 608 (a). Provide information on measures to be taken to utilize U. S. government excess personal property in lieu of the procurement of new items.- The Loan Agreement will contain a provision covering this requirement.
5. FAA Sec. 602. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan? - The **services** and equipment financed under this loan will be advertised for in the Office of Small Business Bulletin.

6. FAA Sec. 621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs? - Studies and services will be provided by U. S. firms. It is not expected that the facilities of Federal Agencies will be used.

7. FAA Sec. 611(c). If this loan involves a contract for construction that obligates in excess of \$100,000, will it be on a competitive basis to the maximum extent practicable? -- Not applicable.

b. Procurement

1. FAA Sec. 602 (a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President? -- Yes.

2. FAA Sec. 604 (b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase? -- The loan agreement will contain a provision covering this requirement.

3. FAA Sec. 604 (c). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity? -- No.

D. Specific Requirements

1. FAA Sec. 201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year? - Yes.

2. App. Sec. 112. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms? -- Yes.

3. FAA Sec. 620 (k). If the loan is for construction of a productive enterprise, with respect to which the aggregate value of assistance to be furnished will exceed \$100 million, what preparation has been made to obtain the express approval of the Congress? -- Not applicable to this loan.

4. FAA Sec. 620 (b), 620 (f); App. Sec. 109 (b). Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including, but not limited to, the countries listed in FAA Sec. 620 (f) ) and the loan is intended for economic assistance, have the findings required by FAA Sec. 620 (f) and App. Sec. 109 (b) been made and reported to the Congress? -- Pakistan is not controlled by the International Communist Movement.
5. App. Sec. 109 (a). Will any military assistance, or items of military or strategic significance, be furnished to a Communist nation? -- No.
6. FAA Sec. 620 (h). What steps have been taken to ensure that the loan will not be used in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries? -- The loan agreement will contain a provision on this point.
7. App. Sec. 118. Will any funds be used to finance procurement of iron and steel products for use in Viet Nam other than as contemplated by Sec. 118? -- Not applicable.
8. FAA Sec. 636 (i). Will any part of this loan be used in financing non-U.S.-manufactured automobiles? If so, has the required waiver been obtained? -- No.
9. FAA Sec. 620 (a) (1) and (2), 620 (b); App. Sec. 117. Will any assistance be furnished or funds made available to the government of Cuba or the United Arab Republic? -- No.
10. FAA Sec. 620 (a). Will any part of this loan be used to compensate owners for expropriated or nationalized property? If any assistance has been used for such purpose in the past, has appropriate reimbursement been made to the U.S. for sums diverted? -- No.
11. FAA Sec. 201 (f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise? -- Loan funds will be available for use by the private sector.
12. App. Sec. 104. Does the loan agreement bar any use of funds to pay pensions, etc. for persons who are serving or who have served in the recipient country's armed forces? -- Loan funds will not be provided for any of the prohibited purposes.

DRAFTANNEX II  
AID Loan No. 391-H-CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from: Development Loan Funds

Pakistan: Consulting Services

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East and South Asia, Agency for International Development (hereafter called "AID") by the Foreign Assistance Act of 1961, as amended, and the Delegations of Authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title I, the Development Loan Fund to the President of Pakistan of not to exceed Three Million Dollars (\$3,000,000) to finance the foreign exchange costs of feasibility, sectoral and other studies, and consulting services required in implementation of Pakistan's development program.

1. Interest and Terms of Repayment. The interest on the loan shall be two percent (2%) per annum on the disbursed balance of the loan during the grace period and thereafter three percent (3%) per annum. The loan shall be repaid within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years.
2. Currency Repayment. Provision shall be made for repayment of the loan and payment of the interest in United States Dollars.
3. Other Terms and Conditions.
  - (a) Goods, materials and services financed under the loan shall be procured from the United States of America;
  - (b) Relending terms or other similar financial arrangements by the Borrower shall be subject to A.I.D. approval;
  - (c) This loan will be subject to such other terms and conditions as the A.I.D. may deem advisable.

\_\_\_\_\_  
Assistant Administrator  
Bureau for Near East and South Asia

Dated: \_\_\_\_\_

AID-DLC/P-840  
ANNEX III  
June 12, 1969

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

LOAN AGREEMENT  
BETWEEN THE  
PRESIDENT OF PAKISTAN  
AND THE  
UNITED STATES OF AMERICA  
FOR  
CONSULTING SERVICES

DRAFT

Dated:

## TABLE OF CONTENTS

<u>Article and Section Number</u>	<u>Title</u>	<u>Page</u>
ARTICLE I	The Loan	
SECTION 1.01	The Loan	1
SECTION 1.02	The Project	1
ARTICLE II	Loan Terms	
SECTION 2.01	Interest	2
SECTION 2.02	Repayment	2
SECTION 2.03	Application, Currency and Place of Payment	3
SECTION 2.04	Prepayment	3
SECTION 2.05	Renegotiation of the Terms of the Loan	3
ARTICLE III	Conditions Precedent to Disbursement	
SECTION 3.01	Conditions Precedent to Any Disbursement	4
SECTION 3.02	Conditions Precedent to Additional Disbursement	7
SECTION 3.03	Terminal Dates for Meeting Conditions Precedent to Disbursement	7
SECTION 3.04	Notification of Meeting of Conditions Precedent to Disbursement	8
ARTICLE IV	General Covenants and Warranties	
SECTION 4.01	Execution of the Project	8
SECTION 4.02	Funds and Resources to be Provided by Borrower	8
SECTION 4.03	Continuing Consultation	9
SECTION 4.04	Management	9
SECTION 4.05	Taxation	9

TABLE OF CONTENTS

(contd...)

<u>Article and Section Number</u>	<u>Title</u>	<u>Page</u>
SECTION 4.06	Utilization of Goods and Services	10
SECTION 4.07	Disclosure of Material Facts and Circumstances	10
SECTION 4.08	Commissions, Fees and Other Payments	11
SECTION 4.09	Maintenance and Audit of Records	12
SECTION 4.10	Reports	13
SECTION 4.11	Inspections	13
 ARTICLE V Procurement		
SECTION 5.01	Procurement from the United States	14
SECTION 5.02	Eligibility Date	14
SECTION 5.03	Goods and Services Not Financed Under Loan	14
SECTION 5.04	Implementation of Procurement Require- ments	15
SECTION 5.05	Plans, Specifications, and Contracts	15
SECTION 5.06	Reasonable Price	16
SECTION 5.07	Employment of Third Country Nationals under Construction Contracts	17
SECTION 5.08	Shipping and Insurance	17
SECTION 5.09	Notification to Potential Suppliers	19
SECTION 5.10	United States Government-Owned Excess Property	19
SECTION 5.11	Information and Marking	20
 ARTICLE VI Disbursements		
SECTION 6.01	Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks	20
SECTION 6.02	Other Forms of Disbursement	21
SECTION 6.03	Date of Disbursement	21
SECTION 6.04	Terminal Date for Disbursement	21

TABLE OF CONTENTS  
(contd.....)

<u>Article and Section Number</u>	<u>Title</u>	<u>Page</u>
ARTICLE VII	Cancellation and Suspension	
SECTION 7.01	Cancellation by the Borrower	21
SECTION 7.02	Events of Default; Acceleration	22
SECTION 7.03	Suspension of Disbursements	23
SECTION 7.04	Cancellation by A.I.D.	24
SECTION 7.05	Continued Effectiveness of Agreement	25
SECTION 7.06	Refunds	25
SECTION 7.07	Expenses of Collection	26
SECTION 7.08	Non-Waiver of Remedies	26
ARTICLE VIII	Miscellaneous	
SECTION 8.01	Communications	27
SECTION 8.02	Representatives	28
SECTION 8.03	Implementation Letters	28
SECTION 8.04	Promissory Notes	29
SECTION 8.05	Termination Upon Full Payment	29

LOAN AGREEMENT dated \_\_\_\_\_ 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 Three Million United States Dollars (\$3,000,000) ("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 mean (a) the conducting of studies, including feasibility, industrial, sectoral, market and other studies, (b) the provision of consulting services for purposes mutually agreed to by A.I.D. and the Borrower, and (c) the procurement of small quantities of special equipment essential for the conducting of studies or provision of consultant services. Such studies and services are to be in implementation of Pakistan's Third and Fourth Five Year Plans, undertaken by United States firms, universities, agencies or other entities, and approved by A.I.D. Such studies and services are hereafter referred to as Consulting Services.

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<sup>00</sup>/<sub>100</sub>) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (.3%) 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, 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 instalments of Principal and interest. The first instalment 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 instalments 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 Any 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 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.

SECTION 3.02. Additional Conditions Precedent

With Respect to Financing a Consulting Service . Prior to disbursement of any amount for a particular Consulting Service financed hereunder, 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) Evidence that a contract for services satisfactory to A.I.D. has been entered into with a United States firm, university, government agency or other entity satisfactory to A.I.D.;

- (b) Evidence of the relending or other financial arrangements with regard to the use of the funds provided hereunder;
- (c) Evidence that funds other than those provided hereunder which are necessary for the timely completion of the Consulting Service will be made available in a timely and effective manner

SECTION 3.03. Terminal Dates for Meeting Conditions

Precedent to Disbursement.

- (a) If all 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 hereunder shall terminate.

- (b) If all of the conditions specified in Section 3.02 shall not have been met by December 31, 1971, or such later date as A.I.D. may agree in writing, A.I.D. at its option, may cancel the then undisbursed balance of the amount of the Loan and/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 by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors and suppliers engaged on the Project, 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. 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 4.06. 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 4.07. 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 4.08. 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 agreement 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 4.09. 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 4.10. 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 4.11. 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 or proposal 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 before taking effect.

(c) All bid or proposal documents and documents related to the solicitation of bids and 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. Employment of Third Country Nationals under Construction Contracts. The employment of personnel to perform services under construction contracts financed under the Loan shall be subject to requirements with respect to third country nationals prescribed in Implementation Letters.

SECTION 5.08. 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. financed 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, 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 5.09. 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 5.10. 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 5.11. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of the 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 6.02. Other Forms of Disbursement. Disbursement of the Loan may also be made through such other means as the Borrower and AID 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 December 31, 1971, and no disbursements shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after December 31, 1972. A.I.D. at its option, may at any time or times after December 31, 1972; 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.

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, and the assurances contained under Section 3.01;

(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 or any of its agencies;
- The 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 disbursement pursuant to Section 7.03, if the cause or causes for such suspension 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, requests, 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.: United States Agency for International  
Development  
Alfalah Building, The Mall  
Lahore, Pakistan

Cable Address: USAIDPAK  
Lahore

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 representative 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.

SECTION 8.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 8.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representative have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF PAKISTAN

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

UNITED STATES OF AMERICA

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_