

A.I.D. Project Number 391-0452

PROJECT GRANT AGREEMENT

BETWEEN

THE ISLAMIC REPUBLIC OF PAKISTAN

AND

THE UNITED STATES OF AMERICA

FOR

STRENGTHENING WATER MANAGEMENT PROJECT ACTIVITIES

(MINISTRY OF FOOD, AGRICULTURE AND COOPERATIVES)

Dated: September 24, 1980

(CONFORMED COPY)

Table of Contents
Project Grant Agreement

	<u>Page No.</u>
Article 1 : The Agreement	1
Article 2 : The Project	1
Section 2.1 : Definition of Project	1
Article 3 : Financing	2
Section 3.1 : The Grant	2
Section 3.2 : Grantee Resources for the Project	2
Section 3.3 : Project Assistance Completion Date	2
Article 4 : Conditions Precedent to Disbursement	3
Section 4.1 : First Disbursement	3
Section 4.2 : Subsequent Disbursement	4
Section 4.3 : Notification	5
Section 4.4 : Terminal Dates for Conditions Precedent	5
Article 5 : Special Covenants	5
Section 5.1 : Project Monitoring	5
Section 5.2 : Project Evaluation	7
Section 5.3 : Reports	8
Section 5.4 : Report Clearance	8
Section 5.5 : Small/Medium Farmer	8
Section 5.6 : Release of Funds	9
Section 5.7 : Budget	9
Section 5.8 : Personnel	9
Section 5.9 : Work Plan	10
Article 6 : Procurement Source	10
Section 6.1 : Local Currency Costs	10
Article 7 : Disbursement	10
Section 7.1 : Disbursement for Local Currency Costs	10

Article 8 : Miscellaneous	11
Section 8.1 : Communications	11
Section 8.2 : Representatives	11
Section 8.3 : Standard Provisions Annex	12
ANNEX 1 : Project Description	1
A. Background	1
B. The Project	3
1. Monitoring and Evaluation	3
2. Training for OFWM Program Associated Personnel	5
3. Information Dissemination	6
4. Administrative Support	6
Attachment 1 to Annex 1 - Financial Plan	1
Disbursements	1
Financial Administration	1
Quarterly Financial Reports	2
SCS Project Support Costs	2
Plan Amendments	3
Project Expenses	3
Budget	4
Attachment 2 to Annex 1 - Quarterly Financial Report	1
ANNEX 2 : Project Grant Standard Provisions Annex	1

PROJECT GRANT AGREEMENT

Dated: September 24, 1980

Between

The Islamic Republic of Pakistan,
Acting through its President ("Grantee)

And

The United States of America, Acting through
the Agency for International Development ("A. I. D. ")

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of Project. The Project which is further described in Annex 1, consists of a five year program of strengthening water management activities of the Grantee, supplementing the On-Farm Water Management (OFWM) Project No. 391-0413 through (a) monitoring and evaluation, (b) training, (c) information dissemination and (d) administrative support. Within the limits of the above definition of the Project, elements of the amplified description

stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A. I. D., pursuant to Title I, Section 104 (f) of the Agriculture Trade Development and Assistance Act of 1954, as amended, (Public Law 480) agrees to grant the Grantee under the terms of this Agreement an amount not to exceed eighteen million five hundred thousand Pakistani Rupees (Rs. 18, 500, 000) ("Grant").

The Grant may be used only to finance local currency costs as defined in Section 6.1 of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project. The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is December 31, 1984 or such other date as the Parties may

agree to in writing is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A. I. D. may otherwise agree in writing, A. I. D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A. I. D. no later than nine (9) months following the PACD, or such other period as A. I. D. agrees to in writing. After such period, A. I. D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A. I. D. of documentation pursuant to which disbursement will be made, the

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

(a) a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2 and of any additional representatives, together with a specimen signature of each person specified in such statement; and

(b) evidence that the Grantee has budgeted sufficient funds in its Annual Development Plan for the first year of the Project.

SECTION 4.2. Subsequent Fiscal Year Disbursement.

Prior to the first disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, for any Grantee Fiscal Year subsequent to FY 1979/80 the Grantee will, except as the parties otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A. I. D.:

(a) the Quarterly Project Reports as described in Section 5.1 for the Quarter next past;

(b) a revised budget element for the fiscal year for which payment is sought if a deviation from the Budget set out on page 4 of Attachment 1 to Annex 1 to this Agreement is indicated; and

(c) a proposed work plan as described in Section 5.9 for the fiscal year for which payment is sought.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If all the conditions specified in Section 4.2 have not been met within 180 days from the beginning of the Grantee's respective fiscal year or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Monitoring. The Parties agree to establish a monitoring scheme for the Project. Except as the Parties otherwise agree in writing, the monitoring scheme will include the following activities:

(a) The Grantee will make available to A. I. D. Reports on the Project, in form and substance satisfactory to A. I. D., describing the status of expenditure of funds and accomplishments and problems with respect to the Project as follows:

(1) Quarterly Financial Reports to be submitted within one month after the close of each quarter or not later than October 30, January 31, April 30, and July 31 of each fiscal year, in the format set out in Attachment 2 to Annex 1; and

(2) Quarterly Physical Status Reports providing brief summary of the status of work of each component of the Project (furnished concurrently with the Quarterly Financial Reports);

(3) Semi-Annual Reports to be submitted not later than January 31 and July 31 of each fiscal year covering the four major components of the monitoring and evaluation program, these Reports to be of professional quality providing extensive review and evaluation of the program together with detailed recommendations of the CFWM Project and similar water management projects in each Province;

(4) Final Project Report of the Project Director at the end of the Project containing a summary of the findings with respect to the four components of the Project, supported by individual subject reports.

(b) The Grantee will establish a Review Committee for the monitoring and evaluation component of the Project, consisting of Grantee representatives from the Planning Commission, the Water and Power Development Authority, the On-Farm Water Management Project or successor project and the University of Agriculture, Faisalabad and the University of Agriculture, Tandojam, with A. I. D. and/or representatives from other water management project donors as observers. The Review Committee will meet semi-annually to review the selection of sample watercourses and the work program and work progress.

(c) The monitoring and evaluation methodology and the staff provided for data analysis and interpretation shall be in the opinion of A. I. D. adequate to complete the Project.

SECTION 5.2. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will annually include during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

- (c) assessment of means to help overcome such problems; and
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.3. Reports. All reports and studies produced under this Project Agreement will be the property of the Grantee, but A. I. D. will have the right to reproduce and distribute them internationally as jointly published by the Grantee and A. I. D.

SECTION 5.4. Report Clearance. The Grantee will furnish or cause to be furnished copies of each report and study under this Project, to be circulated for review by concerned Grantee offices and A. I. D. with request for clearance to the Water Management Cell. Comments should be furnished to the researcher in time to allow for revision of the report or study as appropriate. If no comments are received by the Water Management Cell within two months of the date of the request for clearance, the report or study shall be deemed to be cleared.

SECTION 5.5. Small/Medium Farmer. The Grantee will cause the proposed "Monitoring and Evaluation" and "Information Dissemination" activities under this Project to be directed to the small and medium size farmers. The Grantee in connection with the OFWM Project has defined this farmer as one having up to 25 acres of land in the Punjab and NWFP and up to 32 acres in Sind. Within this group A. I. D. has established a Target Group w h o s h o u l d

be the primary beneficiaries of Project activities. In the Punjab and NWFP, this Target Group is defined as farmers with operational holdings of 12.5 acres of land or less. In Sind, the Target Group farmers will have holdings of 16 acres or less. The annual work plans and reports will particularly promote wherever relevant and feasible those project activities and relationships which benefit small to medium size farmers, and in particular the Target Group.

SECTION 5.6. Release of Funds. The Grantee will cause the Ministry of Finance to release the funds related to this Project to the Water Management Cell on behalf of the Ministry of Food, Agriculture and Cooperatives within 30 days of receipt of any disbursement of funds received from A.I.D. (Refer to the Financial Plan, Attachment 1 to Annex 1).

SECTION 5.7. Budget. The Grantee will budget sufficient funds for the Project in each Annual Development Plan during the life of the Project.

SECTION 5.8. Personnel. The Grantee will cause the Ministry of Food, Agriculture and Cooperatives to provide the necessary qualified personnel to carry out the Project. Personnel positions will be made available at salary levels commensurate with the qualifications necessary to carry out the Project. The Grantee will ensure that not less than 75% of the positions will be

filled at any one time and that the staff competency will remain adequate to conduct the Project work.

SECTION 5.9. Work Plan. The Grantee will furnish annually during the term of this Agreement, in form and substance satisfactory to A. I. D., a work plan/plans which shall, inter alia, describe the proposed plans for monitoring and evaluation, for training, and for information dissemination.

Article 6: Procurement Source

SECTION 6.1. Local Currency Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the cost of goods and services required for the Project having their source in Pakistan (Local Currency Costs).

Article 7: Disbursement

SECTION 7.1. Disbursement for Local Currency Costs. After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A. I. D. with necessary supporting documentation as prescribed in the Financial Plan as may be modified from time to time in Project Implementation Letters, requests to finance such costs.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Mail Address: Economic Affairs Division
Ministry of Finance, Planning and
Provincial Coordination
Government of Pakistan
Islamabad - Pakistan

**Alternate Address
for cables:** ECONOMIC ISLAMABAD

To A.I.D.

Mail Address: U.S. A.I.D. Mission to Pakistan
18, Attaturk Avenue, Ramna 5
P.O. Box 1028
Islamabad - Pakistan

**Alternate Address
for cables:** USAIDPAK ISLAMABAD

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Secretary, Economic Affairs Division,

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

SECTION 8.3. Standard Provisions Annex.

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

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

ISLAMIC REPUBLIC OF PAKISTAN

By : _____ **Sd/-**
Name : Rahatullah Khan
Title : Joint Secretary
Economic Affairs Division

UNITED STATES OF AMERICA

By : _____ **Sd/-**
Name : Bryant George
Title : Acting Director
U.S. A.I.D. /Islamabad

PROJECT DESCRIPTION

A. Background

This Project was originally designed to be a companion to the On-Farm Water Management (OFWM) Project No. 391-0413. However, A.I.D. plans for continuing financing of the OFWM activity have been curtailed.

A.I.D. assistance to the Grantee's Water Management Program began with the OFWM Project approved on October 27, 1976. The OFWM Project consists of the improvement of irrigation watercourses, precision land leveling (PLL) and the extension of improved agronomic and water management practices. The OFWM Project provides \$7.5 million (loan) for partial reimbursement to the Grantee for completed watercourse improvements and PLL plots.

In addition to project loan assistance, A.I.D. is providing dollar grant assistance, primarily for technical advisory services to the Grantee and limited commodities required for the Project. The technical services are provided by the U.S. Soil Conservation Service (SCS). To date A.I.D. has provided \$2,349,604 for technical advisory services. Both the dollar grant and loan activities will terminate in December 1980.

A. I. D. has also supported water management research through a research agreement with Colorado State University (CSU). A. I. D. has provided under the current CSU contract \$2, 157, 000 for the completion of CSU research activities through March 1980.

In addition to dollar funding described above, A. I. D. has provided or is planning other U. S. owned Rupee Grant Projects amounting to Rs. 45, 706, 000. The following is the status of the Rupee Grant Projects financed by A. I. D. :

<u>Project</u>	<u>Obligation</u> <u>(Rs. 000)</u>	<u>Expiry Date</u> <u>(Status)</u>
1. Previous seven projects	13, 189	Terminated
2. Water Management Research and Water Management Advisory Training Agreement No. 391-0390 (73-4)	1, 000	Terminated (12/31/79)
3. Water Users Association (ARC) Agreement No. 204-77-3-(77-3)	512	6/30/1980
4. Water Management Research (WAPDA) Project No. 391-0447	12, 505	Proposed
5. Strengthening Water Management Project Activities Project No. 391-0452	18, 500	Proposed
TOTAL:	45, 706	

B. The Project

The funds allocation under this Grant will provide for activities and remedial measures in certain critical areas of the Grantee's On-Farm Water Management Program where deficiencies have been identified in project operation and also for acceleration of the pace of the Program. This Project will also assist the Grantee's plan for future OFWM type investments and supplement activities planned by other donors.

The Project will be directed by the Director of the Water Management Cell and will assist in providing: (a) the extensive and intensive external monitoring and evaluation of the OFWM Project or successor activity; (b) training for selected OFWM program or related activity associated personnel; (c) information dissemination; and (d) administrative support.

1. Monitoring and Evaluation

The largest portion of this Rupee Grant is for a five year monitoring and evaluation of the OFWM Project or successor activity. This Project component will be administered by the Ministry of Food, Agriculture and Cooperatives who will budget for and contract with an outside agency to carry out the external monitoring and evaluation effort. This component of the Project is required by the A.I.D. financed OFWM Loan Project.

The monitoring and evaluation program will be divided into four stages as follows:

- i) benchmark data collection;
- ii) monitoring of Project implementation;
- iii) project evaluation for follow-on studies; and
- iv) evaluation of the training program.

Contracts will be let by the Ministry and will include detailed research methodology, time frame, funding, and other relevant information. The final methodology for conducting this monitoring and evaluation activity will be evolved by the contractor in consultation with and approval by a special review committee to be established. It is currently proposed, however, that a sample of 36 improved and 9 unimproved watercourses be studied in detail during the five year life of the Project.

In addition to monitoring and evaluating watercourses this program will study the effect of precision land leveling, the sociological aspect of the farming community with respect to leadership roles, status, decision-making process, and patterns of cooperation and conflict. Also to be studied and evaluated are the effectiveness of the different water management training programs, the overall program approach and techniques adopted, the financial and administrative organizational structures, ways small farmers

can be benefitted, farmers awareness of water management problems, and the effect of water management on their financial status.

2. Training for OFWM Program Associated Personnel

The training phase of this Project will provide the rupee costs only for international travel required for participant training in other countries. If invitations and assistantships become available, it is proposed to send 13 persons for observation and study tours and 12 persons for on-the-job training in water management subject areas each year. The personnel for training will be nominated from Planning Division, P&D Departments, WAPDA, Agriculture Departments, Irrigation Departments and Ministry of Food and Agriculture. These personnel must be directly related to the project activities or support of project activities so that their experience could be used for effective planning and execution of water management in Pakistan.

In the first category planners and executives are included. They will undergo 4 to 8 weeks of short term training or observation tours to acquaint themselves with the different approaches by other countries to water management problems.

The second category consists of field workers already engaged in OFWM Research who are granted 3 to 9 months advanced theoretical and on-the-job training on projects of a similar nature, so as to gain practical experience in a variety of situations.

3. Information Dissemination

The lack of adequate publicity and dissemination of information about the water management program is one of the major impediments to the OFWM Project. Additional funding provided by this Rupee Grant will improve the progress of the OFWM Project and related activities. It is proposed that these funds will be used for the following purposes:

- i) issuance of regular farm bulletins;
- ii) publication of information leaflets;
- iii) publication of posters and possibly calendars;
- iv) utilization of mass media -- newspapers, radio, and TV;
- v) production of educational films; and
- vi) arrangement of field days, fostering of farmer exchange between provinces, and conduct of workshops/seminars.

4. Administrative Support

An administrative staff composed of a Senior Social

Scientist, two Research Investigators, a Superintending Supervisor, two Assistants, a Stenotypist, and two Land Development Officers are required to help monitor and administer this Project. A Project support fund for the Soil Conservation Service Advisors to the OFWM Project is also included.

FINANCIAL PLAN

Disbursements. Upon request by the Grantee, subject to satisfaction of the conditions precedent stated in Section 4.1 of the Agreement, A. I. D. will reimburse the Grantee for the actual Project expenditures made by the Grantee for the Grantee Fiscal Year 1979-80, based on a full financial report, and will provide an advance to the Grantee of 50% of the total 1980-81 Grantee Fiscal Year Budget amount (see page 4). After the Grantee has disbursed 50% of the advance, A. I. D. will from time to time upon request by the Grantee (provided all Quarterly Financial Reports pursuant to Section 5.1 (a) (1) of the Agreement then due have been received by A. I. D.) replenish the advance to the Grantee to the extent of actual Project expenditures made by the Grantee. Disbursements will not exceed fiscal year Budget elements, and funds will not be carried forward from year to year unless a revised Budget has been prepared and approved by both Parties.

Financial Administration: The Grantee will cause the Water Management Cell on behalf of the Ministry of Food, Agriculture and Cooperatives to open a special non-interest bearing non-lapseable account against which the Director of the Water Management Cell will be authorized to draw checks and will make Project disbursements.

The Grantee will within 30 days of receipt of any disbursement from A. I. D. of Grant funds deposit the proceeds of such disbursement into this account. Should any interest be earned from grant funds, it will be remitted to A. I. D. and will not be available for Project purposes.

Quarterly Financial Reports. The Grantee will cause the Ministry of Food, Agriculture and Cooperatives, Director, Water Management Cell, within 30 days of the close of each quarter to prepare a Quarterly Financial Report by budget line, submitting the original and one copy to the Director of Accounts, Ministry of Economic Affairs, Planning and Development, Accounts Wing and one copy to A. I. D. The Grantee will also cause the Director of Accounts, Economic Affairs Division to forward one copy of the Quarterly Financial Report to A. I. D. (attention Controller, U.S. A. I. D. /Pakistan), with appropriate comments, if any. The format for the Quarterly Financial Report is provided in Attachment 2 to Annex 1.

SCS Project Support Costs. A. I. D. will advance to SCS Team Leader 50% of the first year budgeted amount for SCS Project Support Costs. After 50% of the initial advance has been utilized, and from time to time thereafter, SCS will submit a statement of

25

expenditures with supporting documents to A. I. D. for replenishment with one copy submitted to the Water Management Cell. A. I. D. will make replenishments to the extent of actual expenditures; provided, however, the cumulative reimbursements together with the initial advance will not exceed the total amount budgeted for SCS Project Support Costs as set out on page 4 of this Attachment.

Plan Amendments. The line item amounts budgeted for each activity except for SCS Project Support, listed on page 4, may be increased or decreased by twenty-five percent (25%) of the amounts shown without the prior written approval of A. I. D. Larger adjustments or transfers may be approved by A. I. D. in the revised work plan and budgets to be submitted annually provided the total value may, in no case, exceed the total line items amounts covered by the Agreement.

Project Expenses Incurred Before the Effective Date of This Agreement. A. I. D. agrees to reimburse the Grantee for reasonable project activities as provided for under this Agreement that were incurred from July 1, 1979, the date the Grantee initiated activities under the PC-1 Proforma titled: Strengthening of Water Management Project Activities approved in February 1979. Reimbursement for these activities will be provided from the 1979-80 Budget element.

STRENGTHENING ON-FARM WATER MANAGEMENT PROJECT ACTIVITIES

B U D G E T
(Rs. 000)

<u>Activities</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>Total</u>
1. Training (International travel only)	250	500	500	500	250	2,000
2. Monitoring and Evaluation	2,218	2,708	2,535	2,284	1,255	11,000
3. Information and Dissemination	1,000	913	800	800	483	3,996
4. Administrative	149	318	231	287	319	1,304
5. SCS Project Support	100	100				200
TOTAL:	3,717	4,539	4,066	3,871	2,307	18,500

Attachment Z to Annex I

GOVERNMENT OF PAKISTAN
QUARTERLY FINANCIAL REPORT SHOWING EXPENDITURES AND UNPAID GOODS AND
SERVICES AGAINST RUPEE RELEASES
BY US AGENCY FOR INTERNATIONAL DEVELOPMENT AND GOVERNMENT OF PAKISTAN

(In nearest Rupees)

Number and Title of the Project _____ Report for the Quarter Ending _____

Number and/or Title of the Sub-Project _____ Date of the Report _____

Sr. No.	Head of Expenditure By Budget Line Item	1/ Amount Budgeted for Fiscal Year	EXPENDITURE			Unpaid 2/ Goods and Services	Remarks
			Reported thru Last Quarter	Current Quarter	Cumulative Expen- diture to Date		

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

NOTES:

- 1/ Number and Title as reflected on the Project Agreement.
- 2/ Indicate cost of goods and services required but not yet paid.

Signature _____
(Project Director or other authorized official)

Title _____ Location _____

Distribution: 2 copies to Director of Accounts, Economic Affairs
Division, Ministry of Finance, Planning and
Provincial Coordination, Islamabad; 1 copy to
the Controller, USAID/Islamabad.

Handwritten initials and number 24

Project Grant Standard
Provisions Annex

(Local Currency Project: Pakistan Form)

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters

To assist the Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend or change the text of the Agreement, but can be used to augment, amplify and explain provisions of the Agreement and to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

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

SECTION B.2. Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A. I. D. pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B. 3. Utilisation of Goods and Services.

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

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

SECTION B. 4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in Pakistan.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in Pakistan, the Grantee will pay or reimburse the same with funds other than those provided under the Grant.

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

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

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

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

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

SECTION B. 6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A. I. D., or caused A. I. D. to be informed, in the course of reaching agreement with A. I. D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement; and

(b) that it will inform A. I. D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B. 7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in Pakistan.

SECTION B. 8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A. I. D., as described in Project Implementation Letters.

Article C: Procurement Provisions

SECTION C. 1. Special Rules.

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

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

SECTION C. 2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C. 3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A. I. D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to A. I. D. on preparation;

(2) such documentation will also be furnished to A. I. D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A. I. D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

(b) documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A. I. D. in writing prior to their issuance.

(c) contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A. I. D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A. I. D. prior to execution; and

(d) consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A. I. D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A. I. D.

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

Article D: Termination; Remedies.

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

SECTION D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A. I. D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in Pakistani Rupees to A. I. D. within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A. I. D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in Pakistani Rupees to A. I. D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A. I. D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A. I. D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A. I. D. in Pakistani Rupees by the Grantee.

SECTION D. 3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.