PD-ABB-866

Loan and Grant Agreements
FM/LMD (If Loan)
FM/PAFD
FM/CAD
GC/ANE
ANE/Desk
ANE/TR Officer
ANE/PD Officer & File
PPC/CDIE/DI

AGREEMENT

BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

FOR

THE SALE OF AGRICULTURAL COMMODITIES

(CONFORMED COPY)

March 15, 1990

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
FOR THE SALE OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Islamic Republic of Pakistan have agreed to the sale of agricultural commodities specified below. This Agreement shall consist of the Preamble and Parts I and III of the Agreement signed June 25, 1987 together with the following Part II.

PART II - PARTICULAR PROVISIONS

Item I. Commodity Table

Convertible Local Currency Credit

Commodity	Supply Period (US Fiscal Year)	Approximate Quantity (Metric Tons)	Maximum Export Market Value ($ Million)
Edible Vegetable Oil	1990	160,000	80.0

Item II. Payment Terms: Convertible Local Currency Credit (CLCC) - Forty (40) Years

A. Initial payment - five (5) percent.

B. Currency use payment - none.

C. Number of installment payments - thirty-one (31).

D. Amount of each installment payment - approximately equal annual amounts.

E. Due date of the first installment payment - ten (10) years after date of last delivery of commodities in each calendar year.

F. Initial interest rate - two (2) percent.

G. Continuing interest rate - three (3) percent.

Item III. Usual Marketing Table

Commodity	Import Period (United States (Fiscal Year)	Usual Marketing Requirements (Metric Tons)
Edible Vegetable Oil	1990	718,000 MT (of which at least 137,000 MT shall be imported from the United States)

Item IV. Export Limitations

A. Export Limitation Period:

The export limitation period shall be United States Fiscal Year 1990, or any subsequent United States Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

B. Commodities to which Export Limitations apply:

For the purposes of Part I, Article III A (4) of this Agreement, the commodities which may not be exported are:

Edible vegetable oil - all edible vegetable oils, including peanut oil, cottonseed oil, soybean oil, sunflower oil, rapeseed oil and any other edible oil or oil-bearing seeds from which these oils are produced, or any manufactured product which is primarily made from these oils or oil-bearing seeds.

Item V. Self-Help Measures

A. The Government of Pakistan agrees to undertake Self-Help Measures to improve the production, storage, and distribution of agricultural commodities, to increase the access of the poor in Pakistan to an adequate, nutritious, and stable food supply, and to undertake related activities which will decrease the incidence of malnutrition in Pakistan.

B. The Government of Pakistan agrees to undertake the following activities and in doing so to provide adequate financial, technical, and managerial resources for their implementation.

SELF-HELP MEASURE No. 1: Improving Nutrition through Better Implementation of Food and Nutrition Programs

To ensure full implementation of policy and programs related to nutrition the Government of Pakistan shall establish appropriate policy-making bodies with adequate authority to ensure policy and program implementation by appropriate government organizations.

Benchmark:

1. The Government of Pakistan shall, by July 31, 1990, establish a body to act as a national nutrition policy council. This body will include members from such agencies as will be involved in studying and implementing policies and program relating to nutrition, including nutrition-oriented food policies. It will be chaired by a high ranking official with sufficient authority to ensure that its policy initiatives are translated into action by the appropriate agencies.

SELF-HELP MEASURE No. 2. Improving Nutrition through Food and Nutrition Policy

The Government of Pakistan shall establish the reduction of malnutrition as a primary objective of its policies and programs relating to food distribution and marketing, as well as to nutrition. The Government of Pakistan agrees to establish a system of monitoring the nutritional status of Pakistan's population on a continuing basis and shall evaluate the effectiveness of governmental food marketing policies in meeting the needs of groups who are determined by the monitoring system to be relatively malnourished. Based on the results of this monitoring and evaluation, the Government of Pakistan shall reform existing policies and adopt new policies as needed to better meet these groups' nutritional needs.

Benchmarks:

1. With the assistance of USAID, the national nutrition policy council, to be established shall, by September 30, 1990, take initial steps to develop a national nutrition monitoring system. These steps shall include identifying the sources of information to be used, identifying the parties responsible for implementing the system, and establishing an implementation plan including, among other things, the periodicity of different monitoring actions. The monitoring system shall focus on identifying the nutritional status of vulnerable groups so that, as its results become available, the Government will in future years be able to identify targeted food and nutrition policies to improve the nutritional status of groups at risk.

2. The GOP shall, by June 30, 1990 make available the computer data tapes of the nutrition survey of 1985-87 and the annual household income and expenditure surveys (HIES), as soon as they are ready, to the agency the GOP chooses to implement the nutrition monitoring system.

3. With the assistance of USAID, the national nutrition policy council, to be established shall, by September 30, 1990, initiate studies of existing systems of subsidized distribution of key food products to determine their effectiveness in improving food consumption and nutrition, both absolutely and in comparison with alternatives such as targeted food distribution programs. Initial steps shall include approving at least one scope of work for such studies and identification of potential investigators to carry out the study.

SELF-HELP MEASURE No. 3: Improving Nutrition through Education

The Government of Pakistan shall promote increased public knowledge about nutrition and malnutrition through such means as public information programs and the integration of nutrition education into the curricula of primary and secondary schools.

Benchmarks:

1. The Government of Pakistan shall initiate action to progressively incorporate nutrition education into primary and secondary schools and teacher training programs.

2. The Government of Pakistan shall continue its program of publicity regarding the consumption of liquid edible oils, including health considerations as well as price factors.

SELF-HELP MEASURE No. 4: Improving Nutrition Through Increased Poultry and Livestock Production

The Government of Pakistan shall, by September 30, 1990, reduce the import duty and internal taxation applicable to imported corn so as to harmonize the taxation of corn and other grains. In revising these policies, the Government of Pakistan shall pursue the objectives of encouraging the use of corn as feed for poultry and livestock as appropriate (thus encouraging domestic production in the corn, livestock, and poultry industries), reducing Pakistan's overall import bill, and encouraging a better balanced diet for the population.

Item VI. <u>Economic Development Purposes for which Proceeds Accruing to the GOP Are to be Used</u>

A. The proceeds accruing to the Government of Pakistan from the sale of commodities financed under this Agreement will be used for financing the Self-Help Measures set forth in this Agreement and for other activities in agricultural development, rural development, improving nutrition, irrigation, flood control, and population planning, in a manner designed to increase the access of the poor in Pakistan to an adequate, nutritious, stable food supply and to decrease the incidence of malnutrition.

B. In the use of proceeds for these purposes, emphasis will be placed on directly improving the lives of the poorest of Pakistan's people and their capacity to participate in the development of their country.

C. The Government of Pakistan will deposit the rupee proceeds from the sale of commodities financed under this Agreement to a special subsidiary account to be named "FY 1990 PL-480", which will be part of the Public Accounts of the Government of Pakistan. The Government of Pakistan will provide the Government of the United States quarterly reports of receipts of rupee proceeds into this special account and of disbursements from it. In addition, the Government of Pakistan will provide the Government of the United States an audited annual statement of receipts by and disbursements from the special account 60 days after the close of the accounts of each Pakistan Fiscal Year.

D. Sectoral allocations to be financed from the special account will be subject to prior agreement by the Government of Pakistan and the Government of the United States. Withdrawals from the PL-480 special account will be made only against reports of expenditures under the sectors for which such allocations have been agreed by the two governments. A preliminary consultation on sectoral allocations will take place as soon as possible after the signing of this Agreement. The Government of Pakistan and the Government of the United States will hold further consultations, at the request of either government, to make such adjustments in the sectoral allocations within the framework of this Agreement as may be required by changes in the Government of Pakistan's budget or in the amount of the rupee proceeds from the sale of commodities financed under this Agreement, and will hold further consultations regarding such other changes as either government may request.

E. The Government of Pakistan agrees to maintain adequate records for not less than three years after the end of the supply period of this Agreement to permit review and examination by the Government of the United States of the generation of sales proceeds and measures taken to implement this Agreement. The Government of the United States shall have the right at reasonable times to inspect and examine transfers, programs, projects or activities identified in this Agreement for local currency financing, including records, procedures and methods pertaining to the disbursements.

F. If the Government of the United States determines that a disbursement from the special account was made otherwise than in accordance with the sectoral distribution as agreed by the two governments or for Self-Help Measures set forth in this Agreement, notice of such determination shall be given by the Government of the United States to the Government of Pakistan, and the governments shall, upon the request of either, consult regarding such determination. If the notice of determination is not rescinded by the Government of the United States within 90 days of receipt of such notice by the Government of Pakistan, at the option of the Government of the United States, the equivalent amount shall be restored for allocation and disbursement in accordance with paragraph D hereof.

Item VII. Reports and Consultations

The Government of Pakistan agrees to supply reports and schedule consultations in accordance with Appendix 3 of the Agreed Minutes.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement. Done at Islamabad, in duplicate, the 15th day of March, 1990.

FOR THE GOVERNMENT OF PAKISTAN

BY:

NAME: Khalid M. Chima

TITLE: Secretary
Economic Affairs Division

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

BY: Robert B. Oakley

NAME: Robert B. Oakley

TITLE: Ambassador of the
United States of America

MINUTES OF THE MEETING HELD ON MARCH 8, 1990

REGARDING THE FISCAL YEAR 1990

PL 480 TITLE I AGREEMENT MARCH 15, 1990

(CONFORMED COPY)

MINUTES OF THE MEETING HELD ON MARCH 8, 1990
REGARDING THE FISCAL YEAR 1990
PL 480 TITLE I AGREEMENT MARCH 15, 1990

Introductory Remarks

The GOP representative initiated the meeting, welcoming the U.S. delegation and expressing his government's appreciation for the PL 480 assistance.

The Agreement

The USG representative made available to the GOP representatives Explanatory Notes concerning the Agreement, which are included as Appendix 1 to these Minutes.

The GOP representatives then began an Item-by-Item review of the six Items in Part II of the draft agreement. The points made in discussion regarding each Item of the Agreement are noted below.

Item I: The USG representative reviewed the commodity mix and the approximate amounts to be imported under the agreement. The USG representative noted that while the quantity of the commodity was only indicative and could be exceeded if commodity prices decrease, the export market value, that is $80 million, may not be exceeded even if commodity prices increase. The USG representative also noted that in no event will purchase authorizations be issued authorizing FY 1990 deliveries until a determination has been made that funds and commodities are available for 1990 delivery.

The USG representative also called attention to the information about U.S. cargo preference requirements contained in the Explanatory Notes.

Item II: The USG representative said that payment terms are the same as last year. He noted, however, that the USG would propose to discuss with the GOP more advantageous payment terms under Item II.B., "Local Currency Credit", in the context of the provisions of section 108 of PL 480 regarding the use of local currency to finance private enterprise development. Pending further discussion of this subject, no provision has been made for payment under Item II.B.

The USG representative brought to the GOP representatives' attention the treatment of losses on Title I cargoes. Any recoveries resulting from claims filed due to losses in shipment may be retained by the GOP. However, the GOP will remain

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obligated to the USG for the full dollar value of the financing, regardless of the outcome of any claims for losses.

Item III: The USG representative noted that Pakistan's projected commercial imports of edible vegetable oils would very likely meet the Usual Marketing Requirements of the Agreement.

In this connection, the USG representative reminded the GOP representatives that PL 480 legislation requires that the GOP must take steps to ensure that the U.S. obtains a fair share of any increase in commercial imports of agricultural commodities by the purchasing country. The USDA has made GSM 102 export credit guarantees available for vegetable oil, maize and pulses in FY 1989 and will offer a similar program in FY 1990 including vegetable oil, wheat, and other commodities.

Item IV: The USG representative pointed out that the export limitation clause applies not only to the fiscal year in which the commodity is imported, and only if some of the commodity is imported but also the year in which it is utilized. Thus it is in Pakistan's interest to make the importation early and complete the utilization before September 30, 1990.

Item V: The USG representative pointed out that even though PL-480 agreements are signed on a yearly basis, the Self-Help Measures in this year's draft Agreement are proposed as a new multi-year theme. In other words, it is proposed that these draft Measures be essentially repeated in future agreements for up to five years, while specific benchmarks for achievement under the Measures would be updated annually. This proposal is based on the work done under Self-Help Measure No. 6 of last year's PL 480 Title I Agreement.

The GOP and USG representatives then reviewed the substance of each proposed Self-Help Measure.

The USG representative also emphasized that reports on Self-Help Measures are due by November 15 of the fiscal year following the signing of the agreement. Delays in receiving these reports could result in delays in processing future years' Title I requests.

Item VI: The USG representative explained that all Title I agreements executed with various countries require a provision for some sales for local currency under sections 106/108 to finance private enterprise development.

The GOP representatives reiterated the earlier discussion on the subject, and explained the serious adverse implications for the future PL 480 agreements. Further, the GOP has a policy of promotion of private enterprise with the commercial banks supplying all the financing demanded by the private sector without funding from or through the budget. Its position is that inclusion of a PL 480 section 106/108 allocation would establish private sector dependence on the budget and ultimately operate to the disadvantage of the private sector.

The U.S. Government representatives advised the GOP representatives that this requirement has been waived for the FY 1990 Agreement.

Related Concerns

The USG representatives informed the GOP that as of June 30, 1989 the GOP was in arrears in PL480 payments by $217.00. The USG representatives asked the GOP to ensure that all arrearages be paid.

The schedu[illegible] signing the Agreement was confirmed to be on March 15, 1990.

FOR THE GOVERNMENT OF PAKISTAN

BY: ______________

NAME: Saad Ashraf

TITLE: Joint Secretary
Economic Affairs Division

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

BY: Jonathan M. Conly

NAME: Jonathan M. Conly

TITLE: Program Officer
USAID Mission to Pakistan

Appendix 1

PL 480 TITLE I FY 1990 AGREEMENT
EXPLANATORY NOTES

A. Agreement

The FY 1990 PL 480 Title I Agreement will consist of: 1) a Preamble, incorporating by reference the Preamble and Parts I and III of the PL 480 Title I Agreement of June 25, 1987; and 2) Part II, which shows the particular provisions applicable to this specific Agreement.

B. Commodity Composition

The commodity composition is shown in Part II, Item I, and consists of edible vegetable oil programmed at approximately 160,000 MT with a value of US$ 80 million. The export market value as specified in Part II may not be exceeded. That is, if commodity prices increase over those used in Part II of the proposed Agreement, the quantity to be financed under the Agreement will be less than the approximate maximum quantity set forth in Part II, Item I. However, should actual prices be lower at the time of purchase, the GOP may purchase up to the maximum export market value.

C. Commodity Deliveries

Supply period of the Agreement is United States fiscal year 1990. In order to expedite implementation of the Agreement after signature, it would be desirable on the part of the Government of Pakistan to proceed expeditiously with (a) the request for Purchase Authorization (PA) through their Embassy in Washington, and (b) subsequent prompt opening of letters of credit for both commodity and freight after PA's are issued, commodities are purchased and vessels are booked.

D. Payment Terms

The financing as set forth in Part II, Item II of the proposed Agreement, provides for $80.0 million under convertible local currency credit (CLCC) terms of forty (40) years credit, including a ten (10) year grace period; interest rates of two (2) percent during the grace period; and three (3) percent for the remainder of the Agreement; five (5) percent initial payment and no currency use payment. These terms repeat those in the FY 1989 Agreement. The GOP is encouraged to consider programming on local currency (Section 108) terms in future years.

E. Usual Marketing Requirements

1. Part II, Item III of the draft Agreement provides for Usual Marketing Requirements (UMR) of 718,000 metric tons of edible vegetable oil of which 137,000 metric tons shall be imported from the United States.

2. Section 103(O) of PL 480 requires that the President must "take steps to assure that the United States obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country." The USDA has made GSM 102 export credit guarantees available for vegetable oil, maize and pulses in FY 1989 and will offer a similar program in FY 1990 including vegetable oil, wheat, and other commodities.

F. Export Limitations

1. Export Limitation Period: The export limitation period shall be U.S. Fiscal Year 1990, or any subsequent U.S. Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

2. Commodities to which Export Limitations apply:

   For the purposes of Part I, Article III A(4) of this Agreement, the commodities which may not be exported are:

   Edible vegetable oil - all edible vegetable oils, including peanut oil, cottonseed oil, soybean oil, sunflower oil, rapeseed oil and any other edible oil or oil-bearing seeds.from which these oils are produced, or any manufactured product which is primarily made from these oils or oil-bearing seeds.

G. Self-Help Measures

1. Section 109(a) of PL 480 requires that, before entering into an agreement for the sale of commodities, consideration be given to the extent to which the recipient country is undertaking, whenever possible, Self-Help Measures to increase per capita production and improve the means for storage and distribution of agricultural commodities. In addition, it is required that particular account be taken to determine the extent to which the measures are being carried out in ways designed to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture. Section 109(a) includes literacy

and health programs for the rural poor as possible subjects for Self-Help Measures.

2. The Self-Help Measures which the purchasing country agrees to undertake shall be described (a) to the maximum extent feasible, in specific and measurable terms, and (b) in a manner which ensures that the needy people in the recipient country will be the major beneficiaries of the Self-Help Measures pursuant to each agreement. To the maximum extent feasible, Self-Help Measures agreed to are to be additional to the measures that the recipient country otherwise would have undertaken irrespective of this Agreement. All appropriate steps are to be taken to determine whether the Self-Help provisions of each agreement and amendment entered into are being carried out. It must be possible, after a given period, such as a year, to determine the extent to which the Self-Help Measures have or have not been carried out.

3. Self-Help Measures should have implementation "benchmarks", specific commitments or targets to measure the extent to which economic development and Self-Help Measures have been carried out. Benchmarks can include physical progress, financial measures, policy changes, price announcements, deadlines for completing research studies, funding or completing projects, signing contracts, or implementing policy changes. Benchmarks should be set so that achieving them will not be automatic, but will require special effort.

4. Section 109 D(1)(b) requires that needy people will be major beneficiaries of Self-Help Measures. Appendix 2 of the Minutes indicates the connection between the Self-Help Measures and the needy.

H. Use of Sales Proceeds

1. Section 106 (B) of PL 480 provides that in negotiating agreements, emphasis shall be placed on the use of such proceeds for purposes which directly improve the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country. Greatest emphasis is required to be placed on the use of such proceeds to carry out programs of agricultural development, rural development, irrigation, nutrition, education, health and population planning, in accordance with Section 109 of PL 480, and programs which are likely to achieve the policy objectives of Sections 103 and 104 of the Foreign Assistance Act of 1961, as amended.

2. Part II, Item V of the draft Agreement specifies Self-Help Measures to be carried out by the Government of Pakistan. Title I sale proceeds from the proposed Agreement can be utilized for programs covered by the Self-Help Measures and for other purposes as specified in Part II, Items V and VI of the Agreement.

3. Review and examination of utilization of sale proceeds from the Special Account applies to sectors identified in accordance with this Agreement, rather than to specific projects or programs. The two governments regard the procedure termed "review and examination" in this Agreement to be equivalent to what are termed "audit" procedures in the United States and Pakistan.

I. Compliance and Reporting Requirements

1. Compliance and reporting are an essential part of the Title I, PL 480 program. The GOP is responsible for compliance with provisions of Articles II and III of Part I of the PL 480 Agreement and submission of timely and accurate quarterly reports on compliance, shipping and arrival information. These shipping reports should contain information on the arrival of PL 480 commodities. Compliance with provision of Article II (F) of Part I requires an annual report on the amount of local currency sales proceeds used for economic development purposes certified by the appropriate recipient government audit authority. This report should detail the receipt and expenditures of the proceeds, showing the budget sectors in which they were used. In this Agreement, the deadline for submission of this certified report has been set for 60 days following the close of the accounts for Pakistan's 1990-91 Fiscal Year. Self-Help reports are due annually as specified in Items V and VII of Part II of the Agreement. Failure to submit timely, accurate and substantive Self-Help, use of proceeds and compliance reports may delay processing of future Title I requests.

2. Determination as to whether Self-Help Measures are being fully carried out is to be made through the established yearly reporting process and through discussion or consultations which take place between the recipient government and United States government personnel. These consultations shall take place by August 31, 1990 and the Self-Help report covering FY 1990 is due by November 15, 1990. The Self-Help report covering FY 1989 is due by November 15, 1989. Any delay or failure to submit accurate and substantive reports will result in late submission of reports/status of progress to Washington,

which can affect timely administration of Title I activities by the U.S. Government.

J. Operational Considerations

1. Purchase Authorizations

Purchase Authorizations will be issued by USDA only upon receipt of an operational reporting cable with specific information on:

a. type and grade of each commodity to be purchased in accordance with official U.S. standards, with an explanation and justification if specifications requested carry a significant price premium that would tend to reduce the quantity purchased;

b. proposed contracting and delivery schedules and the latest feasible terminal delivery date. (Note that for edible vegetable oil "delivery" means delivery of the commodity to the vessel at the U.S. port);

c. U.S. Embassy concurrence and comment on the proposed delivery schedule, based on assessment of Pakistan's capability to receive, store and distribute the commodity in such a way as to prevent spoilage or waste if PA is issued within proposed delivery periods. The Embassy should also include the latest possible terminal delivery date to enable alternative scheduling, regardless of desired delivery schedule, given the above considerations. This date should be as close to September 30, 1990 as possible;

d. name and address of bank(s) in Pakistan and U.S. commercial bank(s), acceptable to CCC, through which letters of credit for commodity purchase and ocean freight will be implemented;

e. assurance that appropriate Pakistani authorities are prepared to make prompt transfers of funds to cover the initial payment and ocean freight costs on the commodities purchased under the Agreement;

f. justification for any ocean freight transportation requirements that may restrict the use, or increase the cost of, U.S. flag vessels.

This information should be developed prior to completion of negotiations and not later than the signing of the Agreement.

2. Instructions to Pakistan's Embassy in Washington

Arrangements must be made by the Government of Pakistan to relay to its Washington Embassy all instructions, information, and authority necessary to ensure timely implementation of the Agreement, including:

a. information outlined in J.1. above;

b. complete instructions regarding arrangements for purchasing the commodity and contracting of freight (including appointment of purchasing and shipping agents, if applicable); and

c. instructions to contact the PL 480 Operations Division, Export Credits, Foreign Agricultural Service (FAS), United States Department of Agriculture (USDA), telephone (202) 447-3664, for assistance in implementing the Agreement.

3. Regulatory and Legislative Requirements

Under the current regulatory and legislative requirements:

a. Purchase of food commodities from private stocks under the Agreement must be made on the basis of Invitations for Bids (IFB's) publicly advertised in the United States and on the basis of bids (offers) which shall conform to the IFB. Bids are to be received and publicly opened in the United States. All awards under IFB's must be consistent with open, competitive, and responsive bid procedures.

b. Terms of all IFB's (including IFB's for ocean freight) must be submitted to the General Sales Manager, FAS, USDA, for review prior to issuance.

c. If the Government of Pakistan nominates a purchasing or shipping agent to procure commodities or arrange ocean transportation under the Agreement, the GOP is required to notify the General Sales Manager, FAS, USDA, in writing, of such nomination and attach a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager, FAS, USDA, in accordance with regulatory standards designed to eliminate certain potential conflicts of interest.

4. Letters of Credit

a. The Government of Pakistan must take appropriate measures to ensure that operable and irrevocable letters of credit for both commodity and freight will be issued, advised or confirmed by U.S. commercial bank(s) previously named by the GOP immediately after commodities are purchased and ocean freight booked.

b. Commodity and ocean freight suppliers may refuse to load vessels when acceptable letters of credit for the commodity or ocean freight are not available at the time of loading. This can result in costly claims by vessel owners (demurrage) and by commodity suppliers (carrying charges).

c. The Government of Pakistan must open letters of credit for one hundred (100) percent of ocean freight not later than forty-eight (48) hours prior to vessel presentation for loading, providing for sight payment or acceptance of a draft in U.S. dollars in favor of the ocean transportation supplier on the basis of tonnage and rates specified in the applicable charter party or booking note.

d. Section 17.14 (m) of PL 480 Title I financing regulations requires that where the ocean freight contract provides for demurrage/despatch, ninety (90) percent of the ocean freight must be paid promptly on arrival of cargo. The remaining ten (10) percent, less despatch if any, should be paid promptly to the carrier upon completion of the laytime statement. Claims against the carrier for damaged or lost cargo should be pursued through normal channels and not be deducted from the ocean freight.

5. Performance Bonds

If the commodity IFB issued by the Government of Pakistan requires a performance bond, the requirement must be fair to both buyer and seller. USDA has developed performance bond language which satisfies these concerns and which may be used in commodity IFB's. The GOP representative in Washington will be able to receive assistance in this matter from FAS, USDA, to coordinate implementation of performance bond language.

6. Cargo Preference Requirements

Under the Food Security Act of 1985, enacted December 23, 1985, the minimum percentage of gross tonnage of commodities financed under PL 480 Title I worldwide to be shipped on U.S. flag commercial vessels has been increased to 75 percent, effective April 1, 1988.

K. Section 108 - Private Sector Lending

Based upon the GOP's conclusion that section 108 is not in their best interest, the proposed Agreement contains no programming on local currency terms for section 108. The portions of the Agreement referring to programming on local currency terms for section 108 are inoperative as long as local currency programming remains at zero.

Appendix 2

BENEFICIARIES OF THE SELF-HELP MEASURES

A central requirement of PL 480 Title I program is that relatively needy people in the importing country be the main beneficiaries of the Self-Help Measures established in the agreement. Implementation of the above Measures, therefore, should be continuously monitored to ensure that this requirement is being met.

The Self-Help Measures are designed to meet this requirement. Measure 2 explicitly sets the reduction of malnutrition as its objective. This should be interpreted primarily as malnutrition due to undernourishment caused by the inability to procure basic food, usually because of low income in the neediest households. However, malnutrition can also result from ignorance or inequity in distribution of food, usually in relatively needy households, but also in higher-income households.

The underlying assumption of Self-Help Measures 2 and 3 is that careful evaluation of food and nutrition policies and programs (including education) in terms of their impact on malnutrition will result in better food and nutrition policies that are primarily targeted at the relatively needy. Self-Help Measure 1 is a basic enabling Measure required to implement the other Measures.

APPENDIX 3

SCHEDULE OF CONSULTATIONS AND REPORTS REQUIRED UNDER FY 1990 AND EARLIER PL 480 AGREEMENTS

In each case, the date mentioned is the deadline. Consultations may occur, and reports may be submitted earlier.

August 31, 1989	-	Consultations to review progress on Self-Help Measures in the FY 1989 Agreement
October 1, 1989	-	Quarterly compliance report
November 15, 1989	-	Report on FY 1989 Self-Help Measures
	-	Audited annual report on proceeds, FY 1988 Agreement
	-	Report on use of proceeds and how they benefit the needy, FY 1988 Agreement
	-	Report on deposits FY 1989 Agreement
January 1, 1990	-	Quarterly compliance report
April 1, 1990	-	Quarterly compliance report
April 15, 1990	-	Preliminary consultations to allocate rupee sale proceeds from the FY 1990 Agreement
July 1, 1990	-	Quarterly compliance report
August 31, 1990	-	Consultation to review progress on Self-Help Measures under the FY 1990 Agreement
October 1, 1990	-	Quarterly compliance report
November 15, 1990	-	Report on FY 1990 Self-Help Measures
	-	Audited annual report on proceeds, FY 1989 Agreement
	-	Report on use of proceeds and how they benefit the needy, FY 1989 Agreement
	-	Report on deposits, FY 1990 Agreement

APPENDIX 4

QUARTERLY COMPLIANCE REPORT
TITLE I PUBLIC LAW 480

1. Usual Marketing Requirements

   a) Summary table indicating:

      Commodity base, unit, requirements, requirement plus shortfall, eligible imports for period under review, total to date, and balance.

   b) Cable indicating quantity imported, by country of origin, date of imports and mode of financing.

2. Exports Restrictions (PL-480 Commodities)

   a) Assurance that during the reporting period commodities received were not resold, transshipped, diverted, or used for other than domestic purposes.

   b) Statement of measures taken to prevent resale, transshipment, diversion, or use for other than domestic purposes.

3. Export Limitations (Same or Like Commodities)

   a) Prohibited Exports:

      1) Assurances that during the reporting period, commodities which are the same as, or like, those imported under PL 480 were not exported.

      2) Statement of measures taken to prevent export of commodities which are the same, or like, imported under PL 480.

   b) Limited Exports (Complete either item (2) or Item (1) of (a) as follows:

Commodity	Commodity Destination (by country)	Quantity and Unit	Date of Export	Value

4. Utilization (Statement that utilization has occurred according to the terms of the agreement, or indication of amount remaining to be utilized)

5. Publicity & Marking (Progress statement)

6. General Comment

7. Signature Block

APPENDIX 5

ATTENDEES
FY 1990 PL 480 TITLE I
March 8, 1990

GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

1. Mr. Saad Ashraf
   Joint Secretary, EAD.

2. Mr. Hasan Mahmood,
   Deputy Secretary, EAD.

3. Mr. Sajid Hassan,
   Deputy Secretary, (E.F.) Finance Division.

4. Mr. Mohammad Sharif,
   Commissioner for Special Crops,
   Food & Agriculture Division.

5. Mr. Zafar Saeed,
   Deputy Educational Adviser,
   Ministry of Education.

6. Mr. Imtaiz Ahmad Khan
   Director of Accounts, EAD.

7. Mr. Ahmad Hussain Malik,
   Director of Accounts, EAD.

8. Dr. Yahya Ashraf,
   Assistant Chief, P&D Division

9. Qazi Mohammad Daud,
   Assistant Chief,
   Ministry of Industries.

10. Mr. Abdul Ghafoor,
    Section Officer, Finance Division.

11. Mr. Abid Hussain,
    Section Officer, EAD.

GOVERNMENT OF THE UNITED STATES OF AMERICA

1. Mr. Jonathan M. Conly,
   USAID/Program Office.

2. Ms. Robin Tilsworth-Rude
   Agricultural Attache, US Embassy.

3. Mr. Joseph S. Ryan,
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4. Ms. Heather Goldman,
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