

No. 16283

**UNITED STATES OF AMERICA
and
PAKISTAN**

**Loan Agreement for malaria control (with annex). Signed at
Islamabad on 10 October 1975**

Authentic text: English.

Registered by the United States of America on 27 January 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

**Accord de prêt relatif à la lutte contre le paludisme (avec
annexe). Signé à Islamabad le 10 octobre 1975**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 janvier 1978.

LOAN AGREEMENT¹ BETWEEN THE PRESIDENT OF PAKISTAN AND THE UNITED STATES OF AMERICA FOR MALARIA CONTROL

Dated: October 10, 1975

A.I.D. Loan No. 391-U-163

TABLE OF CONTENTS

<i>Section number</i>	<i>Title</i>	<i>Section number</i>	<i>Title</i>
Article I. The Loan		Section 4.10.	Equipment maintenance
Section 1.01.	The Loan	Section 4.11.	Technical advisors
Section 1.02.	The Project	Section 4.12.	Review meetings
Article II. Loan terms		Section 4.13.	Compliance with Plan of Operations
Section 2.01.	Interest	Article V. General covenants and warranties	
Section 2.02.	Repayment	Section 5.01.	Execution of the Project
Section 2.03.	Application, currency and place of payment	Section 5.02.	Funds and resources to be provided by Borrower
Section 2.04.	Prepayment	Section 5.03.	Continuing consultation
Section 2.05.	Renegotiation of the terms of the Loan	Section 5.04.	Taxation
Article III. Conditions precedent to disbursement		Section 5.05.	Utilization of goods and services
Section 3.01.	Conditions precedent to disbursement for the 1976 Malaria Program	Section 5.06.	Disclosure of material facts and circumstances
Section 3.02.	Conditions precedent to disbursement for the 1977 Malaria Program	Section 5.07.	Commissions, fees and other payments
Section 3.03.	Conditions precedent to disbursement for the 1978 Malaria Program	Section 5.08.	Maintenance and audit of records
Section 3.04.	Terminal dates for meeting conditions precedent to disbursement	Section 5.09.	Reports
Section 3.05.	Notification of meeting of conditions precedent to disbursement	Section 5.10.	Inspections
Article IV. Special covenants and warranties		Article VI. Procurement	
Section 4.01.	The Pakistan Malaria Control Program	Section 6.01.	Source of procurement
Section 4.02.	Annual plans of action	Section 6.02.	Eligibility date
Section 4.03.	Spray operations	Section 6.03.	Implementation of procurement requirements
Section 4.04.	Surveillance operations	Section 6.04.	Plans, specifications and contracts
Section 4.05.	Research activities	Section 6.05.	Reasonable price
Section 4.06.	Training	Section 6.06.	Shipping and insurance
Section 4.07.	Health education	Section 6.07.	Notification to potential suppliers
Section 4.08.	Urban malaria	Section 6.08.	United States government-owned excess property
Section 4.09.	Integration of malaria activities into basic health services	Section 6.09.	Information and marking
		Article VII. Disbursements	
		Section 7.01.	Reimbursement for foreign exchange costs of goods
		Section 7.02.	Other forms of disbursement
		Section 7.03.	Date of disbursement

¹ Came into force on 10 October 1975 by signature.

<i>Section number</i>	<i>Title</i>	<i>Section number</i>	<i>Title</i>
Section 7.04.	Terminal date for disbursement	Section 8.08.	Non-waiver of remedies
Article VIII.	Cancellation and suspension	Article IX.	Miscellaneous
Section 8.01.	Cancellation by the Borrower	Section 9.01.	Communications
Section 8.02.	Events of default; acceleration	Section 9.02.	Representatives
Section 8.03.	Suspension and disbursements	Section 9.03.	Implementation Letters
Section 8.04.	Cancellation by A.I.D.	Section 9.04.	Promissory notes
Section 8.05.	Continued effectiveness of Agreement	Section 9.05.	Termination upon full payment
Section 8.06.	Refunds	Annex I.	Description of Pakistan Malaria Control Program
Section 8.07.	Expenses of collection		

AGREEMENT made and entered into this tenth day of October, 1975, between the PRESIDENT OF PAKISTAN ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article I. THE LOAN

Section 1.01. THE LOAN. Subject to the terms and conditions of this Agreement, A.I.D. hereby agrees to lend to the Borrower pursuant to the Foreign Assistance Act of 1961, as amended (the "Act"), an amount not to exceed twenty million United States dollars (\$20,000,000) ("Loan") to assist the Borrower in carrying out the Project referred to in section 1.02. The Loan shall be used exclusively to finance the foreign exchange costs of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

Section 1.02. THE PROJECT. The "Project" shall mean the provision of goods and services in support of the Pakistan Malaria Control Program ("Malaria Program") to be carried out in accordance with the revised Plan of Operations adopted by the Government of Pakistan and the World Health Organization ("W.H.O.") for the years 1976-80 ("Plan of Operations"). The objective of the Malaria Program is to eliminate malaria as a major health threat throughout Pakistan. The Malaria Program is more fully described in annex I, attached hereto, which annex may be modified in writing. The goods and services to be financed under the Loan shall be described in more detail in the Implementation Letters referred to in section 9.03 ("Implementation Letters").

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 percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (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, as such date is defined in section 7.03, and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

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 semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) 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.

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., U.S.A., and shall be deemed made when received by the Office of the Controller.

Section 2.04. PREPAYMENT. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

Section 2.05. RENEGOTIATION OF THE TERMS OF THE LOAN. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

Article III. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 3.01. CONDITIONS PRECEDENT TO DISBURSEMENT FOR THE 1976 MALARIA PROGRAM. Prior to disbursement of the Loan for that portion of the Malaria Program to be executed in calendar year 1976, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) an opinion of the Minister of Law of Pakistan or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) a statement of the names of the persons holding or acting in the office of the Borrower specified in section 9.02, and a specimen signature of each person specified in such statement;
- (c) evidence that action has been taken to create the Directorate of Malaria (“DOM”) in the Ministry of Health and Social Welfare (“Ministry of Health”) in accordance with all necessary Government of Pakistan administrative requirements and that DOM is fully operational;
- (d) a signed statement from an authorized representative of each of Pakistan’s four provinces that the Provincial Government (i) will give priority to the Malaria Program, (ii) will marshal for the Province’s Malaria Program all facilities, transport, equipment, supplies, trained personnel and funds in full and on time in accordance with the annual approved Plans of Action, and (iii) is familiar with this Agreement and will carry out the Malaria Program in the province in accordance with its terms and conditions;
- (e) evidence that suitable anti-malaria organizations or other institutional arrangements exist to carry out each province’s Malaria Program effectively;
- (f) evidence of arrangements for the procurement of necessary commodities including, but not limited to, those commodities to be financed under the Loan, including lists and prices of such commodities, and the distribution and utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and utilization thereof;

- (g) a complete statement of procedures for monthly, quarterly and semiannual reviews of the Malaria Program to be conducted pursuant to section 4.12, such procedures including the subjects to be regularly covered at each review meeting;
- (h) evidence that W.H.O. has provided four long-term technical advisors in the following fields:
- 1 Chief Malariologist,
 - 1 Sanitary Engineer (Urban Vector Control),
 - 1 Epidemiologist/Integration/Training Advisor assigned to the Malaria Eradication Training Center,
 - 1 Malaria Program Operations Advisor,
- and that all such advisors have entered into service in Pakistan;
- (i) evidence that firm budgetary allocations have been made of all funds in addition to the Loan necessary to carry out effectively the nationwide Malaria Program in Pakistan fiscal year (FY) 1975-76;
- (j) an implementation plan which establishes effective procedures for:
- (1) selection, assignment and contracting of technical advisors and intermediaries,
 - (2) the determination of research priorities, and
 - (3) training of malaria program personnel in Pakistan and overseas institutions;
- (k) evidence that Plans of Action for 1975-76 for all provinces have been adopted which are acceptable to W.H.O. and A.I.D., and that such Plans of Action are being implemented in accordance with their respective terms;
- (l) a comprehensive plan acceptable to W.H.O. and A.I.D., including details on time-phasing, for the effective surveillance and control of malaria in urban areas, indicating how the plan will be financed and implemented and which organization(s) will be responsible for its execution;
- (m) a comprehensive plan for all provinces acceptable to W.H.O. and A.I.D., including details on time-phasing, for the transfer to, and effective implementation by, provincial health services of responsibility for carrying out malaria control efforts in accordance with the principles set forth in section 4.09;
- (n) evidence that an effective control, repair and maintenance system has been established in each province for vehicles procured for the Malaria Program with the objective of assuring that not more than 10% of such vehicles shall be inoperable at any one time. In order to achieve such objective, an adequate budgetary allocation shall be provided each year for petroleum, oil and lubricants and maintenance of automobiles and motorcycles; and
- (o) a comprehensive plan, including details on time-phasing, under which specific training plans will be devised for each of several manpower and training areas, e.g., curriculum development, personnel selection criteria, training materials and training evaluation.

Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR THE 1977 MALARIA PROGRAM. Prior to disbursement of the Loan for that portion of the Malaria Program to be executed during calendar year 1977, and after the conditions precedent in section 3.01 have been fully satisfied, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) evidence that firm budgetary allocations have been made of all funds in addition to the Loan necessary to carry out effectively the nationwide Malaria Program in FY 1976-77;
- (b) evidence of arrangements for the procurement of necessary commodities, including but not limited to, those commodities to be financed under the Loan, including list and prices of such commodities, and the distribution and utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and utilization thereof;
- (c) evidence that Plans of Action for 1976-77 for all provinces have been adopted which are acceptable to W.H.O. and A.I.D.; and that such Plans of Action are being implemented in accordance with their respective terms;
- (d) evidence that sprayers and microscopes procured for the Malaria Program are being properly maintained so that an adequate supply is available for operational use;
- (e) evidence that the Borrower has established protocols and a time-phased program for carrying out the research activities required by section 4.05;
- (f) a time-phased work plan for health education/information activities to be carried out pursuant to section 4.07;
- (g) evidence that commodities procured for the 1975-76 portion of the Malaria Program have been effectively utilized in each province;
- (h) evidence that satisfactory progress as determined by the semiannual reviews is being made with respect to:
 - (i) the Plan of Operations and Plans of Action; and
 - (ii) the achievement of the goals and objectives set forth in article IV of this Agreement;
- (i) evidence that the technical advisors referred to in section 4.11 have entered into service in Pakistan; and
- (j) evidence that the vehicular control, repair and maintenance systems described in section 3.01(n) are functioning satisfactorily in all provinces.

Section 3.03. CONDITIONS PRECEDENT TO DISBURSEMENT FOR THE 1978 MALARIA PROGRAM. Prior to disbursement of the Loan for that portion of the Malaria Program to be executed during calendar year 1978, and after the conditions precedent in both sections 3.01 and 3.02 have been fully satisfied, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) evidence that firm budgetary allocations have been made of all funds in addition to the Loan necessary to carry out effectively the nationwide Malaria Program in FY 1977-78;
- (b) evidence of arrangements for the procurement of necessary commodities, including but not limited to, those commodities to be financed under the Loan, including list and prices of such commodities, and the distribution and utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and utilization thereof;
- (c) evidence that Plans of Action for 1977-78 for all provinces have been adopted which are acceptable to W.H.O. and A.I.D.; and that such Plans of Action are being implemented in accordance with their respective terms;
- (d) evidence that commodities procured for the 1977-78 portion of the Malaria Program have been effectively utilized in each province;

- (e) evidence that satisfactory progress as determined by the semiannual reviews is being made with respect to:
- (i) the Plan of Operations and Plans of Action; and
 - (ii) the achievement of the goals and objectives set forth in article IV of this Agreement;
- (f) evidence that the vehicular control, repair and maintenance systems described in section 3.01(n) are functioning satisfactorily in all provinces; and
- (g) such other evidence or documents as A.I.D. may reasonably require.

Section 3.04. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. (a) If the conditions specified in section 3.01 shall not have been met within one hundred twenty (120) days from the date of this Agreement or such later date as A.I.D. may agree in writing, A.I.D. at its option may terminate this Agreement by giving written notice to the Borrower. Upon giving of such notice, this Agreement and all obligations of the Parties hereunder shall terminate.

(b) If the conditions specified in section 3.02 shall not have been met within sixteen (16) months from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D. may cancel the then undisbursed balance of the Loan in whole or in part or may terminate this Agreement by giving written notice to the Borrower.

(c) If the conditions specified in section 3.03 shall not have been met within twenty-eight (28) months from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D. may cancel the then undisbursed balance of the Loan in whole or in part or may terminate this Agreement by giving written notice to the Borrower.

(d) In the event of a termination upon the giving of notice under subsection (b) or (c) above, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest, and upon receipt of such payment in full, the Agreement and all obligations of the Parties hereunder shall terminate.

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 have been met.

Article IV. SPECIAL COVENANTS AND WARRANTIES

Section 4.01. THE PAKISTAN MALARIA CONTROL PROGRAM. The Borrower shall carry out, and cause the Provincial Governments to carry out, the Malaria Program with sufficient manpower and funding so that both urban and rural malaria will be effectively controlled in Pakistan. Upon attainment of this objective, the Borrower shall assure that effective urban and rural malaria control is maintained throughout Pakistan with sufficient resources.

Section 4.02. ANNUAL PLANS OF ACTION. The Plan of Operations shall be implemented through annual plans of action ("Plans of Action") prepared by each province with the review and approval of the Ministry of Health, W.H.O. and A.I.D. The Ministry of Health shall have authority to amend, modify or alter Plans of Action with the approval of W.H.O. and A.I.D. The Ministry of Health will ensure uniformity of Malaria Program operations in each province.

Section 4.03. SPRAY OPERATIONS. Insecticide spray operations shall be carried out with sufficient resources throughout Pakistan so that within the next five years malaria will have ceased to be a significant health problem. The Borrower shall cause the Provincial Governments to carry out sufficient total, focal, and selective

spraying coverage in areas of malariogenic potential so that the objectives of the Malaria Program are achieved.

Section 4.04. SURVEILLANCE OPERATIONS. It is understood that malaria surveillance operations provide the necessary epidemiological information for proper program planning and evaluation and are central to the effective administration of the Malaria Program. The Borrower agrees that necessary actions will be taken to assure the effective and successful completion of malaria surveillance operations in all provinces.

Section 4.05. RESEARCH ACTIVITIES. It is understood that a program in basic and applied research is essential to provide necessary epidemiological knowledge on malaria. Studies shall include such topics as insecticide susceptibility, vector investigation in problem areas, role of secondary malaria vectors, use of immunofluorescence assessment techniques and the impact of malaria on economic development. The Borrower shall assure that such research activities are carried out effectively.

Section 4.06. TRAINING. The Borrower assures that adequate Federal and provincial funding shall be provided for in-service and refresher training for Malaria Program staff, as well as for training opportunities for new personnel.

The Malaria Eradication Training Center in Lahore shall continue the pre-service training of supervisory staff at both the professional and sub-professional levels through the organization of malaria control in Pakistan. The Borrower shall also assure that public health personnel are trained in malaria activities and theory and that malaria workers are given suitable training in public health.

Section 4.07. HEALTH EDUCATION. The Borrower shall assure that efforts are undertaken in the field of health education to involve the general public in the Malaria Program and to obtain their cooperation in carrying out the necessary spraying and surveillance activities. Health education will be particularly aimed at schools, village councils, social/community organizations as well as key village and government bodies in the community.

Section 4.08. URBAN MALARIA. The Borrower recognizes that the control of urban malaria is critical to the success of the nationwide Malaria Program. In this connection, the Borrower will assure that anti-malaria and anti-mosquito measures in urban areas are carried out by local government bodies and that financial and manpower needs are met by federal, provincial and local resources.

Section 4.09. INTEGRATION OF MALARIA ACTIVITIES INTO BASIC HEALTH SERVICES. The orderly functional integration of malaria control activities into the provincial basic health services is an important objective of the Malaria Program. The Borrower agrees that malaria control units throughout Pakistan should be integrated into the provincial health service, but in such a way that the goal of effective malaria control is not jeopardized or delayed in achievement.

Section 4.10. EQUIPMENT MAINTENANCE. In order to assist in the achievement of the objectives of the Project, the Borrower shall assure that an effective control, repair and maintenance system for vehicles, equipment and other supplies is instituted and carried out.

Section 4.11. TECHNICAL ADVISORS. (a) Except as A.I.D. may otherwise agree in writing, the Borrower shall employ advisors utilizing Loan funds or non-A.I.D. resources for such technical areas as: (1) urban vector control; (2) vehicle transport and maintenance; and (3) public health administration.

(b) In the event that A.I.D. in consultation with W.H.O. and Borrower determines that the advisors provided pursuant to section 3.01(h) are not sufficient in

number for the satisfactory completion of the Project, the Borrower shall promptly, upon receipt of written notification from A.I.D., request the service of additional W.H.O. advisors in such number and specialties acceptable to A.I.D.

Section 4.12. REVIEW MEETINGS. The Borrower shall cause to be held monthly, quarterly and semiannual review meetings, attended by representatives of national and provincial organizations in Pakistan responsible for carrying out the Malaria Program and by representatives of W.H.O. and A.I.D. The purpose of the review meetings shall be to examine and assess progress in achieving the objectives of the Malaria Program. Plans of activities under the Program shall be reviewed at the meetings and agreed upon by the representatives of the Borrower, W.H.O. and A.I.D. The monthly meetings shall be held in Islamabad, Pakistan, to examine administrative and technical details of the Program. The quarterly review meetings, held in Islamabad or other cities of Pakistan, shall also review Malaria Program administrative and technical details, particularly as they affect the activities of the provincial governments. Responsible provincial officials shall participate in the quarterly meetings. Semiannual review meetings will be held in the summer and winter of each year on dates to be mutually agreed by Borrower, W.H.O. and A.I.D. The summer meeting will be for the purpose of determining conformity with the provisions of this Agreement. The winter meeting will be an external review meeting at which technical and managerial progress toward the program goal for the year shall be evaluated and progress towards Plans of Action for the next year shall be reviewed and recommendations formulated.

Section 4.13. COMPLIANCE WITH PLAN OF OPERATIONS. In carrying out the covenants and warranties in this article IV, Borrower shall assure compliance with the Plan of Operations and the Plans of Action for all provinces with material modifications therein being acceptable to W.H.O. and A.I.D.

Article V. GENERAL COVENANTS AND WARRANTIES

Section 5.01. EXECUTION OF THE PROJECT. (a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound public health, technical, financial and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the contracts, schedules, plans and other arrangements and with all modifications therein, approved by A.I.D. pursuant to this 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 five year Malaria Program. In compliance with this undertaking, the Borrower shall make available to the Ministry of Health on a timely basis the Pakistan rupees and foreign exchange necessary for implementation and completion of the project activities in the Plan of Operations period, including all additional resources necessary to complete the Malaria Program if the amount of the Loan is not sufficient. A.I.D. financing shall not exceed sixty percent (60%) of the foreign exchange costs for each of the first three years of the Malaria Program, up to the total amount of the Loan.

Section 5.03. CONTINUING CONSULTATION. The Borrower and A.I.D. shall cooperate fully to assure that the purposes of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either Party, exchange views through their representatives with regard to the progress of the Project and the Malaria Program, the performance by the Borrower and the Provincial

Governments of their obligations under this Agreement, the performance of the technical advisors and suppliers financed by the Loan, and other related matters.

Section 5.04. TAXATION. This Agreement, the Loan and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and be free from, any taxation or fees imposed under the laws in effect in Pakistan. The Borrower shall endeavor to obtain for all commodities financed hereunder an exemption from identifiable taxes, tariffs, duties and other levies imposed under the laws in effect in Pakistan. As and to the extent that (a) any contractor financed hereunder, any personnel of such contractor and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, duties and other levies imposed under laws in effect in Pakistan, the Borrower, except as A.I.D. may otherwise agree, shall pay or reimburse the same under section 5.02 of this Agreement with funds other than those provided under the Loan.

Section 5.05. UTILIZATION OF GOODS AND SERVICES. (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree to in writing. Upon completion of the Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Project, the Borrower shall use such goods for the continuing Malaria Program pursuant to article IV or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section 5.06. DISCLOSURE OF MATERIAL FACTS AND CIRCUMSTANCES. The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

Section 5.07. COMMISSIONS, FEES AND OTHER PAYMENTS. (a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, 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 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 (including whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the

procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in Pakistan.

(c) A.I.D. from time to time may issue binding instructions concerning the eligibility for financing hereunder of commissions, including brokerage commissions and commissions paid to sales agents or suppliers, and allowances to purchasing agents or importers. Borrower agrees to comply with such instructions, to promptly report to A.I.D. any payment or allowance, or agreement to pay or permit any commissions or allowances, covered by such instructions of which it has knowledge and to reimburse A.I.D. on request, in the amount of any payment or allowance made or permitted contrary to such instructions; provided, however, that this paragraph shall apply only to commissions or allowances arising from contracts or orders made or placed after the receipt by Borrower of notice of such instructions.

Section 5.08. MAINTENANCE AND AUDIT OF RECORDS. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, 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 Agreement have been paid, whichever date shall first occur.

Section 5.09. REPORTS. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request. As partial fulfillment of this obligation, Borrower shall submit to A.I.D. quarterly reports on the procurement status of imported commodities to be financed under the Loan and the status of activities under the Malaria Program.

Section 5.10. INSPECTIONS. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records and other documents relating to the Project, the Malaria Program and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of Pakistan for any purpose relating to the Loan.

Article VI. PROCUREMENT

Section 6.01. SOURCE OF PROCUREMENT. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to section 7.01 shall be used exclusively to finance for the Project the procurement of goods and services having both their source and origin in countries listed in A.I.D. Geographic Code 941 in accordance with A.I.D. regulations. Ocean shipping and marine insurance financed under the Loan shall have both their source and origin in countries listed in A.I.D. Geographic Code 941 in accordance with A.I.D. regulations.

Section 6.02. ELIGIBILITY DATE. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to January 1, 1975.

Section 6.03. IMPLEMENTATION OF PROCUREMENT REQUIREMENTS. The definitions applicable to the eligibility requirements of section 6.01 will be set forth in detail in Implementation Letters.

Section 6.04. PLANS, SPECIFICATIONS AND CONTRACTS. (a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D., promptly upon preparation, all plans, specifications, bid documents, and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans and specifications furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for technical assistance and other professional services;
- (ii) contracts for such other services as A.I.D. may specify; and
- (iii) contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their service and such of their personnel assigned to the Project as A.I.D. may specify shall be acceptable to A.I.D.

Section 6.05. REASONABLE PRICE. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items 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 6.06. SHIPPING AND INSURANCE. (a) Goods financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all goods financed hereunder (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported to Pakistan on ocean vessels shall be transported on privately owned United States-flag commercial vessels, and, in addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed hereunder which shall be transported on any cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels, unless A.I.D. shall deter-

mine that such vessels are not available at fair and reasonable rates for United States-flag commercial vessels.

(c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries listed in A.I.D. Geographic Code 941 in accordance with A.I.D. regulations.

Section 6.07. NOTIFICATION TO POTENTIAL SUPPLIERS. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such time, as A.I.D. may request in Implementation Letters.

Section 6.08. UNITED STATES GOVERNMENT-OWNED EXCESS PROPERTY. The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement such reconditioned United States Government-owned 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 representative. 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 under the Loan and after 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-owned 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. INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of the United States aid, and mark goods financed under the Loan, as prescribed in Implementation Letters.

Article VII. DISBURSEMENTS

Section 7.01. REIMBURSEMENT FOR FOREIGN EXCHANGE COSTS OF GOODS. Upon satisfaction of conditions precedent, A.I.D. shall promptly reimburse the Borrower for foreign exchange costs of goods procured for the Project in accordance with the terms and conditions of this Agreement upon receipt of requests for reimbursement

submitted from time to time by the Borrower accompanied by such supporting documentation as A.I.D. may prescribe in Implementation Letters. Banking charges incurred by the Borrower in connection with Letters of Credit, and such other banking charges as A.I.D. and the Borrower may agree, may be financed under the Loan.

Section 7.02. OTHER FORMS OF DISBURSEMENT. Disbursement of the Loan may also be made through such other means as A.I.D. may specify in Implementation Letters.

Section 7.03. DATE OF DISBURSEMENT. Disbursements by A.I.D. shall be deemed to occur, in the case of disbursements pursuant to section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower or to its designee.

Section 7.04. TERMINAL DATE FOR DISBURSEMENT. Except as A.I.D. may otherwise agree in writing, no disbursement to the Borrower under section 7.01 shall be made against documentation received by A.I.D. after December 31, 1978. A.I.D., at its option, may at any time or times after December 31, 1978, reduce the Loan by all or any part hereof for which documentation was not received by such date.

Article VIII. CANCELLATION AND SUSPENSION

Section 8.01. CANCELLATION BY THE BORROWER. The Borrower may, with the prior written consent of A.I.D. by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit.

Section 8.02. 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 Agreement;
- (b) the Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency; or
- (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, 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 8.03. SUSPENSION AND 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 obligations under this 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 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 or through bank payments made other than under 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 be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are 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 8.04. CANCELLATION BY A.I.D. Following any suspension of disbursement pursuant to section 8.03, if the cause or causes for such suspension shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, 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 8.05. CONTINUED EFFECTIVENESS OF AGREEMENT. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

Section 8.06. REFUNDS. (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within ninety (90) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision of this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third Party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

Section 8.07. 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 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

Section 8.08. NON-WAIVER OF REMEDIES. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers or remedies.

Article IX. MISCELLANEOUS

Section 9.01. COMMUNICATIONS. Any notice, requests, document or other communication given, made or sent by the Borrower or A.I.D. pursuant to this 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 at the following addresses:

To Borrower:

Mail address:

Economic Affairs Division
Ministry of Finance
Planning and Economic Affairs
Islamabad, Pakistan

Cable address:

ECONOMIC
Islamabad

To A.I.D.:

Mail address:

United States Agency for International Development
Islamabad, Pakistan

Cable address:

USAIDPAK
Islamabad

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

Section 9.02. REPRESENTATIVES. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Secretary, Economic Affairs Division and A.I.D. will be represented by the individual holding or acting in the office of the Director, U.S.A.I.D., Mission to Pakistan. 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 9.03. IMPLEMENTATION LETTERS. A.I.D. may from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

Section 9.04. PROMISSORY NOTES. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidence of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

Section 9.05. TERMINATION UPON FULL PAYMENT. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective 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: [Signed]

Name: AFTAB AHMAD KHAN

Title: Secretary

Economic Affairs Division

United States of America:

By: [Signed]

Name: HENRY A. BYROADE

Title: The Ambassador
of the United States of America

A N N E X I

DESCRIPTION OF PAKISTAN MALARIA CONTROL PROGRAM

As a result of an intensive malaria eradication program, supported by the United States and other donors, malaria in Pakistan by 1967 had been brought under control, with but 9,500 cases reported a year, representing about 0.1% of the population. Because of a complex of technical and management problems the "maintenance phase" of the program encountered serious difficulties and the incidence of malaria began again to increase. In 1975 it is estimated that perhaps as many as 15 million people will contract this debilitating, and in some cases fatal, disease.

Faced with the re-emergence of this serious public health problem, the Government of Pakistan, with assistance from the World Health Organization and A.I.D., has developed a revised malaria control plan which seeks, within a five-year period, to reduce the incidence of malaria to a level where the disease is no longer a public health problem in Pakistan and [can] be fully controlled thereafter by minor outlays of public funds.

The five-year Plan of Operations includes a large-scale program of (1) spraying the interiors of rural houses with residual insecticides; (2) continuous surveillance of the population at risk to detect cases of the disease; (3) treatment of cases detected; (4) providing advice and assistance to urban malaria control efforts; (5) research and (6) health education. Provincial Health Departments will be responsible for execution of the program assisted by the Federal

Government's Directorate of Malaria, a new organization in the Ministry of Health. Training of the malaria workers will take place at the Malaria Eradication Training Center in Lahore.

The A.I.D. dollar Loan will assist in financing a portion of the foreign exchange costs of commodities (primarily insecticides) and some technical advisory services required to support the Malaria Program. In addition, a grant of US-owned rupees is planned to assist the Government of Pakistan in financing local costs of the five-year program.
