

**No. 17229**

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**UNITED STATES OF AMERICA  
and  
NEPAL**

**Project Agreement relating to the improvement of food crop  
production (with annexes). Signed at Kathmandu on  
4 August 1977**

*Authentic text: English.*

*Registered by the United States of America on 24 November 1978.*

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

**Accord de projet relatif à l'amélioration de la production  
des cultures vivrières (avec annexes). Signé à Katman-  
dou le 4 août 1977**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 24 novembre 1978.*

PROJECT AGREEMENT<sup>1</sup> BETWEEN THE DEPARTMENT OF STATE,  
AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN  
AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF  
AMERICA, AND THE MINISTRY OF FINANCE

AN AGENCY OF HIS MAJESTY'S GOVERNMENT OF NEPAL

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

- PROJECT DESCRIPTION ANNEX A
- LOCAL CURRENCY NEPAL STANDARD PROVISIONS ANNEX
- STANDARD PROVISIONS ANNEX<sup>2</sup>
- SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- |   |                                       |
|---|---------------------------------------|
| <input checked="" type="checkbox"/> GENERAL AGREEMENT FOR TECHNICAL COOPERATION | Date<br>January 23, 1951 <sup>3</sup> |
| <input type="checkbox"/> ECONOMIC COOPERATION AGREEMENT                         | Date                                  |
| <input type="checkbox"/> (other)  | Date                                  |

- |  |   |
|--|---|
| 1. Project/Activity No.<br>367-0114                              |   |
| 2. Agreement No.<br>FY 1977-8                                    | 3. <input checked="" type="checkbox"/> Original or Revision No. _____ |
| 4. Project/Activity Title<br>INTEGRATED CEREALS                  |   |
| 5. Project Description and Explanation<br>(See annex A attached) |   |
| 6. AID Appropriation Symbol<br>Multiple                          | 7. AID Allotment Symbol<br>Multiple                                   |

8. AID Financing	Previous total (A)	Increase (B)	Decrease (C)	Total to date (D)
<input checked="" type="checkbox"/> LOCAL CURRENCY				
(a) Total . . . . .		Rs 1,54,03,904		Rs 1,54,03,904
		NC		NC
		\$1,668,000		\$1,668,000
(b) Contract services . . . .		1,668,000		1,668,000
(c) Commodities . . . . .				
(d) Other costs . . . . .		Rs 1,54,03,904		Rs 1,54,03,904
		NC		NC

<sup>1</sup> Came into force on 4 August 1977 by signature, in accordance with paragraph 0 of the Project Agreement Local Currency Standard Provisions Annex.

<sup>2</sup> United Nations, *Treaty Series*, vol. 1084, No. I-16587.

<sup>3</sup> *Ibid.*, vol. 184, p. 65.

	<i>Previous total</i> (A)	<i>Increase</i> (B)	<i>Decrease</i> (C)	<i>Total to date</i> (D)
9. Cooperating Agency Financing Dollar Equivalent \$1.00 = Rs 12.45 NC				
(a) Total . . . . .		Rs 38,23,000		Rs 38,23,000
		NC		NC
(b) Technical and other services . . . . .				
(c) Commodities . . . . .				
(d) Other costs . . . . .				

10. Special Provisions (*Use Additional Continuation Sheets, if Necessary*)

The Cooperating Government Agency agrees to execute an assignment to A.I.D. upon request, of any cause of action which may accrue to the Cooperating Government Agency in connection with or arising out of the contractual performance or breach of performance by a party to a direct contract with A.I.D. financed in whole or in part out of funds provided by the United States Government under this Agreement.

11. Date of Original Agreement August 4, 1977	12. Date of this Revision	13. Estimated Final Contribution Date September 30, 1981
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14. For the Cooperating Government or Agency

[Signed]

Signature: D. R. KOIRALA

Date:

Title: Secy., Min. of Food, Ag. and Irrigation,  
HMG/N

[Signed]

N. K. ADHIKARY

Secy., Min. of Finance, HMG/N

15. For the Agency for International Development

[Signed]

Signature: L. DOUGLAS HECK

Date:

Title: Ambassador

[Signed]

SAMUEL H. BUTTERFIELD

Director, USAID/Nepal

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The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:		1. Project/ Activity No. 367-0114	
<input type="checkbox"/> PROJECT DESCRIPTION ANNEX A	<input type="checkbox"/> FOREIGN CURRENCY STANDARD PROVISIONS ANNEX	2. Agreement No. FY 1977-8	3. <input checked="" type="checkbox"/> Original or Revision No. _____
<input type="checkbox"/> STANDARD PROVISIONS ANNEX	<input type="checkbox"/> SPECIAL LOAN PROVISIONS ANNEX		
This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:		4. Project/Activity Title INTEGRATED CEREALS	
<input type="checkbox"/> GENERAL AGREEMENT FOR TECHNICAL COOPERATION	Date	5. Project Description and Explanation (See annex A attached)	
<input type="checkbox"/> ECONOMIC COOPERATION AGREEMENT	Date	6. AID Appropriation Symbol 72-11X1023	7. AID Allotment Symbol 402-50-367-00-69-71
<input type="checkbox"/> (other)	Date		
8. AID Financing		Previous total (A)	Increase (B)
<input checked="" type="checkbox"/> DOLLARS			Decrease (C)
<input type="checkbox"/> LOCAL CURRENCY			Total to date (D)
(a) Total . . . . .			\$1,668,000
(b) Contract Services . . . . .			1,668,000
(c) Commodities . . . . .			
(d) Other Costs . . . . .			

9. Cooperating Agency Financing Dollar Equivalent \$1.00 =	<i>Previous total (A)</i>	<i>Increase (B)</i>	<i>Decrease (C)</i>	<i>Total to date (D)</i>
(a) Total . . . . .				
(b) Technical and other Services . . . .				
(c) Commodities . . . . .				
(d) Other Costs . . . . .				

PROJECT AGREEMENT BETWEEN THE DEPARTMENT OF STATE,  
AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN  
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- PROJECT DESCRIPTION ANNEX A       FOREIGN CURRENCY STANDARD PROVISIONS ANNEX
- STANDARD PROVISIONS ANNEX       SPECIAL LOAN PROVISIONS ANNEX

1. Project/Activity No.  
367-0114

2. Agreement No.  
FY 1977-8

3.  Original or Revision No. \_\_\_\_\_

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

GENERAL AGREEMENT FOR TECHNICAL COOPERATION

Date

ECONOMIC COOPERATION AGREEMENT

Date

(other)

Date

4. Project/Activity Title:  
INTEGRATED CEREALS

5. Project Description and Explanation  
(See annex A attached)

6. AID Appropriation Symbol  
72FT520

7. AID Allotment Symbol  
286-50-367-00-69-00

8. AID Financing

- DOLLARS  
 LOCAL CURRENCY

Previous total  
(A)

Increase  
(B)

Decrease  
(C)

Total  
to date  
(D)

(a) Total . . . . .

Rs 1,54,03,904  
NC

Rs 1,54,03,904  
NC

(b) Contract services . . . . .

(c) Commodities . . . . .

(d) Other costs . . . . .

Rs 1,54,03,904  
NC

Rs 1,54,03,904  
NC

9. Cooperating Agency Financing Dollar Equivalent	<i>Previous total</i> (A)	<i>Increase</i> (B)	<i>Decrease</i> (C)	<i>Total to date</i> (D)
\$1.00 =				
(a) Total . . . . .				
(b) Technical and other Services. . . . .				
(c) Commodities . . . . .				
(d) Other costs . . . . .				

ANNEX A

I. PROJECT DESCRIPTION

*Project Purpose*

The purpose of this project is to increase the capacity of the Ministry of Food, Agriculture and Irrigation (MFAI) to: (a) generate improved production technology for the major food-grain crops and related cropping systems, particularly as they relate to small hill farmers; and (b) transfer that technology and the means to implement it to Nepalese farmers to increase production.

The project provides assistance to His Majesty's Government of Nepal (HMG/N) in its efforts to improve the well-being of the population, particularly small hill farmers through increasing the productivity of their land and labor. Thus, the project should provide a real basis for improving their nutritional status and income. Specifically, the project will increase food-grain production and the average productivity of Nepal's food-grain cropping system used by small hill farmers.

The project is designed to be implemented primarily by strengthening the reciprocal flow of information between the established agricultural research and extension networks of HMG/N and the typical Nepalese farmer. This objective is to be approached through: (1) increasing the capability of regional agricultural offices to absorb information from and disseminate information to National centers; (2) strengthening the capability of HMG/N to deal with the problems of typical farmers (e.g., through research programs emphasizing typical agronomic practices, mixed cropping, minimal advanced chemical inputs or mechanical power, and through economic research oriented towards definition of typical farming systems); (3) provision of an extensive research/field trial kit program conducted with several combinations of inputs on very small holdings; and (4) increasing the capability of HMG/N to produce, store and disseminate improved seed. All personnel associated with the project will have the opportunity to work in association with typical Nepalese farm enterprises.

USAID/N will support this project by assisting in financing the services of advisory teams, participant training, commodity inputs, local social-science research, experiment station improvement, and local currency support costs.

II. PROJECT ACTIVITIES—DOLLAR FINANCED

1. *Technical Advisory Assistance*

USAID/N will provide \$1,078,000 to cover additional advisory services under the International Agricultural Development Services (IADS) host country contract. The amount cited above represents partial funding of the advisory services required for the project as outlined below. Subsequent AID funding increments for advisory services will be subject to the availability of funds for this purpose and to the mutual agreement of the parties. The IADS team of experts will help staff the three coordinated cereals experiment stations (Rampur—Maize, Bhairawa—Wheat, Parawanipur—Rice) the Khumaltar station and will assist personnel of the MFAI plan and arrange for the: (a) acquisition

of supplies and equipment; (b) construction of research facilities; and (c) training of counterparts and participants. These advisors will not only provide assistance to conduct research on the central and outlying experiment stations and state farms, but will, in cooperation with the Nepalese field personnel and the regional team, work down to individual private farms. In this way, the new technology will be comprehensively tested and the agriculture workers and cooperating farmers will have it evaluated and demonstrated to them on farms in their areas. The advisors being provided under the project include:

- Senior Plant Breeder, Rice;
- Senior Agricultural Production Economist;
- Senior Agronomist, Maize;
- Senior Agronomist, Wheat/Barley;
- Senior Agronomist, Multiple Cropping;
- Senior Agricultural Production Agronomist/Trainer;
- Senior Plant Breeder, Maize; and
- Short-term Consultants.

In addition, the United States Peace Corps has agreed to furnish production specialists to assist in the project's research/outreach activities.

## 2. *Participant Training*

USAID/N will provide \$498,000 to cover participant training costs under the IADS host country contract in addition to the funds already provided for this purpose. The amount cited above represents partial funding of the total participant training costs as outlined below for this project. Subsequent AID funding increments for participant training will be subject to the availability of funds.

Training will be provided in following illustrative areas: pest control, maize breeding, botany, plant pathology, agronomy (mixed cropping emphasized), agricultural economics, rural sociology, plant breeding, soil fertility, water control, seed production, etc. Long-term training will be initiated early in the project so that the trainees can return to Nepal well before the departure of their counterparts in order to receive additional on-the-job training and to provide some overlap. Short-term training will be provided in subject matter areas for which specific deficiencies are identified. In addition to the training listed above being financed under the IADS Host Country Contract, AID may finance directly approximately 2 short-term training opportunities each year.

Upon receipt of training requests from HMG/N, the Contractor, with the approval of USAID/N, will arrange and finance both academic and non-academic training programs.

It is understood that costs associated with the participant training element of this project will be shared as follows:

HMG/N will provide

- (1) For all HMG/N nominees, the cost of travel within Nepal and of associated living expenses in connection with administrative processing and orientation schedules by USAID/N as well as English Language Improvement where needed, except as may be otherwise agreed for non-government employees;
- (2) The cost of passports, visas or other steps incidental to overseas travel for participants;
- (3) The cost of round-trip airline tickets for participants to the limits of the then existing service by Royal Nepal Airlines Corporation (RNAC) on the usually travelled route of travel to the proposed training site;
- (4) Continued pay and allowances for HMG/N employees during the period of training.

USAID/N will provide the costs of actual training and living allowances of the participants while engaged in training abroad and any international travel beyond the limit of RNAC services. Specific training programs and participants will be detailed in non-funded FY 1977 PIO/Ps.



### 3. *Commodities*

USAID/N will provide \$92,000 to cover commodity costs under the IADS Host Country Contract in addition to the funds already provided for this purpose. The amount cited above represents partial funding of the total Commodity Costs for this project. Subsequent AID funding increments for commodities will be subject to the availability of funds. An illustrative list of commodities envisioned for this project would include laboratory equipment and supplies, training materials, small farm demonstration machinery and equipment, vehicles, miscellaneous equipment for the research stations and seed programs.

## III. PROJECT ACTIVITIES—LOCAL CURRENCY FINANCED

### A. *Construction and Research*

USAID/N will provide Rs 1,54,03,904 NC (Rs 59,43,072 NC for HMG/N FY 77–78 and Rs 94,60,832 NC for HMG/N FY 78–79) for the following representative local currency activities of the project:

#### a. *Civil Construction*

1. Hill Storage Buildings
2. Research Stations

##### Bhairawa

- Foundation Seed Plant
- Workshop
- Working Shed
- Training Accommodations/Lecture hall

##### Rampur

- Foundation Seed Plant
- Staff Quarters
- Officer Quarters
- Workshop

##### Parwanipur

- Foundation Seed Plant
- Storage
- Workshop

3. Pilot Seed Plant

#### b. *Equipment*

- Pilot Plant
- Foundation Seed Plants
- Repair and Maintenance

#### c. *Research/Production Kits*

In addition to the funds shown above for FY 1978, USAID/N expects that approximately Rs 40,62,000 NC will be available from prior-year USAID/N carryover plus unreleased funds under this project for the continuation of construction activities listed under the Original TQ-5 Project Agreement. The detailed plan for the utilization of these funds (including USAID/N carryover plus unreleased) will be developed annually by HMG/N and agreed to by HMG/N and USAID/N through an exchange of letters.

### B. *Social Science Research*

In addition to the above local currency support, HMG/N agrees that USAID/N may provide additional local currency funds for the purpose of contracting within Nepal for social science research directly related to the project. All such contracts will be subject to the approval of the

HMG/N and administered by the IADS team. These funds are not a part of obligation of this Agreement, but will be obligated by an exchange of letters between USAID/N and HMG/N describing the details of each social science research proposal and providing approval. This exchange of letters shall serve as the basis for the obligation of these funds.

#### C. *Contractor Support*

Likewise, USAID/N will provide additional local currency funds to the IADS team for the purpose of defraying costs of in-country logistical and administrative support. The obligation of funds for this purpose will be accomplished only following approval by HMG/N. HMG/N approvals may be in the form of an exchange of letters between USAID/N and HMG/N describing elements of the IADS budget and providing approval of this budget. This exchange of letters shall serve as the basis for the obligation of these funds.

### IV. PROJECT ADMINISTRATION

#### A. *USAID/N Administration*

USAID/N will continue to provide technical services, participant training and commodities through the IADS contract and the local currency financing as described above. USAID/N's role in project implementation will be primarily a monitoring function with the contractor being responsible for most project activities. The Agriculture Sector Development Officer, USAID/N, will serve as USAID/N project representative for this project.

#### B. *HMG/N Representatives*

The project will be under the general policy guidance of and be coordinated by the Secretary of the Ministry of Food, Agriculture, and Irrigation. The Director General of the Department of Agriculture will serve as Project Director and will be responsible for the direction of project activities.

#### C. *Project Activities*

Specific project activities will be in accordance with workplans and understandings jointly developed by the HMG/N Project Director and his staff and the Contract Team. USAID/N will review these plans in order to ensure that they are consistent with project objectives.

### V. PROJECT FINANCING

#### A. *USAID/N Contribution*

In this Project Agreement, USAID/N obligates US \$1,668,000 for the IADS contract as follows: technical assistance US \$1,078,000, commodities US \$92,000 and participant training US \$498,000. Likewise, USAID/N obligates Rs 1,54,03,904 NC for the activities described in Part III of this agreement.

#### B. *HMG/N Contribution*

HMG/N will provide counterparts to each of the eventual Contract Team specialists. The Contract specialists will be fully integrated into the respective institutions with which they are working, with office space, responsibilities, work attendance, and involvement in institutional activities being comparable to that of the Nepali staff.

HMG/N will provide office space for Contract personnel at the National Crop Coordination Headquarters, at Khumaltar Research Station, and/or at the Department of Agriculture, as required.

When manpower and training plans are developed for the National Crop Coordination Teams and the Department of Agriculture, HMG/N will ensure that the necessary positions are created, that adequate funds are budgeted, and that the positions are filled with adequately trained personnel.

Under this Project Agreement, HMG/N agrees to contribute Rs 38,23,000 NC during FY 77-78 for this project. This contribution will be made in the form of salaries of project personnel, in

managerial overhead, and in funds for counterpart in-country travel, for publication of materials, for support of in-service training programs, for warehousing and security of commodities procured, and for a portion of the materials used in and transport costs associated with the research-demonstration field trials.

#### VI. RELEASE PROCEDURE FOR LOCAL CURRENCY

The release/s of the local currency funds obligated under this Project Agreement will be made only after HMG/N has submitted to USAID/N the necessary certified expenditure statement of USAID/N funds released under the previous project agreements for this project.

After the signing of this document, upon receipt of statement of expenditures of prior year releases of USAID/N funds and upon receipt of a written request from the Ministry of Finance, HMG/N, for a release, USAID/N will make an initial release, adjusted by carryover, of 50% of USAID/N's share of the joint annual budget agreed upon between HMG/N and USAID/N.

USAID/N's second semi-annual release of the remaining 50% of the USAID/N's share of the joint annual budget agreed upon between HMG/N and USAID/N will be made upon receipt of written request(s) from the Ministry of Finance, HMG/N enclosing statements showing the amount of HMG/N releases to the project, a certified final expenditure statement and a certified expenditure statement covering the first quarter of the current HMG/N fiscal year (034/035).

Within six months after the end of each HMG/N Fiscal Year (HMG/N FY ends 7/15), the Ministry of Finance, HMG/N, will submit a statement showing the total HMG/N and USAID/N releases and the total expenditures (including advances) under the Project Budget covering the HMG/N's fiscal year. These statements will be reviewed each year to ensure that both HMG/N and USAID/N met the agreed upon proportional contributions per the agreed upon annual budget.

#### VII. CARRYOVER COMPUTATION

In determining the carryover resulting from the previous TQ-5 Project Agreement unexpended project funds, the following formula will be utilized:

1. Actual joint USAID/N and HMG/N releases to project;
2. Less the actual reported project expenditures exclusive of any uncleared advances;
3. Equals joint unexpended project funds;
4. USAID/N's share of joint unexpended project funds will be determined by using the same ratio of contribution as shown in the TQ-5 Project Agreement adjusted by any shortfall or overage on the part of HMG/N's contribution.

Any carryover determined under the above provisions will be applied against the USAID/N contribution in Nepalese FY 034/035 (FY 1978) unless otherwise agreed to in writing by USAID/N.

Upon termination of this Project Agreement, HMG/N will promptly refund USAID/N's share of any unexpended project funds utilizing the same formula set forth above.

#### VIII. OTHER PROVISIONS

##### A. *Relation of U.S. Assistance to Other Aid Donor Assistance*

It is understood that U.S. assistance to the activities covered by this Project Agreement will be provided only insofar as such assistance does not duplicate assistance provided by other aid donor(s).

##### B. *Evaluation*

There will be an annual evaluation of the progress achieved toward the objectives of the project and the constraints that may inhibit such achievement. This annual evaluation will be carried out by HMG/N, USAID/N and IADS at a time and place determined to be mutually agreeable. The

annual evaluation will include, but will not be limited to host country and IADS staffing, commodities, research programs, seed program, out-reach program in-country, participant training, organization and management of the research effort, and local currency support elements of the project.

In addition to the annual evaluation, there will be special evaluations of the project as follows:

- a. At the end of the second year of the project, an evaluation of the seed component of the project will be held with representatives included from AID/W and/or other organizations as determined appropriate by the parties.
- b. During FY 79, about mid-way in the life of the project, a more thorough evaluation will be conducted that will particularly focus on the original project hypotheses, retest the validity of the implied causal relationships and review the technical implementation of the project and the research/production kit program up to that time. This evaluation will be carried out by a team of professionals, experienced in design and implementation of agricultural research projects in developing countries mutually agreed upon by HMG/N, USAID/N and the IADS.
- c. At the end of the fifth year of the project, a detailed evaluation will be held. This evaluation will focus on the accomplishments of the project, continuation of the project and possible sources of project support other than USAID/N.

#### C. *Purchase of Land and Structures*

The purchase of land and the purchase of existing structures, if any, will be financed by HMG/N.

Issued September 16, 1971

#### *Proag Local Currency Standard Provisions Annex*

A. As used herein, "AID" means the Agency for International Development, any component agency, and any successor agency. "Cooperating Agency" means the agency which is a party to this Project Agreement with AID and "Cooperating Country" means the country of the Cooperating Agency. For purposes of Nepalese Project Agreements, "Local Currency" means the Nepalese rupee, the Indian rupee, or the Pakistan rupee.

B. (1) AID will make available the amounts specified in Block 8 of this Project Agreement, as necessary for the project, for use for the designated purposes and as may be further described in Block 5 hereof.

(2) The Cooperating Agency will make available the amounts specified in Block 9 of this Project Agreement, as necessary for the project, for use for the designated purposes and as may further be described in Block 5 hereof. The Cooperating Agency will also make, or arrange to have made, additional contributions of property, services, facilities and funds required for carrying out the project as may be specified in Block 5 hereof or as may subsequently be agreed upon by the two parties.

C. AID and the Cooperating Agency may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Project Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Project Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Project Agreement.

D. All contributions of AID pursuant to this Project Agreement shall be made within a six months' grace period extending beyond the estimated final contribution date specified herein. Except as otherwise specified herein or subsequently agreed by the two parties, all contributions of the Cooperating Agency pursuant to this Project Agreement shall be made on or before that same date. A contribution of goods or services shall be considered to have been made when the goods or

services, provided or financed by the contributing party, are delivered in accordance with commercial practice.

E. For each project covered by a Project Agreement, HMG agrees to establish a separate bank account and to maintain accounts, records and documentation in accordance with the Project Activity Budget, Manual of Accounting (approved March 12, 1962) and Development Rules 2019 of HMG, or subsequent revisions of these documents.

F. With respect to AID-contributed local currency made available to the Cooperating Agency under the methods of financing herein described, the Cooperating Agency agrees to refund promptly to AID, upon demand by AID and pursuant to AID instructions, the entire amount of such currency expended by the Cooperating Agency or its agent (or such lesser amount as AID may demand) whenever AID determines and HMG agrees after scrutiny that such expenditure was improper as being in violation of the terms and conditions of this Project Agreement and/or any applicable agreement or arrangement between AID and the Cooperating Agency.

G. Unless otherwise specified, title to all property procured through financing by AID pursuant to Block 8 of this Project Agreement shall be in the Cooperating Agency, or such public or private agency as it may authorize. This provision is inapplicable to any property which may be used in connection with the project but is not financed pursuant to said Block 8.

H. Any property furnished to either party through financing by the other party pursuant to this Project Agreement shall, unless otherwise agreed by the party which financed the procurement, be devoted to the project until completion of the project, and thereafter shall be used so as to further the objectives sought in carrying out the project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through financing by the other party pursuant to this Project Agreement which is not used in accordance with the preceding sentence.

I. (1) If AID and any public or private organization furnishing commodities through AID financing for operations hereunder in the Cooperating Country, is, under the laws, regulations or administrative procedures of the Cooperating Country, liable for customs duties and import taxes on commodities imported into the Cooperating Country for purposes of carrying out this Project Agreement, the Cooperating Agency will pay such duties and taxes unless exemption is otherwise provided in the Project Agreement or by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the Cooperating Country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with, AID, the Cooperating Agency or any agency authorized by the Cooperating Agency, who are present in the Cooperating Country to provide services which AID has agreed to furnish or finance under this Project Agreement, are, under the laws, regulations or administrative procedures of the Cooperating Country, liable for income and social security taxes with respect to income upon which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes or personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by such personnel in the Cooperating Country), the Cooperating Agency will grant exemption or will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. Any long-term personnel (other than citizens and residents of the Cooperating Country), whether United States Government employees, or employees of public or private organizations, under contract with, or individuals under contract with, AID, the Cooperating Agency or any agency authorized by the Cooperating Agency, who are present in the Cooperating Country to provide services which AID has agreed to furnish under this Project Agreement shall be subject to the approval of the Cooperating Agency. All personnel employed by AID shall be under the general direction of the Director of the Mission to the Cooperating Country.

K. In the event that currency of a country other than the United States or the Cooperating Country is introduced into the Cooperating Country by AID or any public or private agency for the purposes of carrying out obligations of AID hereunder, the Cooperating Agency will make

such arrangements as may be necessary to effect conversion of such currency into the currency of the Cooperating Country at the highest rate which, at the time the conversion is made, is not unlawful in the Cooperating Country.

L. AID shall expend funds and carry on operations pursuant to this Project Agreement only in accordance with the applicable laws and regulations of the United States Government.

M. The two parties shall have the right at any time to observe operations carried out under this Project Agreement. Either party during the term of the project and within three years after the completion of the project, shall further have the right (1) to examine any property procured through financing by that party under this Project Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts relating to a budget which includes funds provided by, or any properties and contract services procured through financing by, that party under this Project Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Project Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

N. AID and the Cooperating Agency shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

O. The present Agreement shall enter into force when signed. Either party may terminate this Project Agreement by giving the other party 30 days' written notice of intention to terminate it. Termination of this Project Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 8 and 9 of this Project Agreement, except for payments which they are committed to make pursuant to non-cancelable commitments entered into with third parties prior to the termination of the Project Agreement. It is expressly understood that the obligations under paragraph H relating to the use of property shall remain in force after such termination.

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