

A.I.D. Project No. 391-0492
Dollar Appropriation No. 72-117/81037
Budget Plan Code: QES7-87-37391-KG-39
Project Agreement No. 87-20

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

PROJECT COMPONENT OF THE AGRICULTURAL SECTOR SUPPORT PROGRAM (ASSP)

DATED: September 24, 1987

(CONFORMED COPY)

~~Loan and Grant Agreements~~
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FM/PAFD
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GC/ANE
ANE/Desk
ANE/TR Officer
ANE/PD Officer & File
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TABLE OF CONTENTS

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1 Definition of Project Component	1
SECTION 2.2 Incremental Nature of Project Component	2
Article 3: Financing	3
SECTION 3.1 The Grant	3
SECTION 3.2 Grantee Resources for the Project Component	3
SECTION 3.3 Project Assistance Completion Date	3
Article 4: Conditions Precedent	4
SECTION 4.1 Conditions Precedent to First Disbursement	4
SECTION 4.2 Notification	5
SECTION 4.3 Terminal Dates for Conditions Precedent	5
Article 5: Covenants	5
SECTION 5.1 Project Component Evaluation	5
Article 6: Special Condition—Cultivation of Opium Poppy and Processing of Opium into Heroin	6
Article 7: Procurement Source	8
SECTION 7.1 Foreign Exchange Costs	8
SECTION 7.2 Local Currency Costs	8

		<u>Page</u>
Article 8:	Disbursement	9
SECTION 8.1	Disbursement for Foreign Exchange Costs	9
SECTION 8.2	Disbursement for Local Currency Costs	10
SECTION 8.3	Other Forms of Disbursement	11
SECTION 8.4	Rate of Exchange	11
Article 9:	Miscellaneous	11
SECTION 9.1	Communications	11
SECTION 9.2	Representatives	12
SECTION 9.3	Standard Provisions Annex	13

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PROJECT GRANT AGREEMENT FOR PROJECT COMPONENT OF THE
AGRICULTURAL SECTOR SUPPORT PROGRAM (ASSP)

Dated: September 24, 1987

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 Component of the Agricultural Sector Support Program (ASSP) described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project Component. This Project Component, which is further described in Annex 1, is a component of an Agricultural Sector Support Program (ASSP) which also consists of a Commodity Import Program (CIP) component and a Sector Support Grant (SSG) component. The Project Component financed by this Agreement is designed

to provide training and technical assistance to upgrade the capabilities of public and private institutions engaged in agricultural research, education and extension and provide analytical support to the GOP for agricultural policy formulation, implementation and monitoring. Annex 1 attached, amplifies the definition of this Project component. Within the limits of the definition of this Project component, 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 9.2 without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project Component.

(a) A.I.D.'s contribution to the Project Component 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.

(b) Within the overall Project Assistance Completion Date ("PACD") stated in this Agreement, A.I.D., based upon consultation with the Grantee, in Project Implementation Letters may specify 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 Component, 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 7.1 of this Agreement and local currency costs, as defined in Section 7.2 of this Agreement, of goods and services required for the Project Component.

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

SECTION 3.3. Project Assistance Completion Date (PACD).

(a) The PACD, which is September 30, 1993, 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 Component 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 Component, 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 8.1 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 of funds under this Project Component, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish 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 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. Notification

When A.I.D. has determined that the conditions precedent specified in Sections 4.1 have each been met, A.I.D. will promptly so notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent.

If both the conditions specified in Section 4.1 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.

Article 5: Covenants

SECTION 5.1. Project Component Evaluation. The Parties agree to establish an evaluation program as part of this Project Component.

Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project Component and at one or more points thereafter:

- (a) evaluation of progress towards attainment of the objectives of the Project Component;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and,
- (d) evaluation, to the degree feasible, of the overall development impact of the Project Component.

Article 6: Special Condition - Cultivation of Opium Poppy and Processing of Opium into Heroin

The Government of Pakistan (GOP) agrees to undertake appropriate measures to prohibit the cultivation of opium poppy and/or the processing of opium into heroin or morphine base within any area benefiting from the Project Component. In the event that a determination is made that the cultivation of opium poppy and/or processing of opium into heroin is occurring in an area programmed to benefit or benefiting from this Project Component, no assistance under this Project Component directly benefiting that area shall commence and, if commenced, such assistance shall be suspended until the prohibited activity is eliminated. If the prohibited activity found to exist is not fully eliminated within a specified period of time to be agreed upon by the United States

Government and the GOP, all assistance under this Project Component, directly benefiting that area may be terminated. If, prior to the Project Assistance Completion Date (PACD) established by A.I.D. for this Project Component, as it may be from time to time amended, it is determined that the prohibited activity is occurring in an area which has benefitted from the Project Component, and the prohibited activity is not eliminated within a period of time to be agreed upon by the United States Government and the GOP, the GOP shall reimburse A.I.D. for all assistance that the GOP has received from A.I.D. under this Project Component, which has resulted in direct benefits to that village or area in which the prohibited activity is occurring.

Without limitation of other provisions applicable to termination and/or refund as set forth in this Project Component Agreement and Annexes thereto, if A.I.D. determines that A.I.D. is entitled to reimbursement under the provisions of this Article of the Agreement, A.I.D. may require the Grantee to refund the amount of any disbursements from the Grant for which there is an entitlement to reimbursements to A.I.D. in U.S. Dollars within 120 days after receipt of request therefor. Such refunds paid by the Grantee to A.I.D shall be considered as a reduction in the amount of A.I.D.'s obligation under the Grant but may be made available for reuse under the Grant if so authorized by A.I.D. in writing.

Article 7: Procurement Source

SECTION 7.1. Foreign Exchange Costs. Except as A.I.D. may otherwise agree in writing, disbursements pursuant to Section 8.1 will be used exclusively as follows:

(a) to finance the costs of goods and services required for the Project Component 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 or Pakistan.

SECTION 7.2. Local Currency Costs. Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project Component 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 Component.

Article 8: Disbursement

SECTION 8.1. 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 Component, 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 Component; 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 the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the 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 8.2. 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 Component 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; and

(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 8.3. 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 8.4. Rate of Exchange. Except as may be more specifically provided under Section 8.2 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 9: Miscellaneous

SECTION 9.1. 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 & 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 9.2. 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 9.3. 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.

GOVERNMENT OF PAKISTAN

BY: Sd/-

NAME: A. Ghafoor Mirza

TITLE: Joint Secretary

Economic Affairs Division

UNITED STATES OF AMERICA

BY: Sd/-

NAME: Eugene S. Staples

TITLE: Mission Director

USAID/Pakistan

DESCRIPTION OF THE PROJECT COMPONENT OF THE
AGRICULTURAL SECTOR SUPPORT PROGRAM

A. Project Description

The Project Component of ASSP will have two distinct elements; A sectoral training program providing long and short term training to build up the research and training capabilities of Pakistani institutions in the agricultural sector and to expand the pool of skilled personnel available to the national agribusiness sector; and a policy information and management program, which will continue and expand the program of policy analysis, data collection, and institution-building begun under the Food Security Management Project and provide technical support to the ASSP's policy dialogue.

1. The Sectoral Training Program

The ASSP training program will have two major components:

- a. Public sector training: long and short-term training in the United States for university personnel and others in institutions supporting the agricultural sector, reinforced by short-term in-country training and visiting professorships for US faculty in Pakistani institutions.
- b. Private sector training: long and short-term training in the United States to upgrade the technical, professional, and administrative skills of individuals with a background in Pakistani's private sector production, processing, and marketing sectors, as well as short courses in-country to reach a wider agribusiness audience.

FY1987 training (degree and non-degree), study tours and workshops will be offered in the United States. Several workshops are planned in-country. Training will be offered in a wide range of specialities: agricultural sciences (agronomy, plant pathology, genetics, etc.), livestock sciences, food processing, marketing and distribution, business management and public administration, bulk storage and economics.

2. Policy Information and Management

The program of analysis, data collection and institution-building begun under FSM will be continued and expanded under ASSP. The program will have two distinct elements:

- a. Institution-building activities, including technical assistance, formal and informal training, equipment, and other assistance to strengthen the capabilities of the Economic Analysis Network in the Ministry of Food and Agriculture, and the agricultural data collection and dissemination activities of the Federal Bureau of Statistics.

- b. Analytical support to the identification and clarification of policy issues, the formation of reform packages, and the development of consensus on actions to be taken.

Under the FSM Project, the extension of the Economic Analysis Network (EAN) under the ASSP will give particular emphasis to the establishment of a permanent GOP capacity for policy analysis of agricultural issues.

The Agricultural Data Collection component of the FSM Project will also be continued under ASSP. The ADC is assisting the GOP to modify the present agricultural statistics collection system to develop a more accurate and efficient system based in part on the area sampling frame methodology, but incorporating more traditional data collection and publication methods as well.

Under the Post-Harvest Management (PHM) component of the FSM Project, a 1986 feasibility study on bulk storage and handling of wheat has been reviewed by the mission and approved by the GOP. Accordingly, a pilot project will be implemented to determine constraints, operating costs, the use of bulk transport and how the operations of a bulk system could be adopted within the current one.

The final element is technical assistance support activities designed to support identification of appropriate policy reforms, dialogue to develop consensus, and monitoring of progress toward policy benchmarks.

For FY1987, short-term technical consultants will be in country to develop policy documents on bulk storage and handling, feed and livestock, seed, agribusiness and credit.

B. Implementation Plan

1. A.I.D. Responsibilities

A.I.D. will be responsible for: (a) contracting or assisting the host country in contracting for technical assistance; (b) arranging for short and long-term incountry and overseas training; (c) procuring or assisting the host country in procuring vehicles, computers and such other agricultural commodities and equipment as may be mutually agreed upon between the two Governments.

2. GOP Responsibilities

Given the broad dimensions of the Program, the Economic Affairs Division will convene quarterly meetings attended by representatives of Food & Agriculture, Finance, Industries and other related GOP Divisions to discuss Program development and implementation. The Secretary, Food and Agriculture Division, however, serve as the single overall Program counterpart. The GOP counterpart for this Technical Assistance and Training Project is expected to be the Additional Secretary, Food and Agriculture Division and others as GOP and USAID may agree to in writing.

The GOP counterpart(s) would be responsible for (a) all aspects of the implementation of the assigned Project element; (b) providing adequate counterparts to work with consultants; (c) liaising on a day to day basis with A.I.D. representatives and visiting consultants; (d) and, procuring commodities and equipment as may be mutually agreed upon between the two Governments.

SUMMARY OF COSTS FOR PROJECT COMPONENT OF THE ASSP BY EXPENSE CATEGORY AND SOURCE OF FUNDING a/
 (in 000s)

ILLUSTRATIVE

Project Component	Cumulative FY 1987 to date		Life of Project Funding b/ For Project Component	
	AID Grant (in \$)	GOP (in Rs.)	AID Grant (in \$)	GOP (in Rs.)
Technical Services	1,260	-	7,030	-
Training	3,380	-	15,315	-
Contingency	240	-	3,750	-
Other	120	-	3,905	-
Total	5,000	-	30,000	-

a/ Either party may unilaterally, with written notice to the other, adjust line items in this budget to a maximum of 15% per line item, provided, however, that the total obligated amount as shown in the budget is not exceeded.

b/ Subject to the availability of funds to AID for this purpose and to the mutual agreement of both parties to proceed at the time of each subsequent increment.

Note: The three components of this ASSP (Technical Assistance and Training Project, Commodity Import Program, and Sector Support Grant) have a life of program funding of \$300,000,000 subject to the availability of funds.