

Loan ... Agreements

FM/PAFD
FM/CAD
GC/ANE
ANE/Desk
ANE/TR Officer
ANE PD Officer & File
PPC/CDIE/DI ✓

A.I.D. Project No. 391-0498
Dollar Appropriation No.
Budget Plan Code:
Project Agreement No. 89-11

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

INSTITUTIONAL EXCELLENCE

DATED: June 6, 1989

(CONFORMED COPY)

TABLE OF CONTENTS

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	2
SECTION 2.1 Definition of Project	2
SECTION 2.2 Incremental Nature of Project	2
Article 3: Financing	3
SECTION 3.1 The Grant	3
SECTION 3.2 Grantee Resources for the Project	3
SECTION 3.3 Project Assistance Completion Date (PACD)	4
Article 4: Conditions Precedent	5
SECTION 4.1 Conditions Precedent to First Disbursement	5
SECTION 4.2 Condition Precedent to Disbursement for Construction Activities	6
SECTION 4.3 Condition Precedent to Disbursement for Small Grants Component	6
SECTION 4.4 Notification	6
SECTION 4.5 Terminate Dates for Conditions Precedent	7
Article 5: Covenants	7
SECTION 5.1 Project Evaluation	7
SECTION 5.2 Participant Training	8
SECTION 5.3 Financial Improvements for Higher Education	9
SECTION 5.4 Academic Year	9
SECTION 5.5 Acquisition of Technical Services	9

A.I.D. Project No. 391-0498
Dollar Appropriation No.
Budget Plan Code:
Project Agreement No. 89-11

PROJECT GRANT AGREEMENT FOR INSTITUTIONAL EXCELLENCE

Dated: June 6, 1989

Between

The President of the Islamic Republic of Pakistan (hereinafter referred to as the "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 purpose of the Project is to assist selected departments of universities and institutions to improve and expand their research capabilities in areas of science and technology critical to Pakistan's national development. The Project will have two major components: the Institutional Development (ID) Component and the Small Grants (SG) Component. Seventy-five percent of project resources will go to the former and 25 percent to the latter.

Annex 1, attached, amplifies the above definition of the Project. 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.

SECTION 2.2. Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

Article 6:	Procurement Source	9
SECTION 6.1	Foreign Exchange Costs	9
SECTION 6.2	Local Currency Costs	10
Article 7:	Disbursement	11
SECTION 7.1	Disbursement for Foreign Exchange Costs	11
SECTION 7.2	Disbursement for Local Currency Costs	12
SECTION 7.3	Other Forms of Disbursement	13
SECTION 7.4	Rate of Exchange	13
Article 8:	Miscellaneous	13
SECTION 8.1	Communications	13
SECTION 8.2	Representatives	14
SECTION 8.3	Standard Provisions Annex	15

(b) Within the overall Project Assistance Completion Date ("PACD") stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under each individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Five Million United States ("U.S.") Dollars (\$5,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 of this Agreement, and local currency costs, as defined in Section 6.2 of this Agreement, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

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

SECTION 3.3. Project Assistance Completion Date (PACD).

(a) The PACD, which is May 31, 1999, 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. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent

SECTION 4.1. Conditions Precedent to First Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D.:

(a) a written opinion of Counsel acceptable to A.I.D that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) a written statement setting forth the names and titles of persons holding or acting in the Office of the Grantee and of any additional representatives, and representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each such person certified as to its authenticity.

SECTION 4.2. Condition Precedent to Disbursement for Construction Activities.

Except as A.I.D. may otherwise agree in writing, prior to any disbursement for construction or renovation, or to the issuance by A.I.D. of documentation pursuant to which such disbursement shall be made, the Grantee will furnish to A.I.D., in form and substance satisfactory to A.I.D., final plans and specifications including cost estimates for such construction/renovation.

SECTION 4.3. Condition Precedent to Disbursement for Small Grants Component.

Except as A.I.D. may otherwise agree in writing, prior to any disbursement for the Small Grants Component, or to the issuance of any commitment under the Project Agreement(s) related to the Small Grant Component, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of a system for establishing and staffing Technical Committees and an Advisory Board to review and approve recommendations for recipient of the Small Grants.

SECTION 4.4. Notification. When A.I.D. has determined that the conditions precedent specified in each of Sections 4.1, 4.2 and 4.3 have been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.5. Terminal Dates for Conditions Precedent.

(a) If the conditions specified in Section 4.1 (a) and (b) have not been met within 60 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 the condition specified in Section 4.3 has not been met within 60 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 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: Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

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

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

(c) preparation of reports and other information which permits the Parties to determine the Project's progress toward achievement of outputs and objectives.

(d) assessment of how such information may be used to help overcome such problems; and,

(e) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Participant Training.

The Grantee covenants that it will make available qualified candidates for long and short-term academic training in the U.S. on a timely basis, and it will take all the appropriate steps to ensure that such candidates are assigned upon their return to suitable positions within the Centers of Excellence, Centers of Advanced Studies, or university departments.

SECTION 5.3 Financial Improvements for Higher Education.

The Grantee covenants that it will develop, approve and implement a plan which outlines the steps required to make higher education more financially self-sustaining.

SECTION 5.4 Academic Year.

The Grantee covenants that it will encourage the maintenance of a regular schedule of operation for project assisted institutions throughout the school year, despite any university-wide disturbances.

SECTION 5.5 Acquisition of Technical Services.

The Grantee covenants that, regardless of whether a PC-I is approved, A.I.D. may proceed with funds made available under the Project to finance acquisition of technical services of the Project Coordinator and Personal Services Contractor.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Except as A.I.D. may otherwise agree in writing, disbursements pursuant to Section 7.1 will be used exclusively as follows:

Best Available Copy

(a) to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services), except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. ("Foreign Exchange Costs");

(b) to finance ocean transportation costs under the Grant only on vessels under flag registry of the United States.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 6.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Pakistan ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) In accord with requirements of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) In accord with requirements of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs;

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S. Government; or,

(2) by A.I.D., (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 6.2, if funds provided under the Grant are introduced into Pakistan by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Pakistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Pakistan.

Article 8: Miscellaneous

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

To the Grantee:

Mail Address: Economic Affairs Division
Ministry of Finance and Economic Affairs
Government of Pakistan
Islamabad (Pakistan)

Alternative address for cables: ECONOMIC ISLAMABAD

To A.I.D.:

Mail Address: USAID Mission to Pakistan
P.O. Box 1028
Ramna 5
Islamabad (Pakistan)

Alternative address for cables: USAIDPAK ISLAMABAD
for telexes: TELEX 54270 USAID PK

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission/Pakistan with a copy of each communication sent to A.I.D.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Secretary, the Additional Secretary, the Joint Secretary and the Deputy Secretary for Economic Affairs Division and A.I.D. will be represented by the individual holding or acting in the Office of the Director, USAID Mission to Pakistan, 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.

FOR AND ON BEHALF OF THE
GOVERNMENT OF PAKISTAN

BY: _____ sd/- _____

NAME: Izahrul Haque

TITLE: Secretary Economic Affairs

Ministry of Finance and Economic Affairs

FOR AND ON BEHALF OF THE
UNITED STATES OF AMERICA

BY: _____ sd/- _____

NAME: Iay Morris

TITLE: Deputy Administrator

Agency for International Development

PROJECT DESCRIPTION

I. PROJECT GOAL AND PURPOSE

The project goal is to enhance Pakistan's capacity to develop, adapt, utilize, and advance scientific and technological innovations for development purposes. The project purpose is to assist selected departments of universities and institutes to improve and expand their teaching and research capability in areas of science and technology critical for national development.

II. PROJECT COMPONENTS

IEP will be a two phased activity implemented over a ten year period. The total estimated cost of the project is \$50 million. Phase I is estimated to require \$30.5 million and Phase II \$49.5 million. Phase II, subject to availability of funds, will be authorized only subsequent to a favorable substantive evaluation taking place during the third year of the project.

The project (both phases) is structured in two parts: an Institutional Development (ID) component and a Small Grants (SG) component. Seventy-five percent of project resources will be provided for the Institutional Development component and the remaining 25 percent for the Small Grants component. Both components will be used to achieve common project objectives.

A. Institutional Development Component

The objective of the ID component is to strengthen select institutions which are presently unable to provide the quality and variety of education and research required to promote scientific and technological advances in vital economic sectors. To accomplish this objective, the Institutional Excellence Program (IEP) will establish linkages between Pakistani universities and U.S. universities in the fields of science and technology in order to facilitate faculty exchange; joint research; workshops and seminars; the training of Pakistani students to the M.Sc. and Ph.D. levels; and upgrading scientific and technological facilities (laboratories, libraries and computer centers). Approximately \$29.5 million will be provided over the life of project for this component. Phase I is estimated at \$10.8 million and Phase II at \$18.7 million.

A total of at least nine institutions will be selected by the GOP and USAID to receive funding under the ID component throughout the ten year life of project. The institutions will be selected on the basis of criteria which emphasize the efficient utilization of existing resources and offer a high probability of success. The criteria require participating entities to have applied programs in science or technology that are relevant to the development goals of Pakistan. The entities are also required to offer graduate degrees, undertake research, particularly in development related activities, and demonstrate a desire to adopt those changes in structure, policies and procedures that will assist them in achieving excellence under IEP.

At least nine institutions will be divided into three sets with the first set being upgraded in Phase I and the remaining two sets in Phase II. The institutes selected for consideration of funding are: (a) Center of Excellence, Geology, University of Pesnawar; (b) Department of Electrical Engineering, University of Engineering and Technology, Lahore; (c) the Institute of National Capability, University of Karachi; (d) the Center of Excellence, Solid State Physics, University of the Punjab, Lahore; (e) the Center of Advanced Studies, Applied Genetics and Saline Agriculture, University of Agriculture, Faisalabad; (f) Center of Excellence, Minerology, University of Baluchistan, Quetta; (g) Department of Animal Breeding, Sind Agricultural University, Tandojam; (h) Department of Geology, University of Sind, Jamshoro; (i) Department of Pharmacy, Bahauddin Zakria University, Multan; (j) Department of Electronics, Azad Jammu and Kashmir University, Muzaffarabad; (k) Department of Biological Science, Quaid-e-Azam University, Islamabad; and (l) Department of Chemistry, Gomal University, Dera Ismail Khan.

The ID component recognizes that conditions may change in the selected institutions throughout the ten year period of implementation. Therefore, substitutions are permitted based on mutual GOP and USAID agreement, provided there is adherence to the basic criteria. If after a few years the evaluation of project performance is positive and funding appears available for more than nine institutions, then GOP University Grants Commission (UGC) and A.I.D. can jointly agree to expand the number of institutions receiving assistance.

B. Small Grants Component

The primary intent of the SG component is to support research studies in science and technology. Other key activities that are viewed as important to the effectiveness of the Pakistani entity will also be considered. The Small Grants component is not limited to university departments, Centers of Excellence (COE) and Centers of Advanced Studies (COAS). Laboratories, research centers and private industries will be eligible for support. Institutions receiving support under the long-term ID component will not be eligible for support under the SG component. The awards for the Small Grants component will be made in three scientific disciplines per annum. Proposals will be evaluated by a committee of appropriate Pakistani and American scientists from the public and private sectors under the direction of the UGC in collaboration with MOE and the Ministry of Science and Technology and USAID.

The SG funds will be used for the adaptation of existing technology or the evolution of new knowledge which is of relevance to development in Pakistan. Project funded assistance will be focused primarily on a specific development oriented research and, secondarily, on the upgrading of the institution. However, a formal science and technology policy for Pakistan could be developed, if opportune, under this component. The SG component will fund faculty exchange, participant training, joint research, workshops/seminars, commodities and renovation of laboratories and computer facilities. It is anticipated that \$10.6 million will be required for the SG component over the ten years life of project. Phase-I is estimated at \$4.4 million and Phase-II at \$6.2 million.

III. IMPLEMENTATION PLAN

A. Implementation Schedule

The project will be implemented in two phases over ten years, beginning with the Project Agreement signing and ending on the PACD May 31, 1999.

Implementation of the project will be divided into two parts. Part I will involve the design by the recipient of the ID component for the first designated set of institutions (Department of Electrical Engineering, University of Engineering and Technology, Lahore; Department of Chemistry, Gomal University, D.I. Khan; Department of Geology, University of Sind, Jamshoro; and a detailed assessment of the current status at the Center of Excellence in Minerology, University of Baluchistan, Quetta) together with the establishment of the review committees and procedures for the Small Grants component of the project. The design of the ID component is expected to take about three months, with the final product being a detailed, six year Institutional Development Plan for each of the initial centers or departments. This Plan will identify two or three major national development problems that will form the focus of the Institute's teaching and research program. A program of activities with corresponding levels of resources required to improve the quality of education and research associated with these development problems will be included in the Plan. In addition, it will specify how appropriate U.S. university departments can be employed to assist the Pakistan entity achieve the results expected by the project purpose. Finally, the Plan will identify any existing linkages between participating departments and U.S. institutions and suggest ways in which they might be incorporated, if appropriate.

The second part of Phase I will involve the actual implementation of the Institutional Development Plans described above and the implementation of the Small Grants Component, and will cover a six year period. Six years should provide sufficient time to lay the prerequisite foundation for project sustainability, particularly for participant training and research activities. Thus overall, Phase I of the IEP will last approximately seven years.

Phase II of the IEP is scheduled to begin in FY 1992. However, determination to proceed with Phase II will be subject to the results of a substantive evaluation of the project accomplishments to date. The Institutional Development Plans for the subsequent two sets of institutions will be developed during Phase II, following the design and implementation approach described above for Phase I. This phased approach will ensure that the plans are current and reflect the lessons learned with the first set. The two-thirds balance of the SG component is also expected to be funded during Phase II of the IEP.

B. Technical Assistance

Technical assistance will be provided through a Cooperative Agreement to be entered into by USAID and a U.S. educational institution in accordance with USAID acquisition procedures. The Cooperator in collaboration with Pakistani counterparts will have principal responsibility, subject to USAID and GOP approval, for designing and implementing ID activities at the various COE's, COAS's, and university departments, and for operating the SG component of the project. The Cooperator will work closely with the relevant staff and management of the participating COE's, COAS's, and departments, and with appropriate officials in the Ministries of Education, Science and Technology, and the University Grants Commission. The Cooperator will also be responsible for procurement of commodities and for the A/E services required for any renovation.

IV. ADMINISTRATIVE ARRANGEMENTS

A. A.I.D. Responsibilities

A.I.D. will be responsible for arranging short and long term training and for providing sufficient staff to coordinate with GOP agencies and other entities in the implementation of this project and to participate in scheduled evaluations.

B. GOP Responsibilities

Direct GOP responsibility for implementing the project will rest with the Ministry of Education. The MOE will be the conduit for funds which will flow from the UGC to the Centers of Excellence, Centers of Advanced Studies or university departments. The MOE will collaborate with the Ministry of Science and Technology on substantive, technical matters under the Small Grants Component.

ILLUSTRATIVE

SUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY AND SOURCE OF FUNDING 2/
 (In US Dollars)

Annex 1
Page 5

Expense Category	Obligations To Date AID Grant	LOP Funding 1/ AID Grant
Technical Assistance	2,500,000	12,312,582
Training	500,000	3,534,848
Commodities	500,000	3,677,635
Construction	-	971,417
Other Costs	1,500,000	7,207,659
Sub-Total	5,000,000	27,704,141
Contingency	-	2,795,859
TOTAL	5,000,000	30,500,000

- 1/ Subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the parties to proceed at the time of each subsequent increment.
- 2/ Either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 20% per line item, provided, however, that the total obligated amount as shown in the budget is not exceeded.