

No. 16304

**UNITED STATES OF AMERICA
and
THAILAND**

**Loan Agreement relating to modern sericulture technology
(with annex). Signed at Bangkok on 8 September 1976**

Authentic text: English.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
THAÏLANDE**

**Accord de prêt relatif aux techniques modernes de sérici-
culture (avec annexe). Signé à Bangkok le 8 septembre
1976**

Texte authentique : anglais.

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

LOAN AGREEMENT¹ (THAILAND — SERICULTURE/SETTLEMENTS LOAN) BETWEEN THE KINGDOM OF THAILAND AND THE UNITED STATES OF AMERICA

September 8, 1976

A.I.D. Loan No. 493-T-018

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[Annex I]

¹ Came into force on 8 September 1976 by signature.

LOAN AGREEMENT

LOAN AGREEMENT, dated September 8, 1976, 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 six hundred thousand United States dollars (US\$2,600,000) (“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 services required for the Project (“Local Currency Costs”) which portion, except as A.I.D. may otherwise agree in writing, shall not exceed two million four hundred and fifty thousand United States dollars (\$2,450,000.00). 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 establish sericulture production as the primary source of income for fifteen hundred farm families in ten settlement areas in Thailand. The Project is more fully described in Annex I, attached hereto, which Annex may be modified by written agreement of authorized representatives of the Parties designated pursuant to section 8.01, without formal amendment of this Agreement.

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 (10) 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 and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually, the first payment of interest to become due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D. 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 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 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 TO DISBURSEMENT

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 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 or the person executing this Loan Agreement.

(c) A financial plan, approved by concerned agencies for the Project, including financial procedures, and a timed schedule of expenditures by category and by source of funding, which demonstrates that funds required by the Project will be made available on a timely basis.

(d) A plan for development of a cooperative in each participating settlement. Such plan shall include:

- (i) adequate provision for effective management;
- (ii) competent technical and financial operations;
- (iii) salary and non-monetary incentives sufficient to attract and retain qualified staff;
- (iv) appropriate and coordinated technical assistance from various sources; and
- (v) orderly transfer of managerial responsibility from Government Agencies to cooperative staff.

(e) The systems and procedures to be followed in contracting for goods or services to be financed under the Loan which will equal or exceed the sum of ten thousand dollars (\$10,000.00) or the baht equivalent, and a model of the contract to be used for the type of procurement involved; provided, that A.I.D. may, by written notice to Borrower in an Implementation Letter or otherwise, identify particular procurements for which its prior approval of the specific contract, or contractor, or both, will be required.

Section 3.02. *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 120 days after the date of execution of this Loan Agreement, A.I.D., at its option, may terminate this Loan Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the Parties hereunder shall terminate.

Section 3.03. *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 have been met.

Article IV. DISBURSEMENTS

Section 4.01. *Disbursement for foreign exchange costs.* Upon satisfaction on the 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 the conditions precedent in section 3.01 the Borrower may, from time to time, request A.I.D. to finance local currency costs in accordance with 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 in writing.

Section 4.04. *Date of disbursement.* Disbursement 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 section 4.01 and (b) in the case of disbursements pursuant to section 4.02 on the date on 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 (4½) 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 of disbursement reduce the Loan by all or any part thereof for which documentation was not received by such date.

Article V. PROCUREMENT

Section 5.01. *Procurement source and origin.* Except as A.I.D. may otherwise agree in writing, and except as provided in section 5.06 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 5.02. *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 5.03. *Date of procurement.* 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 the date of this Loan Agreement.

Section 5.04. *Small business notification.* In order that American small businesses 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 5.05. *Ocean shipment.* At least fifty percent (50%) of the gross tonnage of all goods financed pursuant to section 4.01 (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 percent (50%) of the gross freight revenues generated by all shipments financed pursuant to section 4.01 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 5.06. *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 5.07. *Employment of contract personnel.* The employment of personnel to perform services under contracts financed pursuant to section 4.01, in whole or 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 5.08. *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 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 5.09. *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 therefore prescribed in Implementation Letters.

Section 5.10. *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, 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 VI. GENERAL COVENANTS AND WARRANTIES

Section 6.01. *Covenants.* (a) The Borrower shall cause the executing agencies to carry out the Project with due diligence and efficiency and in conformity with sound financial, administrative, and planning practices, and, except as the Parties may otherwise agree in writing, in conformity with the Project Description attached hereto as Annex I, and in accordance with the implementation arrangements set forth in part IV, A and B, of the Project Paper dated March 26, 1976, as amended June 7, 1976, and Annexes G, H and I thereto, and such other plans and procedures as may hereafter be agreed upon by the Parties pursuant to this Loan Agreement.

(b) The Borrower shall make available to the executing agencies on a timely basis Thai currency as necessary for the implementation and completion of the Project.

(c) The Borrower shall ensure that an effective program of operation, maintenance and repair, including necessary funding therefor, is provided for all facilities and equipment funded under the Loan.

Section 6.02. *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 6.03. *Annual planning, review and evaluation 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 and evaluate the progress of the Project, its operations, and other matters relating to this Loan Agreement and the Project.

Section 6.04. *Management.* The Borrower shall provide qualified and experienced management for the Project and shall train such staff as may be appropriate to augment personnel presently available.

Section 6.05. *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 and 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 such goods and 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 consent of A.I.D.

Section 6.06. *Taxation 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 firms, any personnel of such contractor financed pursuant to section 4.01, and any property or transaction relating to such contracts

and (b) 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 6.02 of this Loan Agreement with funds other than those provided under the Loan.

Section 6.07. *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 6.08. *Disclosure of material facts and circumstances.* The Borrower represents and warrants that all facts and circumstances that it has 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 6.09. *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 (indicating 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 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 the country of the Borrower.

Section 6.10. *Inspections.* 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 6.12, 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 6.11. *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 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 repayments 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 6.12. *Maintenance and audit of records.* The Borrower shall maintain, or cause to be maintained by the Public Welfare Department, 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 financed under sections 6.01, 6.02 and 6.03. 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. this Loan Agreement have been paid, whichever date shall first occur.

Section 6.13. *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 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 to, 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 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 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 obligations 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 loan agreement, any guaranty agreement or any 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, 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 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 irrevocably committed to third Parties.

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 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 under this Agreement, 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 the remaining installments of Principal in the 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. *Expense of collection.* All reasonable costs incurred by A.I.D., other than salaries of its staff, 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 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

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 notice given 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:

By: SAWET PIAMPONGSANT
Minister of Finance

United States of America:

By: JOHN R. BURKE
Chargé d'affaires

ANNEX I

SERICULTURE/SETTLEMENTS PROJECT

1. The purpose of the Sericulture/Settlements Project is to establish modern sericulture technology among 1,500 farm families in ten settlements in Northeastern Thailand. The goal of the Project is to increase the annual net cash farm incomes of those 1,500 families an average of 50% in 5 years, by increasing both productivity and employment opportunities.

2. Project activities will be carried out under the management of the Public Welfare Department (PWD) of the Ministry of Interior with technical support from the Sericulture Division of the Ministry of Agriculture and Cooperatives (MOAC). Credit facilities will be provided by the Bank for Agriculture and Agricultural Cooperatives (BAAC).

3. The Project design envisions that:

a. PWD will select 300 farms each year for participation in the Project and will provide three central "young" silkworm rearing houses, and related equipment, and one 100 rai central mulberry plantation at each settlement for farmer use on a cooperative basis.

b. Sericulture Division of MOAC will train participating farmers and PWD supervisors and extension workers in the modern sericulture technology. (This involves expansion of the farmer training center at Surin.) MOAC will also supply most of the hybrid silkworm eggs for the project.

c. Each participating farmer will establish 4 rai of mulberry plantation (improved variety) and will construct and equip an "old" silkworm rearing house on his farm.

d. The farmer cooperative established in each settlement area will provide facilities and equipment for cocoon processing and marketing.

e. BAAC will provide the necessary credit to farmers and cooperatives.

f. The PWD will upgrade and maintain 110 kilometers of main roads and 170 kilometers of feeder roads, linking the main highway, the central mulberry plantation, the farmers' rearing houses and the central rearing houses at each settlement.

4. AID loan funds will be used for farmer and co-op credit through the BAAC (up to \$1.3 million) and to reimburse PWD (also up to \$1.3 million) for the establishment of central mulberry plantations, the construction and equipping of central young silkworm rearing houses, the settlement road improvement program, farmer training costs, and management consulting services. AID grant funds up to \$100,000 will be used for evaluation and for third country training. Thus out of the total project cost of \$6,142,000 including provision for inflation and contingency, AID will finance only about 44%. The balance of project costs will be financed by the RTG budget (\$1,975,500) and by BAAC (\$1,466,500).

5. It is expected that by the end of this Project 1,500 farm families in 10 settlements in NE Thailand will be producing a total of 316 metric tons of cocoons suitable for producing 40 metric tons of warp yarn each year. At a price of about \$2.50/kg for hybrid cocoons each farm family should earn \$525 gross income or about \$200 net cash income per year from this project. After their loans are paid off (*in about 9 years*) farmer cash incomes from sericulture should go up to about \$300 per year.
