

A. I. D. Loan No. 493-T-017

4930270

L O A N   A G R E E M E N T

(Thailand: Seed Development Loan)

Between the

KINGDOM OF THAILAND

and the

UNITED STATES OF AMERICA

Dated: December 11, 1975

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## LOAN AGREEMENT

LOAN AGREEMENT, dated December 11, 1975, between the KINGDOM OF THAILAND ("Borrower") acting through the MINISTRY OF FINANCE and the UNITED STATES OF AMERICA ("United States") acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A. I. D. "):

### ARTICLE I - The Loan

SECTION 1.01. The Loan. A. I. D. agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Two Million Four Hundred Thousand United States Dollars (US\$2,400,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02. The Loan shall be used to finance (a) the foreign exchange costs of eligible goods and services required for the Project ("Foreign Exchange Costs") and (b) a portion of the local currency costs of goods and service required for the working capital account elements of the Project ("Local Currency Costs") which portion, except as A. I. D. may agree in writing, shall not exceed Eight Hundred Thousand United States Dollars (\$800,000). The aggregate amount of United States dollar disbursements and the United States dollar equivalent of local currency disbursements made by A. I. D. under the Loan Agreement is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project is designed to assist in Thai agricultural development. It shall consist of

- (a) a seed development program to include--
  - (1) a program for the purchase of foundation seed of improved varieties of selected crops i. e. mungbeans soybeans, maize, peanuts, rice and sorghum,
  - (2) a program for multiplication of this foundation seed through contract farmer growers,
  - (3) the expansion of one (1) existing seed processing plant and the construction of three (3) additional seed processing plants, and
  - (4) a program for distributing processed improved varieties of seed to Thai farmers;
- (b) an inoculant program sufficient to inoculate 500 MT of soybeans yearly; and
- (c) an education, demonstration program to increase the demand for improved seeds.

The Project is more fully described in Annex I, attached hereto, which Annex may be modified in writing by agreement of the parties.

ARTICLE II -- Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two per cent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three per cent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement, and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually on May 1 and November 1, the first payment of interest to become due and payable no later than six (6) months after the first disbursement hereunder. Disbursements hereunder shall be deemed to occur on the dates determined under Section 4.04.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half ( $9\frac{1}{2}$ ) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization

schedule in accordance with this Section after the final disbursement under the Loan has been made.

SECTION 2.03. Application, Currency and Place of Payment.

All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D. C. 20523, and shall be deemed to have been paid when received by the Office of the Controller.

SECTION 2.04. Prepayment. The Borrower shall have the right to prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any prepayment shall be applied first to the payment of any accrued and unpaid interest and then to the remaining installments of Principal in the inverse order of their maturity.

ARTICLE III -- Conditions Precedent

SECTION 3.01. Conditions Precedent to Initial Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to the first disbursement or to the issuance of the first Letter of Commitment or

other commitment document under the Loan, the Borrower shall furnish to A. I. D. in form and substance satisfactory to A. I. D. :

(a) A legal opinion by the Minister of Justice of Borrower, or other counsel acceptable to A. I. D. , that this Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower and is a valid and legally binding obligation of the Borrower in accordance with its terms;

(b) The name of the person or persons who will act as the representative or representatives of the Borrower pursuant to Section 8. 01, together with evidence of his or their authority and a specimen signature of each such person, certified as to its authenticity by either the person rendering the legal opinion pursuant to Section 3. 01(a) or the person executing this Loan Agreement;

(c) Evidence of:

(i) The activation of a National Seeds Committee to provide Project policy guidance;

(ii) Creation of a Project Implementation Committee, composed of representatives of the agencies having substantive concern for the Project, to be responsible for overall guidance of the Project;

(iii) Appointment of a Project Manager with adequate authority to permit effective responsibility for day-to-day Project operations;

(iv) Establishment of an appropriate organizational structure within the Marketing Organization for Farmers to implement those Project activities for which it is to be responsible;

(d) A detailed implementation plan for the Project which sets forth in chronological order the actions required and the party having responsibility therefor;

(e) A financial plan for the Project including a schedule of expenditures by category and a schedule of funding by source which demonstrates that funds required by the Project will be made available on a timely basis;

(f) A plan agreed to within the RTG for extending Project benefits to farmers at the lower end of the income scale;

(g) A plan for procurement of commodities to be financed under the Loan, including any contract proposed to be entered into with a firm to perform procurement services for such commodities.

SECTION 3.02. Conditions Precedent to Disbursement for Local Currency Costs. Except as A. I. D. may otherwise agree in writing, prior to any disbursement for financing the working capital account, the Borrower shall furnish to A. I. D., in form and substance satisfactory to A. I. D.:

(a) A plan for the creation, operation and management of the working capital account for the Project;

(b) A time-phased schedule of the inputs required for the

seed production, processing and distribution components of the Project, including the local currency to be provided from the Loan and the goods and services to be provided by the Borrower, and reflecting that Borrower's expenditures for such goods and services will, over the life of the Project, equal or exceed one half the total of the local currency disbursements under the Loan; and

(c) A detailed plan for marketing Project seed;

(d) With each request for disbursement, evidence that Borrower has available and firmly committed the budget and other resources required to provide the inputs called for by the schedule for the period to be covered by the requested disbursement, and that Borrower has satisfactorily fulfilled its scheduled commitments for the preceding period,

SECTION 3.03. Conditions Precedent to Disbursement for the Inoculant Program. Prior to any disbursements for inoculant facilities and equipment, or import of inoculants, the Borrower shall furnish to A. I. D., in form and substance satisfactory to A. I. D.:

(a) An adequate technical, financial, and economic analysis of inoculant production within Thailand.

SECTION 3.04. Terminal Dates for Fulfillment of Conditions Precedent to Disbursement. Except as A. I. D. may otherwise agree in writing, if the conditions required by Section 3.01 have not been satisfied within 3 months, or if the conditions required by Section 3.02

have not been satisfied within 6 months, or if the conditions required by Section 3.03 have not been satisfied within 12 months after the date of execution of this Loan Agreement, A.I.D. may, any time thereafter, terminate this Loan Agreement by giving notice to the Borrower. Upon such termination, and notwithstanding any other provisions of this Loan Agreement, the Borrower shall repay to A.I.D. the unpaid Principal, if any, and any accrued interest and, upon receipt of full payment in accordance with the foregoing, all other obligations of the Borrower and A.I.D. under this Loan Agreement shall cease.

SECTION 3.05. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01, Section 3.02 and Section 3.03 have been met.

#### ARTICLE IV -- Disbursements

##### SECTION 4.01. Disbursement for Foreign Exchange Costs.

Upon satisfaction of conditions precedent specified in Section 3.01 the Borrower may, from time to time, request A.I.D. to issue, and subject to the provisions of this Loan Agreement A.I.D. shall issue, Letters of Commitment to one or more United States banks in the United States, designated by the Borrower and satisfactory to A.I.D., committing

A. I. D. to reimburse such bank or banks for payments made, through Letters of Credit or otherwise, to finance Foreign Exchange Costs, pursuant to such documentation or requirements as A. I. D. may specify in such Letters of Commitment.

Banking charges incurred by the Borrower in its dealing with United States banks in connection with Letters of Commitment, Letters of Credit and other forms of disbursement shall be for the account of the Borrower and may be financed under the Loan.

SECTION 4. 02. Disbursement for Local Currency Costs.

(a) Upon satisfaction of conditions precedent in Section 3. 02 the Borrower may, from time to time, request A. I. D. to finance local Currency Costs in accordance with the terms and conditions of this Loan Agreement by submitting to A. I. D. such supporting documentation as A. I. D. may prescribe in an Implementation Letter, and A. I. D. shall finance such Local Currency Costs by disbursing local currency to the Borrower or its designee.

(b) The United States dollar equivalent of the Local Currency made available hereunder will be computed at the highest rate quoted to the U. S. Disbursing Officer by any commercial bank in Bangkok for purchase of baht on the date of disbursement.

SECTION 4.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A. I. D. may agree to in writing.

SECTION 4.04. Date of Disbursement. Disbursements by A. I. D. shall be deemed to occur (a) in the case of disbursements pursuant to Section 4.01, on the date on which A. I. D. makes a disbursement to a banking institution pursuant to a Letter of Commitment, or to the Borrower or to its designee pursuant to Section 4.03, and (b) in the case of disbursements pursuant to Section 4.02, on the date of which A. I. D. disburses the local currency to the Borrower or its designee.

SECTION 4.05. Terminal Date for Requests for Commitment Documents and for Disbursements. Except as A. I. D. may otherwise agree in writing, no Letter of Commitment, amendment thereto, or other commitment document, shall be issued in response to requests received by A. I. D. after four and one half ( $4\frac{1}{2}$ ) years, and no disbursement shall be made against documentation received by A. I. D. or any bank described in Section 4.01, or by A. I. D. under Section 4.02, after five (5) years from the date of execution of this Loan Agreement. A. I. D., at its option, may at any time or times after the terminal date for disbursement, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE V - General Covenants and Warranties

SECTION 5. 01. Execution of the Project

(a) The Borrower shall carry out the Project through the MOAC and the Marketing Organization for Farmers with due diligence and efficiency, in conformity with the Project Description attached as Annex I to this agreement, and in conformity with sound financial, administrative and planning practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the terms, rules, regulations, policies, procedures, agreements, statements, schedules, and the other arrangements, including any modifications thereof, as may be approved by A. I. D. pursuant to this Loan Agreement.

SECTION 5. 02. Funds and Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project as described in Annex I attached hereto.

SECTION 5. 03. Annual Planning and Review of Progress. The Borrower and A. I. D. shall cooperate fully to assure that the purposes of the Loan will be accomplished. To this end, unless A. I. D. otherwise agrees in writing, representatives of A. I. D. and the Borrower shall meet at least once each year to review the

progress of the Project, its operations, and other matters relating to this Loan Agreement and the Project.

SECTION 5.04. Management. The Borrower shall provide qualified and experienced management for the Project and it shall train such staff as may be appropriate to augment personnel presently available.

SECTION 5.05. Utilization of Goods and Services. Goods and services financed under the Loan shall be used exclusively for the Project, except as A. I. D. may otherwise agree in writing. This restriction shall apply only until such times as such goods or services can no longer be usefully employed for the Project, provided that no goods financed hereunder shall be exported from Thailand without the prior written approval of A. I. D., and provided further that no goods or services shall at any time be used to promote or assist any project or activity associated with or financed by any country not included in Code 941 of the A. I. D. Geographic Code Book as in effect at the time of such projected use, except with the prior written consent of A. I. D.

SECTION 5.06. Information and Marking. The Borrower shall give publicity to the Project and U. S. support thereto, and shall mark goods financed under the Loan, as prescribed in Implementation Letters.

SECTION 5.07. Notice of Material Developments. The Borrower covenants that it has disclosed to A.I.D. all circumstances which may materially affect the Project or the discharge of its obligations under this Loan Agreement, and shall inform A.I.D. of any conditions which may constitute a default hereunder or which interfere, or which it is reasonable to believe may interfere, with the Project, or the discharge of any of its obligations hereunder.

SECTION 5.08. Inspections. The authorized representatives of A. I. D. shall have the right at all reasonable times, whether prior to completion of the Project or subsequent thereto, to inspect all activities of the agencies under the Project, their utilization of all goods and services financed hereunder, the books and records referred in Section 5.12, and any other documents, correspondence, memoranda, or records relating to the Loan or to the Project. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall afford a reasonable opportunity for authorized representatives of A. I. D. to visit any part of Thailand for any purpose related to the Loan provided for herein.

SECTION 5.09. Taxes and Duties. The Borrower covenants and agrees that this Loan Agreement and the Loan provided for herein shall be free from, and the Principal and interest shall be paid to A. I. D.

without deduction for and free from, any taxation or fees imposed under any laws or decrees in effect within Thailand, or that any such taxes or fees so imposed or payable shall be reimbursed by the Borrower with funds other than those provided under the Loan. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed pursuant to Section 4.01; (b) any property or transactions relating to such contracts; and (c) any commodity procurement transactions financed pursuant to Section 4.01, are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 5.02 of this Loan Agreement with funds other than those provided under the Loan.

SECTION 5.10. Commissions, Fees and Other Payments. The Borrower warrants and covenants that in connection with obtaining the Loan provided for herein or taking any action under or with respect to this Loan Agreement it has not paid and will not pay or agree to pay nor to the best of its knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commission, fees or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical or other comparable services. The

Borrower shall promptly report to A. I. D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of such payment is deemed unreasonable by A. I. D., the party concerned shall cause a reduction satisfactory to A. I. D. to be made therein.

SECTION 5.11. Renegotiation of Terms. The Borrower agrees that at any time or times when it is requested to do so by A. I. D., but not sooner than six (6) months prior to the date the first repayment of Principal is due, it will negotiate with A. I. D. with respect to acceleration of the repayment of Principal by the Borrower. It is agreed that the Borrower and A. I. D. shall mutually determine to what extent repayment of such Principal should be accelerated on the basis of one or more of the following criteria:

- (a) significant improvement in the internal economic and financial situation of Thailand;
- (b) favorable trends in the balance of payments and foreign exchange holdings of Thailand;
- (c) ability of Thailand to make future repayment of A. I. D. loans without interfering with the service of debts owing to any United

States Government agency or any international organization of which the United States is a member.

SECTION 5.12. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained by MOAC and the Marketing Organization for Farmers, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Loan Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired by it or them with funds disbursed pursuant to the Loan;
- (b) the progress of the Project;
- (c) the nature and extent of solicitations of prospective suppliers of goods and services acquired pursuant to the Loan;
- (d) the basis of the award of contracts and orders to successful contractors;
- (e) aggregate of A. I. D. disbursements pursuant to Sections 4.01, 4.02 and 4.03.

Such books and records shall be available at all reasonable times to audit by authorized representatives of A. I. D., and shall be regularly audited by the Audit Council of Thailand, in accordance with acceptable international auditing standards, on an annual basis or for such period

and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Loan Agreement have been paid, which ever date shall first occur.

SECTION 5.13. Reports. The Borrower shall furnish A.I.D. with such information and reports relating to the Project, goods and services financed in whole or part pursuant to the Loan, and the Loan provided for herein, as A.I.D. may reasonably request.

ARTICLE VI - Covenants Concerning Procurement

SECTION 6.01. Procurement Source and Origin. Except as A.I.D. may otherwise agree in writing, and except as provided in Section 6.06 herein for marine insurance, disbursements made pursuant to Section 4.01 shall be used exclusively to finance the procurement for the Project of goods and services, including transportation services, having both their source and origin in those countries noted as eligible under Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services. Transportation services shall be deemed to have their source and origin in such countries if procured from a flag carrier registered in any of such countries.

SECTION 6.02. Procurement from Thailand. Disbursements made pursuant to Section 4.02 shall be used exclusively to finance the procurement for the Project of goods and services having their source, as that term is defined for this purpose in an Implementation Letter, in Thailand.

SECTION 6.03. Date of Procurement. No goods or services may be financed hereunder which arise out of orders or contracts firmly placed or entered into prior to the date of this Loan Agreement, except as A.I.D. may otherwise agree in writing.

SECTION 6.04. Small Business Notification. In order that American small business shall have the opportunity to participate in furnishing goods and services, Borrower shall, except as A.I.D. may otherwise agree in writing, at such time prior to ordering or contracting for any goods and services pursuant to Section 4.01 estimated to cost more than five thousand United States Dollars (US\$5,000) as A.I.D. may specify, cause to be received by A.I.D. such information concerning such goods and services as A.I.D. may require.

SECTION 6.05. Ocean Shipment. At least fifty per cent (50%) of the gross tonnage of all goods financed pursuant to Section 6.01 (computed separately for dry bulk carriers, dry cargo liners, and tankers)

which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels. In addition at least fifty per cent (50%) of the gross freight revenues generated by all shipments financed pursuant to Section 6.01 and transported to Thailand on dry cargo liners shall be paid to or for the benefit of privately owned United States flag commercial vessels. No goods may be financed hereunder which are transported on any ocean vessels or aircraft (a) which A. I. D. in a notice to the Borrower has designated as ineligible to carry A. I. D. financed commodities, or (b) which has been chartered for the carriage of A. I. D. financed commodities unless such charter has been approved in advance by A. I. D.

SECTION 6.06. Marine Insurance. (a) Marine insurance may be financed under the Loan provided (i) such insurance is placed at the lowest available competitive rate in Thailand or any country noted as eligible under Code 941 of the A. I. D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in United States dollars or other freely convertible currency. (b) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Government of the Kingdom of Thailand, by statute, decree, rule or regulation, favors any insurance company of any country over

any marine insurance company authorized to do business in any state of the United States, goods financed hereunder shall during the continuance of such discrimination be so insured in the United States with a company or companies authorized to do a marine insurance business in any state of the United States.

SECTION 6.07. Employment of Contract Personnel. The employment of personnel to perform services under contracts financed pursuant to Section 4.01, in whole or in part, will be subject to all applicable United States legislation and such regulations as A.I.D. may from time to time promulgate or specify, including limitations on the employment of nationals of countries other than Thailand and countries noted as eligible under Code 941 of the A.I.D. Geographic Code Book, as in effect at the time orders are placed or contracts are entered into for such personnel; and, except as A.I.D. may otherwise direct, all such contracts shall include provisions necessary to implement such legislation and regulations.

SECTION 6.08. United States Government Excess Property. The Borrower shall utilize, with respect to goods financed pursuant to Section 4.01 to which the Borrower takes title at the time of procurement, as and to the extent provided in Implementation Letters, such reconditioned United States Government excess property as may be

consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from A. I. D. and A. I. D. will assist the Borrower in ascertaining the availability of and in obtaining such excess property. A. I. D. will make arrangements for any necessary inspection of such property by the Borrower or its representatives. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such excess property may be financed under the Loan. Prior to the procurement of any goods, other than excess property, financed pursuant to Section 4.01 and having sought such A. I. D. assistance, the Borrower shall indicate to A. I. D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government excess property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.09. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such goods and services shall be procured on a fair, and except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.10. Plans, Specifications and Contracts. Except as A.I.D. may otherwise agree in writing, Borrower agrees that it shall submit to A.I.D. for its approval:

- (a) All plans, specifications and schedules related to the Project, and any modifications thereof, prior to their implementation;
- (b) All bid documents and documents concerning the solicitation of proposals relating to procurement of any goods or services pursuant to Section 4.01, and any modifications thereof, prior to their issuance; and
- (c) All contracts financed under the Loan and any modifications thereof, prior to their execution.

ARTICLE VII - Remedies of A.I.D.

SECTION 7.01. Events of Default: Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Loan Agreement;
- (b) The Borrower shall have failed to comply with any other provision of this Loan Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required

under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies; then A.I.D. may, after consultation with the Borrower, at its option give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 7.02 Suspension of Disbursements. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A. I. D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligation under this Loan Agreement;
- (c) Any disbursement would be in violation of the legislation governing A. I. D.; or

(d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies; then A. I. D. may, after consultation with the Borrower, at its option:

(i) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit, in which event A. I. D. shall give notice to the Borrower promptly thereafter;

(ii) Decline to make disbursements other than under outstanding commitment documents;

(iii) Decline to issue additional commitment documents; and

(iv) At A. I. D. 's expense, direct that title to goods financed under the Loan shall be transferred to A. I. D. if the goods are from a source outside the country of the Borrower, and in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 7.03. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 7.02, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, after consultation with the Borrower, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 7.04. Continued Effectiveness of Agreement.

Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Loan Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 7.05. Refunds. If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with the terms of this Loan Agreement, or is not made or used in accordance with the terms of this Loan Agreement, or was at the time of disbursement in violation of the legislation governing A.I.D., at its option A.I.D. may, notwithstanding the availability of any other remedy provided for in Section 7.01, require the Borrower to pay A.I.D. in United States dollars within thirty (30) days after

receipt of a request therefor, an amount not to exceed the amount of such disbursement provided that such request by A.I.D. shall be made not later than five (5) years after the date of the final disbursement hereunder. Any such refund received by A.I.D. shall be applied first to any accrued interest, and then to installments of Principal in inverse order of their maturity.

SECTION 7.06. Waivers. No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Loan Agreement shall be construed as a waiver of any such right, power or remedy.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 7.01 may be charged to the Borrower and shall be reimbursed to A.I.D. in such manner as A.I.D. may specify.

ARTICLE VIII - Miscellaneous

SECTION 8.01. Representatives. For all purposes relative to this Loan Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Finance and A. I. D. will be represented by the individual holding or acting in the Office of Director of the United States Operations Mission to Thailand. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A. I. D. Until receipt by A. I. D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 8.02. Implementation Letters. A. I. D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Loan Agreement.

SECTION 8.03. Communications. Any communication or document given, made or sent by the Borrower or A.I.D. pursuant to this Loan Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram to such party at its following address:

To the Borrower:

Mail Address: Ministry of Finance  
Royal Grand Palace  
Bangkok, Thailand

Cable Address: Minance  
Bangkok, Thailand

To A.I.D.:

Mail Address: United States Operations Mission  
to Thailand  
American Embassy  
Bangkok

Cable Address: USOM  
Bangkok, Thailand

Other addresses may be substituted for the above upon giving of notice as provided herein.

All communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

Executed in quadruplicate at Bangkok, Thailand, on the date first above written.

KINGDOM OF THAILAND

UNITED STATES OF AMERICA

BY

/S/

Minister of Finance

BY

/S/

Ambassador

DESCRIPTION OF THE PROJECT

The purpose of this \$7.9 million project is to cause the use of improved seed by Thai farmers with the expected result being an increase in the productivity and income of Thai farmers.

Three agencies of the Royal Thai Government will be directly involved in the project; the Department of Agriculture (DA), the Department of Agricultural Extension (DOAE), and the Marketing Organization for Farmers. During the project some of the activities initially carried out by the DOAE will be turned over to the Marketing Organization for Farmers. A Thai Project Manager and Seed Project Implementation Committee will organize and coordinate the various project activities that will be carried out by the DA, DOAE, and the Marketing Organization for Farmers.

The project will relate to production of soybeans, corn, rice, mungbean, peanuts, and sorghum. An objective of the project is to produce and distribute 8650 tons of high quality improved seed in the sixth year after project commencement. The distinct project activities that will lead to improved seed availability are production of foundation seed from selected improved crop varieties, multiplication of this improved seed by

contract seed growers, processing of multiplied seed, distribution of processed seed to farmers, and a program to supply farmers with legume inoculant.

1. Foundation Seed Program

The research base for the Project crops is well developed and improving rapidly. Improved seed varieties developed, through this research, will be selected for release for commercial production. The project will enhance the Department of Agriculture's capability to take these small amounts of breeders seed and multiply it under controlled conditions, usually on a research station, dry and process it, and turn it over initially to the Department of Agricultural Extension (DOAE) and as the project evolves to the Marketing Organization for Farmers. Through the project, personnel staffing and facilities will be expanded to produce adequate foundation seed to meet project needs.

2. Seed Multiplication Program

Foundation seed, still in relatively small quantities, will be provided initially by the DOAE and later by the Marketing Organization for Farmers to contract seed growers for multiplication. These agencies will select farmers, give them training in seed production,

and contract with them to produce seed at a premium over regular grain prices. The seed will be collected by the DOAE/MOF and transported to one of its seed processing plants. The project will provide funds for hiring and training personnel to supervise contract growers and vehicles for personnel and transport of seed.

3. Seed Processing

After the seed has been multiplied by the contract growers into quantities large enough for commercial distribution it must be tested, dried, cleaned, treated, bagged, stored, and re-tested; it is then ready for sale to farmers for commercial production. It is anticipated that at the end of six years four seed processing plants will be in operation. One plant presently in operation will be expanded and three additional plants are expected to be constructed and equipped. The project will include construction of processing and storage facilities, provision of equipment and its installation, training of personnel, and provision for working capital necessary for purchasing seed from contract growers.

4. Seed Distribution

Processed high quality seed of known germination, purity and free of weed seed and other foreign material will be distributed to farmers through the Marketing Organization for Farmers. The Marketing Organization will sell seed to individual farmers; farmers

associations, cooperatives, and other RTG agencies. The distribution program will be coupled with an extensive farmer education and seed appreciation program carried out by the DOAE. Special emphasis will be given to providing seeds to small poor farmers. One of the methods used to reach the poorest farmer will be distribution through RTG agencies that deal almost exclusively with the rural poor; i. e. Public Welfare Department, Accelerated Rural Development Office, Community Development Department, etc. The other method is to insure that smaller farmers in the target areas can and do participate in the Project. The project will provide for farmer and extension agent training in the use of project seeds--including extensive demonstration programs that also involve the use of associated inputs with seed.

5. Inoculum Availability

Leguminous crops, particularly soybeans, require rhizobium inoculation to bring about root nodulation or a nitrogen fixation capability. Inoculation of legume seeds before planting is desirable and usually has significant effects on the crop yield, particularly in areas where leguminous crops have not been previously grown. The Project will provide for sufficient inoculant available in Thailand to meet the needs of leguminous seeds produced under the Project.

A foundation seed production program linked with a program of seed multiplication through contract growers and a seed processing program following stringent quality control standards will make available large quantities of improved seed. This improved seed will be distributed to farmers associations, cooperatives, and individual farmers. An education and seed promotion program coupled with extensive training of the RTG officials involved as well as farmer users will be financed under the Project.

To assure that adequate funds are available on a timely basis to finance the seed production, processing and distribution components of the Project, a working capital account will be established and drawn upon by the Marketing Organization for Farmers and the DOAE.

To assist the RTG with implementation of the various project activities seven man years of technical assistance is planned, four man years for a Senior Seed Specialist with marketing experience, and two man years for a Processing and Production Specialist. In addition, twelve man months of short term assistance is planned in various fields; e. g. seed plant engineering, seed regulations and certification, seed marketing, and seed quality control.

An objective of the project is to provide a 1-2 day training program for over 25,000 farmers on improved seed and its accompanying technology. It is planned that over 2,000 contract

farmer seed growers will receive seed production training.

Project targets include producing enough improved seed at the end of six years to meet the following percentages of national requirements: soybeans 31%, corn 6%, rice 2%, peanuts 6%, mungbeans 5% and sorghum 7%. It is expected that over 75% of the farmers in the target areas selected, including poor farmers, will be using seed of improved varieties provided as a result of the Project. An objective is to sell at least 10% of the Project seed to RTG agencies having programs designed to improve the welfare of additional groups of poor farmers.