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PD-AAD-199

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO PAKISTAN

Cable: USAIDPAK

HEADQUARTERS OFFICE  
ISLAMABAD

December 18, 1978

Secretary to Government  
Economic Affairs Division  
Ministry of Finance  
and Provincial Coordination  
Government of Pakistan  
Islamabad

Dear Sir:

Subject: A. I. D. Loan No: 391-T-166  
Agricultural Inputs  
Project Implementation Letter No. 9

Through the Second Amendment to the Agricultural Inputs Loan Agreement signed on November 8, 1978, the value of Loan 391-T-166 has been increased by \$ 25,000,000, from \$ 65,000,000 to \$ 90,000,000. The Second Amendment also stipulated that certain new requirements under Loan 391-T-166 be met and provided for the extension of certain terminal dates.

The purpose of this Project Implementation Letter is to set forth the procedure for the utilization of the loan proceeds (hereinafter referred to as Loan - Part III, for \$ 25,000,000) and to provide information and guidance to assist the Borrower (Government) in the implementation of the Project (i. e. Loan - Part III).

1. Conditions Precedent to Initial Disbursement Under Loan - Part III  
Article III, Section 3.1.3

A. I. D. will issue Letters of Commitment (L/Comms) when requested by the Government, or will authorize disbursements by other means for financing the costs of commodities and commodity related services after the Conditions Precedent (CPs) prescribed

under Section 3.1.3 of the Loan Agreement as amended have been met to the satisfaction of A.I.D. These CPs are in addition to the requirement of meeting the eligibility condition specified under Section 7.1(b) of the Loan Agreement as amended, and restated in this letter.

(a) Legal Opinion and Supporting Documents: Section 3.1.3(a)

An outline of information to assist the counsel in preparing such opinion has already been transmitted to the Government as Attachment "A" to our Basic Implementation Letter No: 1 dated March 10, 1976.

(b) Statement of Agricultural Policy/Program: Section 3.1.3(b)

To meet the requirements of this Section we will appreciate receiving evidence in the form of a letter, from the Government to the effect that the policies and programs set forth in Section 5.1 of the Loan Agreement are being satisfactorily carried out.

Since these requirements have been spelled out under Section 5.1 of Loan Part III in detail, these are not being repeated here.

(c) Schedule for Review/Seminar: Section 3.1.3 (c)

In continuation of the requirements of Section 5.2 (referred to under Section 3.1.3(c) which have been met for Loan - Part I, A.I.D. would appreciate receiving a letter from the Secretary of Agriculture similar to that mentioned in Clause II-D of our Implementation Letter No.1 dated March 10, 1976. Furthermore, we also request a schedule for the Fertilizer Planning Committee to review the results of a Seminar on the National Fertilizer Corporation (NFC)- AID Study entitled "Distribution and Uses of Fertilizer in Pakistan".

(d) Provision of Data: Section 3.1.3 (d)

For meeting the requirements of this CP, you are requested to (i) continue as heretofore required by Loan Part I, furnishing to AID on a monthly basis, the current data on fertilizer stocks, sales, imports received and arranged, (ii) confirm that National Fertilizer

Development Center (NFDC) is on the distribution list to receive copies of monthly Federal Directorate of Fertilizer Imports (FDFI) (Lahore) reports on fertilizer sales, imports, production and stock; daily reports prepared by FDFI(Karachi) on fertilizer discharge as well as reports of the decisions of Federal Tender Committee insofar as they relate to agreement on contracts present or future and information on loan agreements signed; contracts let; contracts under negotiation and any other data needed and requested by NFDC to effectively carry out its functions. (iii) furnish each quarter, fertilizer status reports to appropriate officials of the Borrower and to A. I. D. prepared jointly by NFDC and the office of the Joint Secretary of Agriculture outlining the problem areas and the actions required to achieve the fertilizer targets and (iv) evidence, that the requisite accounting system including arrival accounting system with suitable procedure and staff has been installed.

(e) Institution of Personnel Action: Section 3.1.3 (e)

To meet the requirements of this CP, we will require evidence that the Borrower has instituted the agreed upon personnel actions. Such evidence shall consist of confirmation that (i) the NFDC Project Manager and the Joint Secretary of Agriculture responsible for fertilizer inputs have arranged to meet monthly, or more often if necessary for close liaison, for interchange of information and discussions of the fertilizer situation; and that the NFDC Project Manager and the said Secretary have instructed their respective officers in charge of fertilizer data to fully share all such data with each other; (ii) that a Deputy Director (Agricultural Economist), six Assistant Chiefs (one each in agronomy, soil science, marketing, statistics, training and credit) and adequate support staff have been hired and are working at NFDC; (iii) that full-time, adequately qualified counterparts are assigned to each of the expatriate advisors, including the Project Manager, and are working at NFDC; and (iv) that a memorandum has been sent to the Manager of NFDC inviting him to attend meetings of the various federal fertilizer committees and that he will be notified of the dates and places of those meetings he is invited to attend under the conditions set forth in the Agreement.

(f) Other Evidence and Documents: Section 3.1.3(f)

If as a result of the review of the above CPs or at a later stage, should A. I. D. require additional evidence and/or documents, A. I. D. will so notify the Borrower.

2. Terminal Date for Meeting Conditions Precedent: Section 3.2.3

The Conditions Precedent to disbursement under Section 3.1.3 of Loan - Part III are to be met within sixty (60) days from the

date of its signing (i. e. by January 7, 1979).

3. Notification for Meeting CPs for Initial Disbursement: Section 3.3

A. I. D. shall notify the Borrower upon determination that the Conditions Precedent to initial disbursement under Section 3.1.3 have been met to the satisfaction of A. I. D.

4. Disbursement for Foreign Exchange - Insurance of Letters of Commitment: Section 4.1

Upon satisfactory fulfillment of the CPs, the Borrower may from time to time request A. I. D. for the issuance of Letters of Commitment (L/Comms) for specified amounts, in favor of one or more United States banks satisfactory to A. I. D. for payment by them to the Contractors/Suppliers for commodities supplied or services rendered. Payments by the U. S. bank to such contractors/suppliers will be made upon presentation of such supporting documents as A. I. D. may prescribe in Letters of Commitment. Disbursement of Loan Part III may also be made through such other means as the Borrower and A. I. D. may agree in writing.

(a) Terminal Date for Issuance of L/Comms and for Shipment: Section 4.6

Unless otherwise agreed in writing the terminal date for the issuance of L/Comms is June 30, 1979. The letter(s) of credit must be established with shipping dates not exceeding December 31, 1979 and expiration dates not exceeding March 31, 1980.

(b) Terminal Disbursement Date for Loan Part III: Section 4.7

Except as A. I. D. may otherwise agree in writing no disbursement from Loan Part III shall be made against any documents received after March 31, 1980.

Summarized below are the various terminal dates:

For meeting CPs	January 7, 1979
For requesting issuance of L/Comms	June 30, 1979
For shipment of commodities	December 31, 1979
For expiration of Letter of Credit	March 31, 1980
For Disbursement of Loan proceeds	March 31, 1980

5. Fertilizer Bagging Facilities: Section 7.1(b)

This is a new sub-section which has been added under Section 7.1. The sub-section 7.1(b) imposes a restriction that no fertilizer shipment shall be eligible for A.I.D. financing under Loan - Part III until the existing fertilizer bagging system is in operation to the satisfaction of A.I.D. To meet the requirements of this section the Borrower is requested to confirm in writing that the existing fertilizer bagging system is operating at its rated capacity. A.I.D. may from time to time make inspections of the bagging facilities at its (A.I.D.'s) convenience.

6. Procurement Section 7.2 and 7.7

The procedures for procurement, as incorporated in Part IV of our Basic Implementation Letter No. 1 dated March 10, 1976 shall apply to the procurement of commodities and commodity related services under Loan Part III.

7. Source Origin Section 100.1

Except as otherwise agreed by A.I.D. in writing (a) all fertilizers shall have their source and origin in the United States of America (A.I.D. Geographic Code 000) in accordance with A.I.D. regulations, (b) all other eligible items shall have their source and origin in countries listed in A.I.D. Geographic Code 941 in accordance with A.I.D. regulations, (c) marine insurance financed from the Loan shall have both its source and origin in countries listed in A.I.D. Geographic Code 941 in accordance with A.I.D. regulations (d) ocean transportation costs will be financed from the Loan only on vessels under flag registry of United States or Pakistan, except as A.I.D. may otherwise agree in writing, (e) if A.I.D. determines that there are no vessels under flag registry of Pakistan available for ocean transportation, or, that Pakistan has no access to U.S. flag service A.I.D. by a Project Implementation Letter may agree to finance the ocean transportation costs from the Loan on vessels under flag registry of any country which is included in A.I.D. Geographic Code Book 941.

A. I. D. will be glad to discuss with you or your representatives any problems or questions you may have concerning the implementation of the Loan - Part III, or any problem you may have relating to this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Hasan A. Hasan". The signature is written in a cursive style with a large initial 'H'.

Hasan A. Hasan  
Chief, Project Development  
and Monitoring Division



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO PAKISTAN**

**Cable: USAIDPAK**

**HEADQUARTERS OFFICE  
ISLAMABAD**

**January 11, 1979**

**Secretary to Government  
Economic Affairs Division  
Ministry of Finance and  
Provincial Coordination  
Government of Pakistan  
Islamabad**

**Dear Sir:**

**Subject: A.I.D. Loan 391.-T-166  
Agricultural Inputs  
Project Implementation Letter No. 10.**

This is in response to Mr. Naqvi's letter dated January 7, 1979, in which the Economic Affairs Division of the Government of Pakistan requests A.I.D. to extend the Terminal Date (TD) stipulated under Section 3.2.3 of the subject Loan Agreement for meeting Conditions Precedent (CPs) prescribed under Section 3.1.3 of the Agreement by at least one month.

A.I.D. is aware of the efforts that the Government has made in meeting these CPs within the time frame set forth in the Agreement. Consequently, we are in agreement that an extension of the TD is warranted to facilitate the orderly implementation of this project. However, in order to alleviate the need for further extensions, A.I.D. hereby extends this TD from January 7, 1979 to February 28, 1979.

**Sincerely yours,**

**Hasan A. Hasar  
Chief, Project Development  
and Monitoring Division**



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO PAKISTAN**

**Cable: USAIDPAK**

**HEADQUARTERS OFFICE  
ISLAMABAD**

Secretary to Government  
Economic Affairs Division  
Ministry of Finance and Coordination  
Government of Pakistan  
Islamabad

March 19, 1979

Dear Mr. Secretary:

Subject: A. I. D. Loan 391-T-166  
Agricultural Inputs  
Project Implementation Letter No. 11

This will acknowledge receipt of Mr. U. D. Khan's letter of March 8, 1979, requesting further extension of the Terminal Date (TD) stipulated under Section 3.2.3 of the subject Loan Agreement for meeting Conditions Precedent (CPs) prescribed under Section 3.1.3 of the Agreement. This date had been extended to February 28, 1979, through our Implementation Letter No. 10 dated January 11, 1979.

Based on our discussions with Joint Secretary Raza of the Ministry of Agriculture on February 26, 1979, and on Mr. U. D. Khan's letter, A. I. D. hereby extends this TD by two months, to April 30, 1979.

Sincerely yours,

Hasan A. Hasan  
Chief, Project Development  
and Monitoring Division



**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO PAKISTAN**

**Cable: USAIDPAK**

**HEADQUARTERS OFFICE  
ISLAMABAD**

**May 10, 1979**

Secretary to Government  
Economic Affairs Division  
Ministry of Finance and  
Provincial Coordination  
Government of Pakistan  
Islamabad

Dear Sir:

Subject: A. I. D. Loan No. 391-T-166  
Agricultural inputs  
Project Implementation Letter No. 12

Under cover of its letters of November 20, 1978, and March 6, April 4, 25, 29 and 30, 1979, the Government has furnished information in satisfaction of the Conditions Precedent (CPs) specified in Section 3.1.3 of the subject Loan Agreement as amended. AID has reviewed this information and has found that it satisfies the requirements of these CPs. Consequently, we are pleased to inform you that these CPs are considered met, and we have so informed our Washington headquarters.

With the satisfaction of these CPs, the Government may now request reimbursement for purchases of chemical fertilizer and related services as stipulated in the subject Loan Agreement as amended. All such reimbursement requests should be submitted by the Pakistan Embassy to our Washington headquarters for payment. The documentation which must accompany each reimbursement request is described in our Project Implementation Letter No. 2 dated May 12, 1976, and is repeated below:

1. Documentation which must accompany all reimbursement requests for commodities and commodity related services

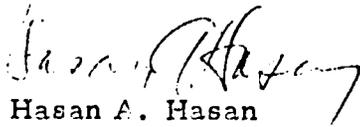
except freight:

- (a) Copy of the contract approved by A. I. D.
  - (b) Supplier's invoice marked with a notation to the effect that it has been paid.
  - (c) AID Form SF 1034.
  - (d) AID Form 282 executed by supplier.
  - (e) Inspection certificate for the commodity.
  - (f) Evidence of shipment to Pakistan.
  - (g) Supplier's certificate indicating that AID marking requirements were complied with.
- Documentation which must accompany all reimbursement requests for ocean freight:
- (a) Charter Party Agreement approved by AID.
  - (b) Bill(s) of Lading showing type of charter, flag of vessel and date of shipment.
  - (c) Supplier's invoices.
  - (d) AID Form 282 duly executed by the supplier.
  - (e) AID Form 1034.
  - (f) Laytime statements for both loading and discharge ports.
  - (g) Out-turn Report.

It is our understanding that, after all reimbursement requests are paid by AID, a residual amount of over a million dollars will remain available for disbursement from the \$25,000,000 third tranche

(Loan - Part III). This residual amount may be utilized by the Government for the procurement of fertilizer, seeds and small-scale farm equipment as provided for in the Loan Agreement. AID urges that steps be taken to use these funds as early as possible.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Hasan A. Hasan", written in a cursive style.

Hasan A. Hasan  
Chief, Project Development  
and Monitoring Division

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A. I. D. Loan No. 391-T-166

SECOND AMENDMENT TO THE  
L O A N A G R E E M E N T  
(AGRICULTURAL INPUTS LOAN)

BETWEEN THE  
PRESIDENT OF PAKISTAN  
AND THE  
UNITED STATES OF AMERICA

Dated: November 8, 1978

(CONFORMED COPY)

SECOND AMENDMENT made and entered into this 8th day of November 1978, to the Loan Agreement dated March 9, 1976, as heretofore amended January 18, 1977, ("Loan Agreement") between the PRESIDENT OF PAKISTAN ("Borrower") and the UNITED STATES OF AMERICA, Acting through the Agency for International Development ("A. I. D. ").

The Loan Agreement is hereby amended as follows:

1. SECTION 1.1 is deleted in its entirety and the following is substituted in lieu thereof:

"SECTION 1.1. The Loan. Subject to the terms and conditions of this Agreement, A. I. D. hereby agrees to lend to the Borrower, pursuant to the Foreign Assistance Act of 1961, as amended ("the Act"), and the Borrower agrees to borrow from A. I. D. up to Ninety Million United States Dollars (\$90,000,000) for the foreign exchange costs of commodities and commodity-related services required for the Project as defined in Section 1.2. The amount loaned hereunder shall be deemed to consist of (i) an amount not to exceed Forty Million United States Dollars (\$40,000,000) ("Loan - Part I"), (ii) an amount not to exceed Twenty Five Million United States Dollars (\$25,000,000) ("Loan - Part II"), and (iii) an amount not to exceed Twenty Five Million United States Dollars (\$25,000,000) ("Loan - Part III"). Loan Parts I, II and III

are hereinafter collectively referred to as the "Loan". The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal". The commodities and services financed hereunder are hereinafter referred to as "Eligible Items". A. I. D. may decline to finance any Eligible Items when, in its judgement, said financing would be inconsistent with the purposes of the Loan or of the Act. "

2. Immediately following SECTION 3. 1. 2 SECTION 3. 1. 3 shall be added as follows:

"SECTION 3. 1. 3. Conditions Precedent to Initial Disbursement under Loan - Part III. Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan - Part III, in addition to meeting the eligibility condition of Section 7. 1 (b), 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 Second Amendment has been duly authorized or ratified by, and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms.
- (b) A report of the Borrower showing that, except as A. I. D. may otherwise agree in writing, the policies and

programs set forth in Section 5.1 of the Loan Agreement are currently being satisfactorily carried out.

- (c) Evidence that the Borrower in connection with the Periodic Reviews described in Section 5.2 has established a schedule for reviewing the results of the National Fertilizer Corporation - A. I. D. Study entitled "Distribution and Use of Fertilizer in Pakistan" through a seminar the results of which will be transmitted to the Fertilizer Planning Committee for consideration.
- (d) Evidence that the Borrower has established effective systems for provision of data as described in Section 5.4.
- (e) Evidence that the Borrower has instituted the personnel actions described in Section 5.7.
- (f) Such other evidence and documents as A. I. D. may reasonably require."

3. Immediately following SECTION 3.2.2, SECTION 3.2.3 shall be added as follows:

"SECTION 3.2.3. Terminal Date for Meeting Conditions Precedent to Disbursement under Loan - Part III. If all the conditions specified in Section 3.1.3 shall not have been met within sixty (60) days from the date of this Second Amendment, or such later date as A. I. D.

may agree in writing, A. I. D. at its option may terminate this Second Amendment by giving written notice to the Borrower. Upon giving such notice, this Second Amendment and all obligations of the parties hereunder shall terminate. "

4. SECTION 3.3 shall be deemed to apply to the conditions precedent of Sections 3.1.1, 3.1.2 and 3.1.3.

5. SECTION 4.4 is amended by inserting the words "for Loan Parts I and II" after the phrase "Unless otherwise agreed in writing by A. I. D. "

6. SECTION 4.5 is amended by inserting the words "for Loan Parts I and II" after the phrase "Except as A. I. D. may otherwise agree in writing" and by deleting the words "the Loan" and inserting in lieu thereof "Loan Parts I and II".

7. Immediately following SECTION 4.5, new SECTIONS 4.6 and 4.7 are hereby added as follows:

"SECTION 4.6. Issuance of Commitment Documents and Terminal Shipping Date for Loan Part - III. Unless otherwise agreed in writing by A. I. D., for Loan - Part III, the terminal date for issuance of Letters of Commitment under Section 4.1 or other commitment documents under Section 4.2 is June 30, 1979 and no Letter of Credit may be established having a commodity shipping date

later than December 31, 1979 and an expiration date later than March 31, 1980."

"SECTION 4.7. Terminal Date for Disbursement for Loan Part III.

Except as A. I. D. may otherwise agree in writing, for Loan Part III no disbursement shall be made against documentation received by A. I. D. after March 31, 1980. A. I. D., at its option, may at any time or times after March 31, 1980 reduce Loan - Part III by all or any part thereof for which Letters of Commitment under Section 4.1 or other commitment documents under Section 4.2 have not been issued."

8. SECTION 5.1 is deleted in its entirety and the following is substituted in lieu thereof:

"SECTION 5.1. Statement of Agricultural Policy/Program.

- (a) The Borrower has embarked upon a program to increase agricultural output substantially over the next five years. Production targets have been established for the wheat crop and for other foodgrains and agricultural products. The purpose of the Project is increased availabilities and better balanced use of agricultural inputs throughout Pakistan by all farmers, particularly low-income farmers.
- (b) In order to assure that the purpose of the Project will be achieved and that the highest possible agricultural production

can be attained, the Borrower shall continue to carry out policies and programs to assure (1) the adequacy of public and private sector distribution of fertilizer and other essential agricultural inputs, with particular emphasis upon the adequacy of farmers' access to such inputs in the more remote villages of Pakistan; (2) the adequacy of agricultural input credit facilities for farmers, particularly low-income farmers; (3) that the relationship of prices for farmers' crops to prices for agricultural inputs, particularly fertilizer, is sufficiently favorable to encourage the use of such inputs in quantities adequate to meet national food production targets; (4) that suitable measures are being taken to increase the efficiency in use of irrigation water; (5) that phosphate fertilizer as well as nitrogen fertilizer is being made available on an equitable basis to all fertilizer distribution organizations in Pakistan; (6) that imported fertilizer will be available to organizations constructing new fertilizer plants on at least the same basis as for other distributors so as to enable such organizations to develop experience in advance of their plants entering into production; (7) that marketing cost charges allowed to fertilizer distribution organizations are adequate to cover transportation, storage and marketing expenses; (8) that

reasonable actions are taken to maintain a reserve of nitrogen fertilizer equivalent to 25% of the ensuing year's projected offtake and a reserve of  $P_2O_5$  equivalent to 50% of the ensuing year's projected offtake, but to avoid excess fertilizer stock accumulations at domestic fertilizer plants in future years; (9) that no unreasonable territorial restrictions will be placed on marketing of fertilizer by private producers; and (10) that levels of fertilizer losses between amounts received in port and the amounts delivered to distribution points are reduced to commercially acceptable levels.

- (c) The Borrower shall accelerate its efforts through studies and reviews carried out by its own staff and by expatriate experts where necessary and through other appropriate measures to make the fundamental changes required to reduce the cost of fertilizer handling, transport and storage in Pakistan. "

9. SECTION 5.4 is amended by inserting "(a)" after the title "Provision of Data" and by adding new subparagraphs (b), (c) and (d) as follows:

- "(b) To enable the National Fertilizer Development Center (NFDC) to carry out its functions efficiently and effectively, the Borrower shall continue to provide NFDC, as a matter of routine, current data on fertilizer production, port offloadings, shipments, offtakes, stocks, and imports and other data as requested by the NFDC.
- (c) To provide the Borrower with a better basis on which to plan and to make decisions in managing the Borrower's agricultural program, the Borrower shall cause the NFDC, with the cooperation of the Office of the Joint Secretary of Agriculture, to prepare and disseminate to the appropriate officials of the Borrower and to A. I. D. Quarterly Fertilizer Status Reports which will identify problem areas and the actions required to achieve the goals and meet the targets of the fertilizer component of the Borrower's agricultural program.
- (d) To enable the Borrower to meet the requirements of Section 7.3 of the Loan Agreement and Section 102.2 of the Standard Provisions Annex, the Borrower shall install the requisite accounting system (including arrival accounting system), with suitable procedures and staff."

10. SECTION 5.6 is amended by inserting "(a)" after the title "Improved Capability to Offload and Bag Fertilizer Imports" and by adding a new sub-paragraph (b) as follows:

"(b) The Borrower shall ensure that operating and maintenance personnel for the new fertilizer bagging equipment shall have had adequate specialized training for their respective functions."

11. Immediately following Section 5.6, a new Section 5.7 is hereby added as follows:

"SECTION 5.7. NFDC Personnel.

- (a) To facilitate cooperation and coordination between the Ministry of Agriculture and NFDC, the Borrower shall cause the NFDC to maintain close liaison with the Joint Secretary of Agriculture dealing with fertilizer.
- (b) The Borrower shall provide adequate staff to the NFDC to enable the NFDC to carry out its assigned duties in fertilizer program formulation, such as gathering, evaluating and making projections from supply and demand data, monitoring of imports and world market prices and trends and formulating recommendations concerning timing of purchases.

(c) The Borrower will cause local counterparts to be assigned to NFDC expatriate advisors which counterparts shall be employed full-time at the NFDC and shall have qualifications which, after appropriate training and experience under the guidance of the advisors, will permit the counterparts upon departure of the advisors to take on and effectively perform the functions of the advisors.

(d) The Borrower shall invite to the extent necessary the NFDC Project Manager to participate in relevant meetings of the Fertilizer Review Committee, the Fertilizer Planning Committee, its Executive Committee and the Fertilizer Transportation Task Force. "

12. SECTION 7.1 is amended by inserting "(a)" after the title "Eligibility Date" and by adding a new subparagraph (b) as follows:

"(b) Notwithstanding subparagraph (a) above, no fertilizer shipment shall be eligible for A. I. D. financing under Loan - Part III until the existing fertilizer bagging system is in operation to the satisfaction of A. I. D. "

13. SECTION 100.1 of the Standard Provisions Annex is deleted in its entirety and the following is substituted in lieu thereof:

"SECTION 100.1. Source of Procurement.

- (a) Except as A. I. D. may otherwise agree in writing, all fertilizers shall have their source and origin in the United States of America (A. I. D. Geographic Code 000) in accordance with A. I. D. regulations; and all other Eligible Items shall have their source and origin in countries listed in A. I. D. Geographic Code 941 in accordance with A. I. D. regulations. Marine insurance financed under the Loan shall have both its source and origin in countries listed in A. I. D. Geographic Code 941 in accordance with A. I. D. regulations.
- (b) Ocean transportation costs will be financed under the Loan only on vessels under flag registry of the United States or Pakistan, except as A. I. D. may otherwise agree in writing. If A. I. D. determines either that there are no vessels under flag registry of Pakistan generally available for ocean transportation, or that Pakistan has no access to U. S. flag service, A. I. D. in a Project Implementation Letter may agree to finance under the Loan ocean transportation costs on vessels under flag registry of any country included in A. I. D. Geographic Code Book 941. "

14. Except as specifically modified and amended hereby, the Loan Agreement as heretofore amended shall remain in full force and effect.

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

**GOVERNMENT OF PAKISTAN**

By: Sd/-

Name: Sarfraz Khan Malik

Title: Additional Secretary  
Economic Affairs Division

**UNITED STATES OF AMERICA**

By: Sd/-

Name: Arthur W. Hummel, Jr.

Title: Ambassador of the  
United States of America