

No. 16822

**UNITED STATES OF AMERICA
and
PAKISTAN**

**Loan Agreement for on-farm water management (with
annex). Signed at Islamabad on 27 October 1976**

Authentic text: English.

Registered by the United States of America on 10 July 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

**Accord de prêt relatif à la gestion des eaux en milieu rural
(avec annexe). Signé à Islamabad le 27 octobre 1976**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 10 juillet 1978.

LOAN AGREEMENT¹ BETWEEN THE PRESIDENT OF PAKISTAN AND THE UNITED STATES OF AMERICA FOR ON-FARM WATER MANAGEMENT

Dated: October 27, 1976

A.I.D. Loan No. 391-T-172

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¹ Came into force on 27 October 1976 by signature.

LOAN AGREEMENT dated this 27th day of October, 1976, 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, an amount not to exceed seven million five hundred thousand United States dollars (\$7,500,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to reimburse the Borrower for a portion of the foreign exchange and local currency costs of the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

Section 1.02. THE PROJECT. The Project is a five-year pilot program to establish capability within Pakistan's government agencies, private contractors and farmer groups, in planning and carrying out activities necessary for efficient on-farm water management. The activities consist of improvement of irrigation watercourses, precision land levelling and improvement of crop and water management practices. The Project is more fully described in Annex I, attached hereto, which Annex may be modified in writing.

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 semi-annually. 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 semi-annual instalments of Principal and interest. The first instalment of Principal shall be payable nine and one-half (9 ½) 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 instalments 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. ADVANCES AND FIXED AMOUNT REIMBURSEMENT

Section 3.01. ADVANCES AND FIXED AMOUNT REIMBURSEMENT. (a) A.I.D. may authorize one or more disbursements in amounts requested by the Borrower and agreed to by A.I.D. to be made in advance of completed watercourse improvements and land levelling activities ("Advances") upon satisfaction by the Borrower of the General Conditions Precedent to Disbursement specified in Section 3.02 and upon satisfaction by the Borrower for one or more provinces of the Province Specific Conditions Precedent to Disbursement specified in Section 3.03.

(b) The purpose of the Advances is to permit work on the Project to start promptly and be carried out expeditiously in the provinces of Pakistan. Advances shall be liquidated within one year of their making. Consequently, the determination of the amount of Advances will be based on A.I.D.'s estimation of the ability of the Borrower to liquidate Advances within one year. The total amount of Advances made under the Loan shall not exceed two million five hundred thousand United States dollars (\$2,500,000).

(c) A.I.D. may authorize other disbursements under the Loan as and to the extent that watercourse improvements and land levelling activities are completed which satisfy the conditions precedent specified in Section 3.04, provided that the Borrower has satisfied the conditions precedent specified in Section 3.02 and provided that the Borrower has satisfied the conditions precedent specified in Section 3.03 for the province in which the watercourse improvements and land levelling activities are being conducted. These disbursements shall constitute Fixed Amount Reimbursement (FAR) payments as from time to time negotiated by the parties and prescribed in Implementation Letters. From each FAR payment, A.I.D. shall deduct a *pro rata* amount in repayment of outstanding Advances and shall pay the balance of the FAR payment to the Borrower. Normally, fifty percent of FAR payment will be applied to repayment of Advances and fifty percent will be disbursed to the Borrower, but A.I.D. reserves the right to vary these percentages if it believes that otherwise an Advance may not be fully liquidated within one year from the date it is made.

Section 3.02. GENERAL CONDITIONS PRECEDENT TO DISBURSEMENT. Prior to the first disbursement, 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) Procedures for release of federal government funds to the provinces;
- (d) Procedures for periodic reviews of the Project to be carried out in accordance with Section 4.02; and

- (e) Evidence that the Borrower has made arrangements to permit financing of Project activities through credit Institutions, including the provision of adequate rediscounting or other liquidity facilities to these institutions.

Section 3.03. PROVINCE SPECIFIC CONDITIONS PRECEDENT TO DISBURSEMENT. Prior to the disbursement of each Advance in addition to the conditions precedent in Section 3.02 having 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. for each province to which the Advance is applicable:

- (a) The necessary project approval document (PC-1) approved for the province to which the disbursement will be applicable, providing for that province's participation in the Project and providing firm federal and provincial budget allocations of all necessary funds to carry out the Project in the province for the year covered by the Advance;
- (b) Evidence that procedures exist for the release of funds by the province to the Project for utilization;
- (c) Evidence that the provincial Project Director has been appointed, that provincial staff positions to implement the Project have been sanctioned and that sufficient positions are filled with qualified personnel in order to implement initial field activities;
- (d) Evidence that appropriate training programs have been established in the province to provide all field staff with adequate knowledge, skills and expertise required for the Project;
- (e) Criteria, procedures and standards relating to credit and cost-sharing for use in the watercourse improvements, land levelling and water management advisory aspects of the Project;
- (f) A plan, providing credit and tractors as well as other agricultural equipment within the framework of Government-approved policies which will assure that adequate numbers of private contractors will be available in the province to carry out land levelling activities under the Project; and
- (g) Such other evidence or documents as A.I.D. may reasonably require.

Section 3.04. CONDITIONS PRECEDENT TO FIXED AMOUNT REIMBURSEMENT (FAR) PAYMENTS. Except as A.I.D. may otherwise agree in writing, the Borrower shall be entitled to FAR payments as prescribed in Implementation Letters for completed watercourse improvement and land levelling work only if (a) the conditions precedent in Section 3.02 shall have been fully satisfied and the conditions precedent in Section 3.03 shall have been satisfied for the province to which the FAR payment is applicable, and (b) the provincial Project Director has certified in writing to the following effect

- A. With respect to watercourse improvements, that:
1. The watercourse command cluster is located within the approved project area and was selected on the basis of the agreed watercourse command selection criteria as specified by Implementation Letter.
 2. The improvement program was based on adequate planning by trained, qualified staff comprising a project team (the "Team"), which illustratively included a Team leader and one or more of each of the following: Land Development Officer, Watercourse Engineer, Agricultural Officer (water man-

agement) and Field Assistant. The improvements were made in accordance with the plan and they met project specifications.

3. Financial arrangements for the watercourse improvements were satisfactorily implemented.
 4. The Team leader certified that watercourse improvements were completed to the general satisfaction of farmers on the watercourse.
 5. Farmers on the watercourse cooperated effectively in carrying out watercourse improvements through some type of formal or informal water users' association.
 6. Farmers on the watercourse have agreed to maintain the completed watercourse.
 7. Agricultural inputs, including seed, fertilizer and pesticides, and agricultural credit, if necessary, are available through public or private outlets to farmers served by the improved watercourse.
 8. Water management field demonstrations have been established in watercourse cluster areas.
- B. With respect to Precision Land Levelling, that:
1. The land levelled was in the project area and met criteria for inclusion as specified by Implementation Letter.
 2. The initial levelling plan was properly prepared by qualified project staff, estimates of earth to be moved were properly made; the field, when levelling was completed, met project specifications and the Team has provided the farmer with guidance on improved irrigation and farming practices.
 3. The Team leader certified that land levelling work was satisfactorily completed.
 4. The cooperating farmer has agreed to keep his land levelled, and the Team is prepared to provide, and will provide as necessary, technical advice on how to maintain the field in level condition.

Section 3.05. TERMINAL DATE FOR MEETING CONDITIONS PRECEDENT. If all the conditions specified in Section 3.02 and in Section 3.03 (for at least one province) 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.

Section 3.06. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement, specified in Section 3.02 and, as the case may be, in Sections 3.03 and 3.04, have been met.

Article IV. SPECIAL COVENANTS AND WARRANTIES

Section 4.01. IMMEDIATE ACTION PROGRAM. The Government of Pakistan has embarked on a program to improve water management efficiency within the watercourse command area and to ensure water is used more effectively to improve agricultural production. Many long range solutions are expected to result from the recommendations of a comprehensive watercourse command study that may be carried out with World Bank assistance. However, the Government of Pakistan is prepared to formulate and to carry out an immediate action program that can be im-

plemented without having to make fundamental changes in the system. The immediate action program will contain the following elements:

- (a) A farmer education program to assure that all farmers know the Government of Pakistan wants water to be managed and used efficiently, aimed particularly at village councils and leaders, rural cooperatives and water users' associations.
- (b) A more vigorous enforcement of the Canal and Drainage Act and regulations which require (i) farmers to operate and maintain watercourse to the standards established by law and (ii) provincial irrigation departments to provide current irrigation information to farmers about canal closures for rationing, repairs and maintenance and seasonal forecasts of expected availability of canal water.

Section 4.02. PERIODIC REVIEWS. The Borrower will carry out periodic reviews of policies and programs relating to improved on-farm water management. The Borrower will hold quarterly meetings with A.I.D. to evaluate the progress of the Project, including physical improvements, training programs, the performance of field staff and institutional development. Representatives from the provinces shall be included. A joint review meeting will be held annually to evaluate the progress of the A.I.D. and the proposed World Bank assisted on-farm water management projects and decide upon future strategy.

Section 4.03. TRAINED PERSONNEL. The Borrower agrees to use its best efforts to maintain trained water management personnel in the Project and to assign additional personnel for the Project as it expands.

Section 4.04. WATER USERS' ASSOCIATIONS. The Borrower recognizes that the creation of viable water users' associations is a key objective of the Project. During the pilot phase of the Project, different forms of water users' associations will be experimented with, in an effort to arrive at a model that can be replicated widely. The Borrower agrees to consider for possible adoption such legal and institutional changes as may facilitate the development and wider use of water users' associations.

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 engineering, agricultural, financial and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with any contracts, schedules and other arrangements and with all modifications therein, which may be required to be 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 Project. It is understood that the country of the Borrower shall provide at least twenty-five percent (25%) of the costs of the entire Project.

Section 5.03. CONTINUING CONSULTATION. The Borrower and A.I.D. shall cooperate fully to assure that the purpose 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, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants and contractors engaged on the Project, and other matters relating to 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 for the maintenance and operation of the Project.

Section 5.05. 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.

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. 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 payments 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.

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 physical accomplishments of the Project;
- (b) The status of credit and cost-sharing arrangements;
- (c) The performance of contractors; 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.

Section 5.10. INSPECTIONS. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project and the Borrower's books, records and other documents relating to the Project 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 the Project areas 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 pursuant to Section 7.01 shall be made to reimburse the Borrower for the procurement for the Project, of goods and services of A.I.D. Geographic Code 941 and/or Pakistan source and origin.

Section 6.02. ELIGIBILITY DATE. Except as A.I.D. may otherwise agree in writing, FAR payments under the Loan shall be limited to watercourse improvements and precision land levelling activities that commenced on or after July 1, 1976.

Section 6.03. PLANS, SPECIFICATIONS AND CONTRACTS. As and to the extent that A.I.D. may specify in writing, the Borrower shall furnish to A.I.D. promptly upon preparation and shall request A.I.D. approval for all plans, specifications, construction schedules, bid documents, and contracts and any modifications therein relating to the Project.

Section 6.04. INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of United States aid, as prescribed in Implementation Letters.

Article VII. DISBURSEMENTS

Section 7.01. REIMBURSEMENT FOR LOCAL CURRENCY COSTS. Upon satisfaction of conditions precedent applicable to Advances and FAR payments under Article III, the Borrower may, from time to time but not more frequently than once each month, submit requests to A.I.D. for the opening or amendment of irrevocable Special Letters of Credit ("SLCs") by one or more banks in the United States designated by the Borrower and satisfactory to A.I.D., and payable to the Borrower or any designee of the Borrower pursuant to such documentation requirements as A.I.D. may prescribe in SLCs and Implementation Letters. Each SLC or amendment shall be in an amount not less than \$250,000. Banking charges incurred in connection with SLCs shall be for the account of the Borrower and, if requested, may be financed under the Loan.

Section 7.02. 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 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. opens or amends the SLCs there referred to and, in the case of disbursements pursuant to Section 7.02, on the date specified in the other form of disbursement documents.

Section 7.04. TERMINAL DATE FOR DISBURSEMENT. Except as A.I.D. may otherwise agree in writing, no SLC or other commitment document which may be called for by another form of disbursement under Section 7.02, or amendment thereto shall be issued in response to requests received by A.I.D. after June 30, 1979, and no disbursements shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after December 31, 1979. A.I.D. at its option, may at any time or times after December 31, 1979, 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 SLCs or other commitment documents.

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 instalment 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 instalment 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 SLCs or otherwise shall become due and payable as soon as made.

Section 8.03. 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 Agreement; or
 - (c) Any disbursement would be in violation of the legislation governing A.I.D.,
- 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 SLCs 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; and
- (iii) Decline to issue additional commitment documents.

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 SLC or other commitment documents.

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. 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 or of any Advances not repaid by the Borrower under Section 3.01, 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 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 instalment 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 in 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.

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 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,
Government of Pakistan
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 offices of Secretary, Joint Secretary and Deputy Secretary, Economic Affairs Divi-

sion, 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 procedure 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 evidences 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

ANNEX I

DESCRIPTION OF PROJECT

The Project is a five-year pilot program to establish capability within Pakistan's government agencies, private contractors and farmer groups, in planning and carrying out activities necessary for efficient on-farm water management. The Project expands and complements the work now being carried out under the Precision Land Levelling and Water Management Research grant-funded projects.

Within the five years, it is planned that 1,500 watercourses will be improved, 425,000 acres of farm land will be precisely levelled and improved crop and water management techniques

will be adopted by farmers in the project area. Project activities will be carried out in the provinces of Pakistan on schedules appropriate to the degree of readiness of personnel, budgets and plans in each.

The A.I.D. Loan of \$7,500,000 will finance project activities during the first three years. The Loan will be disbursed on a fixed amount reimbursement (FAR) basis, with a series of advances of funds followed by disbursements tied to certification of work units completed.
