

No. 17253

**UNITED STATES OF AMERICA
and
PAKISTAN**

**Loan and Grant Agreement for basic health services (with
annexes). Signed at Islamabad on 2 April 1977**

Authentic text: English.

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

**ÉTATS-UNIS D'AMÉRIQUE
et
PAKISTAN**

**Accord de prêt et de don concernant les services de santé
de base (avec annexes). Signé à Islamabad le 2 avril
1977**

Texte authentique : anglais.

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

LOAN AND GRANT AGREEMENT¹ BETWEEN THE PRESIDENT OF PAKISTAN AND THE UNITED STATES OF AMERICA FOR BASIC HEALTH SERVICES

Dated: April 2, 1977

A.I.D. Project No. 391-0415
A.I.D. Loan No. 391-U-173

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LOAN and GRANT AGREEMENT dated this second day of April, 1977, between the PRESIDENT OF PAKISTAN, acting through the GOVERNMENT OF PAKISTAN ("Government"), and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

¹ Came into force on 2 April 1977 by signature.

Article I. THE AGREEMENT

Section 1.1. THE AGREEMENT. The purpose of this Agreement is to set out the understandings of the parties named above (“Parties”) with respect to the undertaking by the Government of the Project described herein, and with respect to the financing of the Project by the Parties.

Article II. THE PROJECT

Section 2.1. DEFINITION OF THE PROJECT. The Project, which is further described in Annex I, is an eight-year program to develop a functioning system of integrated rural health complexes in the four provinces of Pakistan. Development and implementation of the system will have two phases—first, a three-year phase involving system design and initial implementation, followed by a second five-year phase of more rapid implementation. Annex I, attached, amplifies the definition of the Project contained in this Section 2.1. Within the limits of the definition of the Project in this Section 2.1, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement. Annex I will identify these elements of the Project for which Grant financing will be employed, and those for which Loan financing will be employed.

Article II¹. FINANCING

Section 3.1. THE GRANT, THE LOAN. To assist the Government to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Government under the terms of this Agreement not to exceed one million five hundred thousand United States (“U.S.”) dollars (\$1,500,000) (“Grant”) and to lend the Government under the terms of this Agreement not to exceed six million U.S. dollars (\$6,000,000) (“Loan”). The aggregate amount of disbursements under the Loan is referred to as “Principal”. The Loan and the Grant together are referred to as the “Assistance”.

The Grant shall be used exclusively to finance foreign exchange and local currency costs of technical advisory services and service-related commodities required for Phase I of the Project, as defined in Section 7.1, and the Loan shall be used exclusively to reimburse the Government for a portion of the local currency costs, as defined in Section 7.2, of Phase I of the Project.

Section 3.2. COUNTRY RESOURCES FOR THE PROJECT. (a) The Government agrees to provide or cause to be provided for the Project all funds, in addition to the Assistance, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Pakistan for Phase I of the Project will be not less than the equivalent of U.S. \$9,795,000 including costs borne on an “in-kind” basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The “Project Assistance Completion Date” (PACD) which is December 31, 1980, or such other date as the Parties may agree in writing, is the date by which the Parties estimate that the technical advisory services and service-related commodities financed

¹ Should read “Article III.” — Devrait se lire : « Article III ».

under the Assistance shall have been provided and the performance targets specified in Section 6.1 shall have been met.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Assistance for technical advisory services and service-related commodities provided subsequent to the PACD or for general Project support to finance the achievement of performance targets achieved subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Government, may at any time or times reduce the amount of the Assistance by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article IV. LOAN TERMS

Section 4.1. INTEREST. The Government will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten years following date of the first disbursement of the Loan 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 will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement of the Loan hereunder, on a date to be specified by A.I.D.

Section 4.2. REPAYMENT. The Government will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Government with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

Section 4.3. APPLICATION, CURRENCY AND PLACE OF PAYMENT. All payments of interest and Principal hereunder will be made in U.S. dollars and will 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, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

Section 4.4. PREPAYMENT. Upon payment of all interest and any refunds then due, the Government may repay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

Section 4.5. RENEGOTIATION OF TERMS. (a) The Government and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration

of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Pakistan, which enable the Government to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of the Government's Secretary of Economic Affairs Division in Pakistan.

Section 4.6. TERMINATION ON FULL PAYMENT. Upon payment in full of the Principal and any accrued interest, the obligation of the Government and A.I.D. relating to the Loan provisions of this Agreement will cease. However, in the event there remain any obligations arising out of the expenditure of Grant funds, this Agreement will remain in full force and effect.

Article V. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.1. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT FOR TECHNICAL ADVISORY SERVICES. Prior to the initial disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for technical advisory services or service-related commodities, the Government will, 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 Ministry of Law of Pakistan or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Government and that it constitutes a valid and legally binding obligation of the Government in accordance with all of its terms;
- (b) A statement of the names of the persons holding or acting in the office of the Government specified in Section 9.2 and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence that all necessary action has been taken to create the National Center for Basic Health Services Cell (the "Cell"), in the Federal Ministry of Health, and that principal positions in the Cell are established and filled including that of the Deputy Director General in charge of the Cell; and
- (d) Evidence that a contract for technical advisory services satisfactory to A.I.D. has been entered into with one or more organizations or other entities satisfactory to A.I.D. for the provision of four long-term technical advisors plus short-term advisors.

Section 5.2. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT FOR GENERAL PROJECT SUPPORT. Prior to the initial disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for general project support (which shall not exceed \$250,000 and which shall not be made until after the conditions precedent in Section 5.1 have been fully satisfied), the Government will, 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) A plan of operation for the Project outlining strategy and objectives, organization, scheduling, costs and financing, and manpower and infrastructure requirements;
- (b) Evidence that the Government has budgeted and has provided to the Cell and provincial governments, and the provincial governments have budgeted and have provided to their own health departments, all necessary resources in addition to the Assistance for the timely and effective execution of the first year of the Project.
- (c) A complete statement of procedures for semi-annual review meetings of the Project to be conducted pursuant to Section 6.6, such procedures to include the subjects to be regularly covered at each review meeting;
- (d) Evidence that the Government has requested from the World Health Organization ("W.H.O.") two technical experts for Phase I of the Project in fields such as health care management and public health auxiliary training; and
- (e) Evidence that all provincial governments participating in the Project support the Project strategy, have assured the provision of adequate budget, have adopted provincial plans of action for the first year of the Project, have established an organizational structure within their health departments to manage the Project and have given written assurances to the federal government that these planned actions will be carried out.

Section 5.3. CONDITIONS PRECEDENT TO ADDITIONAL DISBURSEMENTS FOR GENERAL PROJECT SUPPORT. Prior to each additional disbursement of the Assistance or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for general Project support, and after the conditions precedent in Section 5.1 and 5.2 have been fully satisfied, the Government will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence that the Project is being implemented in accordance with approved provincial plans of action;
- (b) Evidence that adequate federal and provincial budget allocations have been made and that funds are being disbursed in accordance with approved annual plans of action; and
- (c) Evidence that the performance targets required to justify a disbursement, as mutually agreed to and set forth in Project Implementation Letters, have been met with respect to:
 - (1) Increases in training capacity;
 - (2) Increases in trained manpower;
 - (3) Development and operation of a management infrastructure;
 - (4) Establishment of physical facilities;

- (5) Staffing of foreign advisory positions, Federal Cell positions and provincial Basic Health Care staff and supervisory positions; and
- (6) Establishment of Integrated Rural Health Complexes.

Section 5.4. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT. When A.I.D. has determined that the conditions precedent specified in Sections 5.1, 5.2 and 5.3 have been met, it will promptly notify the Government.

Section 5.5. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. (a) If all the conditions specified in Section 5.1 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 Government.

(b) If all of the conditions specified in Section 5.2 shall not have been met within 180 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 cancel the then undisbursed balance of the Assistance to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Government. In the event of such termination, the Government will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate, except with respect to any obligations arising out of the expenditure of Grant funds.

Article VI. SPECIAL COVENANTS AND WARRANTIES

Section 6.1. PERFORMANCE TARGETS. (a) In order to attain the goal of improved health status for Pakistan's rural population, the Government will carry out the Project with sufficient manpower and funding with the goal of achieving the following performance targets by the conclusion of Phase I of the Project:

- (1) Not less than 36 mid-level health worker training units have been established with not less than 108 trained tutors in place.
- (2) Not less than 800 mid-level health workers have graduated from the training units and are in place.
- (3) Not less than 1,350 community health worker graduates have been trained by mid-level health workers and are in place.
- (4) Not less than 36 integrated rural health complexes are in operation.
- (5) Full management training has been provided for 72 federal, provincial and district government executives and 250 support staff.
- (6) Operations manuals have been completed in the areas of logistics management and supply, personnel management and management of health complexes.
- (7) Personnel reforms within the framework of approved Government policies and salary structures have been developed, accepted and are being implemented.

(b) The Government understands that the achievement of the performance targets established in Section 6.1(a) is crucial to the success of the Project. For

this reason, interim performance targets will be established by means of Project Implementation Letters prescribed pursuant to Section 5.3. As these interim performance targets are satisfied contributing to a systematic and orderly reaching of the final performance targets specified in this Section 6.1, periodic disbursements will be made. Final disbursement will be made only after at least seventy-five percent (75%) of each of the performance targets specified in this Section 6.1 have been fully achieved.

Section 6.2. TRAINING. The Government assures that a program to develop curricula, establish training centers, recruit tutors and train para-medical manpower will be executed in a timely and effective manner. The Government will use its best efforts to maintain trained personnel in the positions for which they were trained, and to assign additional personnel for the Project as it expands.

Section 6.3. MANAGEMENT SUPPORT INFRASTRUCTURE. In order to assist in the achievement of the Project objectives, the Government will assure that an effective management support infrastructure is developed and made operational in a timely manner. The support infrastructure will include the following systems:

- (a) Operational planning and management;
- (b) Logistics and supply (including vehicle and equipment maintenance);
- (c) Personnel;
- (d) Operations control and supervision;
- (e) Health information (reporting);
- (f) Communications;
- (g) Budget and financial control;
- (h) Operations research.

Section 6.4. TECHNICAL ADVISORS. Except as A.I.D. may otherwise agree in writing, the Government shall employ six long-term technical advisors, including four to be financed by A.I.D. and two to be financed by W.H.O., and short-term technical advisors as required.

Section 6.5. COMMUNITY HEALTH WORKERS. Recognizing the crucial role of Community Health Workers (CHW) and recognizing that there will be a period of experimentation to develop the most feasible and easily administered method of financial support for CHW's, the Government will assure that all CHW's employed in the Project receive reasonable financial support during Phase I of the Project.

Section 6.6. PROJECT EVALUATION. The Parties agree to establish an evaluation program as an integral part of the Project. Except as the Parties otherwise agree in writing:

- (a) The Government will cause to be held semi-annual review meetings during Phase I of the Project, attended by federal and provincial health authorities. Representatives of W.H.O. and A.I.D. will also be invited to attend. The purpose of the review meetings shall be to review performance targets, the progress made in reaching them and general project management considerations. The agenda for each review meeting will be developed by the Government after consultation with W.H.O. and A.I.D.

- (b) At the beginning of the third year of the Project, there will be a joint evaluation which will involve A.I.D. and federal and provincial health authorities. W.H.O. and other donors who may be assisting the Project will also be invited to participate. Independent experts may also be invited to participate. The purpose of the evaluation shall be to (1) assess project performance *vis-à-vis* the general project strategy and implementation design, (2) recommend needed modifications in the design, and (3) consider the feasibility and desirability of further A.I.D. assistance in financing Phase II of the Project.

Article VII. PROCUREMENT SOURCE

Section 7.1. TECHNICAL ADVISORY SERVICES. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of technical advisory services and service-related commodities required for the Project having their source and origin in Pakistan and countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such services or commodities.

Section 7.2. GENERAL PROJECT SUPPORT. Disbursements for General Project Support pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Pakistan.

Article VIII. DISBURSEMENTS

Section 8.1. DISBURSEMENT FOR TECHNICAL ADVISORY SERVICES. (a) After satisfaction of conditions precedent, the Government may obtain disbursements of funds under the Assistance for the foreign exchange and local currency costs of technical advisory services and service-related commodities required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in the Government's behalf for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers, through Letters of Credit or otherwise, for such goods or services.

(b) Banking charges incurred by the Government in connection with Letters of Commitment and Letters of Credit will be financed under the Assistance unless the Government instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Assistance.

Section 8.2. REIMBURSEMENT FOR GENERAL PROJECT SUPPORT. After satisfaction of conditions precedent, the Government may obtain disbursements of the Assistance for General Project Support by submitting to A.I.D., with necessary supporting documentation as set forth in Project Implementation Letters, requests for the issuance of U.S. dollar checks payable to the Ministry

of Finance, Government of Pakistan or any designee of the Government in amounts as set forth in Project Implementation Letters.

Section 8.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Assistance may also be made through such other means as the Parties may agree to in writing.

Section 8.4. RATE OF EXCHANGE. If funds provided under the Assistance are introduced into Pakistan by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D., hereunder, the Government will make such arrangements as may be necessary so that such funds may be converted into currency of Pakistan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Pakistan.

Section 8.5. DATE OF DISBURSEMENT. Disbursements by A.I.D. will be deemed to occur (a) in the case of disbursements pursuant to Section 8.1, on the date on which A.I.D. makes a disbursement to the Government or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract or purchase order; (b) in the case of disbursements pursuant to Section 8.2, on the date on which A.I.D. issues the U.S. dollar check to the Ministry of Finance; or (c) in the case of disbursements pursuant to Section 8.3, on the date specified in the other form of disbursement document.

Article IX. MISCELLANEOUS

Section 9.1. COMMUNICATIONS. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable and will be deemed duly given or sent when delivered to such party at the following addresses:

To Government:

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

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 9.2. REPRESENTATIVES. For all purposes relative to this Agreement, the Government will be represented by the individual holding or acting in the offices of Secretary, Joint Secretary and Deputy Secretary, Economic Affairs Division, and A.I.D. will be represented by the individual holding or

acting in the office of the Director, U.S.A.I.D. Mission to Pakistan, each of whom, by written notice, may designate additional representatives. For all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex I. The names of the representatives of the Government, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of this authority.

Section 9.3. STANDARD PROVISIONS ANNEX. A Combined Loan and Grant Standard Provisions Annex (Annex II) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Government of Pakistan 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—LOAN AND GRANT PROJECT AGREEMENT

PROJECT DESCRIPTION

The Project is designed to help the Government of Pakistan achieve its stated goal of improved basic health services for the underserved rural population. The strategy which the Government has proposed will result in the expansion of rural health services through increasing trained health manpower and rural primary health facilities. The system will be supported by a management infrastructure and will have a strong preventive and promotive emphasis in addition to providing curative health services.

The overall project for improved primary rural health care envisioned by the Government of Pakistan spans eight years. This Agreement makes an initial obligation of funds in support of only the first phase of three years which will lay the groundwork for a rapid expansion of services planned to occur in the second phase. A.I.D. support for the second phase has not been agreed to and will take into account an evaluation of Phase I.

In order to place Phase I in perspective, the overall eight-year strategy is briefly described in the paragraphs which follow. During the eight-year period, it is intended that non-physician health care providers will be trained and deployed into an improved rural health services system.

The System:

The planned expanded system will be based on the Integrated Rural Health Complex (IRHC) which will become the critical functional unit for the delivery of services. Composed of one Rural Health Center (RHC) and 5-10 Basic Health Units (BHUs), the IRHC will

serve a population of 50,000-100,000 in a geographic area of 150-250 square miles. By the end of the third program year there will be 36 operational IRHCs.

The RHC will be the focal point for management of the delivery of services. It is to be staffed with one male and one female doctor, two mid-level supervisory health workers, and two mid-level workers delivering care. It is also the home base for four other mid-level workers deployed on a rotation to the BHUs. Each RHC will be linked to the District Health Officer (DHO) through managerial control by the doctors and supervisory relationships. The activities of the RHC will be to provide primary care, serve as a referral center for its affiliated BHUs, plan and manage preventive/promotive programs including family planning, provide supervision for all workers, collect data, and serve as a drug and equipment warehouse.

The BHU will be the most peripheral facility of the system. It is planned to serve 5,000-10,000 people and cover an area of 15-25 square miles. Each BHU is to be staffed with a minimum of two mid-level health workers at all times and their support personnel. Each BHU and mid-level worker will be linked to the RHC by mid-level supervisory personnel and by the doctors. Activities of the BHU staff are to provide primary care and family planning, to serve as a referral point for the community health workers (CHWs) in the villages, to plan and supervise curative and preventive activities of the CHWs, and to supply CHWs with drugs and equipment.

The CHW is planned to bring preventive and curative care to the village level, thereby forming the third tier of the integrated rural primary health care system. The CHW will be supervised regularly by mid-level health workers. The CHWs will be responsible for providing a limited range of preventive and curative care. A significant proportion of their time will be devoted to population planning, nutrition surveillance, and immunization programs. They are also expected to translate their health knowledge into language understood by the villagers, thereby helping to bridge the social and knowledge gap between the health system and the village social system.

The three-year project which is the subject of this Agreement has two objectives: to establish a health worker training program and to establish a support system program.

The Health Worker Training Program:

To train the manpower required for the program, curriculum materials will be developed, tutors trained, and a series of training schools for non-physician health care providers established.

Curriculum materials available and already in use elsewhere will be adapted for use in Pakistan. These materials are designed for the development of problem-solving skills and are competency-based. They will be adapted so that they are specific to the health problems of rural Pakistan, and they will be translated into Urdu and, if required, into major dialects.

The curriculum developed for the mid-level health worker will produce a trained worker capable of performing at specified standard levels for all tasks and duties as spelled out by the Government. (The comprehension level is planned for matriculates). The curriculum for the community health worker will also be modular and problem oriented. (The materials will assume literacy, although, if necessary, learning materials will be adapted for illiterates).

A program to train adequate numbers of capable tutors to staff the training schools is to be initiated concurrently with development and adaptation of curriculum materials. This tutor training program will be carried out in two or three major cities. The three-month course will include orientation to the concept of a primary health care delivery team and to the preventive and promotive functions of health workers. Exposure to modern pedagogy will be given as well as work in evaluation, quality control and competency certification. At the end of program months six, eighteen, and thirty, training of

new groups of thirty-six tutors is expected to be completed, so that by the middle of the third program year a total of 108 tutors have been trained.

Mid-level health worker training capability should consist of 12 training units by the end of the first project year. These units will use the curricular materials developed and adapted earlier in the project. Training will begin with a didactic phase, consisting of supervised instruction, self-instruction, and closely supervised practical and field experience, followed by a practical preceptorship experience. A second group of training units is to be opened by month 18, and a third group will be operational by month 30, so that by the middle of the third program year there should be a total of 36 training units in operation.

The period of training is eighteen months. Class size will be 25 and new classes will start at six-month intervals so that output per training unit should be 50 mid-level health workers per year. Therefore, by the end of the second program year there should be 270 mid-level health workers in the system, and by the end of the third program year, 800 workers will have been trained.

Community health workers will be selected for training by their village with the advice of personnel at the RHC and BHUs. They will be trained for a period of three to six months at the BHU and RHC. Training will be carried out primarily by the mid-level health workers using the newly developed and adapted curriculum materials. Initial training will provide them with simple preventive-promotive skills; treatment for a few common illnesses will also be taught. Additional training in more complex tasks will vary. Because training of CHWs is largely dependent upon there being trained mid-level health workers in the IRHCs, CHWs will not be in the system in large numbers before the beginning of the third program year. However, in an effort to gain some early experience with the CHW concept and to learn more about some facets of their deployment such as selection criteria and payment mechanisms, a limited number of CHWs will be fielded in selected IRHCs during the first and second program years. By the end of the third program year, at least 1350 CHWs will be trained.

Support System Development Program:

This project will strengthen the infrastructure support for the expanded rural health system by: (1) establishing within the Federal Ministry of Health a National Basic Health Services Cell to provide overall coordination for the expansion of basic health services, for the development of new manpower, and for the strengthening of the support system; (2) increasing technical skills through technical advisors and formal management training in primary health care planning and operations, as well as in specialized technical support functions including operational planning and management, logistics and supply, personnel, supervision, health information system, communications, and budget and financial control; and (3) developing manuals for primary health care management.

The National Basic Health Services Cell, located in the Federal Ministry of Health, is to be headed by a Deputy Director General of the Ministry. The Cell will be established and staffing will be underway at the initiation of the Project. The functions of this Cell will include: implementation of federal policy and project oversight, training of tutors and managers, operational research, and communications. By the end of the third program year, management training should have been completed for 72 federal, provincial and district government executives and 250 support staff. Supporting managerial materials will be developed as specified in Implementation Letters.

It is the responsibility of the Cell to implement federal policy and to assist the provincial basic health services coordinators in planning and programming all phases of the Project. The provincial ministries have an implementing role in the following areas: starting and operating training units for mid-level workers; training of CHWs on a trial basis and exploring different selection and payment mechanisms; coordinating with and advising the Cell on setting skill standards for mid-level workers; providing continuing education for mid-level and CHW graduates; construction of RHCs and BHUs in groups

to form IRHCs; coordinating in setting standards for management of the IRHCs; sending employees to the Cell for training in health management; and assisting in data gathering and analysis. The Secretary of Health for each province will select a basic health services coordinator.

This Project Description and the attached Financial Plan may be revised by agreement of the representatives of the Parties named in Section 9.2 without the necessity of formal amendment of the Agreement.

Attachment A to Annex I

FINANCIAL PLAN

The total cost of the Project in Phase I (years 1-3) is estimated at \$25.2 million, of which an AID contribution of \$15 million is planned (\$1.5 million grant and \$13.5 million loan) to cover roughly 60 per cent of the Phase I costs. \$7.5 million (\$6 million in loan, \$1.5 million in grant) is obligated by this Agreement. The cost of specific Project inputs and sources of financing are shown in Attachment A-1.

Disbursements for technical assistance will be grant-funded. Loan funds will be used to finance the Project in general and will not be identified with any particular activity under the Project, e.g., facility construction, training or procurement of drugs and equipment. The object of AID's support is to help the Government of Pakistan reach the performance targets for Phase I set forth in Section 6.1 of the Agreement.

A.I.D. local cost financing for general Project support is expected to be provided through U.S. dollar checks issued pursuant to Section 8.2 of the Agreement. Phase I is expected to be financed through an initial payment, followed by five semi-annual installments and a final payment—but this disbursement schedule may change as Project implementation gets underway. Each of these installments will be disbursed only after applicable conditions precedent are met. The conditions precedent and disbursement procedures will be explained in detail in Project Implementation Letters issued pursuant to Article A of the Standard Provisions Annex.

If Phase I of the Project is successfully completed, A.I.D. may consider helping the Government of Pakistan finance further expansion of the basic health services system under Phase II of the Project. Phase II will cost an estimated \$237 million. A.I.D. could contribute up to \$50 million over a five-year period, subject to the availability of funds for this purpose and to A.I.D. approval at that time.

Attachment I-A

PROJECT FINANCIAL PLAN: US \$ (000)

Date of Project Agreement: April 2, 1977 Project No: 391-0415

Inputs	Phase I					Phase II				
	AID		GOP	Other WHO	Total* Phase I	AID		GOP	Other WHO	Total* Phase II
	Grant	Loan				Grant	Loan			
1. Technical Asst. (F/X and L/C) . . .	1287	—	—	480	1767	—	—	—	—	—
2. NBHS Cell (L/C) . . .	—	200	146	—	346	—	100	375	—	475
3. Training (L/C) . . .	—	980	703	—	1683	—	4650	17443	—	20093
4. Construction (L/C)	—	11760	8519	—	20279	—	31850	119228	—	151078

Inputs	Phase I					Phase II				
	AID		GOP	Other WHO	Total* Phase I	AID		GOP	Other WHO	Total* Phase II
	Grant	Loan				Grant	Loan			
5. Recurring Costs (L/C)	—	560	415	—	975	—	13400	50144	—	63544
6. Evaluation (L/C)	—	—	12	—	12	—	—	12	—	12
7. Contingency (F/X)	213	—	—	—	213	—	—	—	—	—
8. TOTAL	1500	13500**	9795	480	25275	—	50000	187202	—	237202
(F/X)	(1500)	—	—	(480)	(1980)	—	—	—	—	—
(L/C)	—	(13500)	(9795)	—	(23295)	—	(50000)	(187202)	—	(237202)

* The amounts shown for all inputs are based upon current estimates of funding requirements during years 1-3 and 4-8 of the Project. The breakdown by source of funding for inputs 2-7 is based upon the approximate percentage share of contributions to total Project requirements for in-country financing. The allocation of contributions to individual inputs may be adjusted through mutual agreement.

** This Agreement only obligates \$6.0 million in AID Loan Funds. An additional tranche of \$7.5 million in AID Loan funds for Phase I may be available, subject to availability of funds and subsequent agreement between AID and the Government.

ANNEX II

COMBINATION LOAN AND GRANT STANDARD PROVISIONS ANNEX

Definitions: As used in this Annex, the “Agreement” refers to the Loan and Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A. PROJECT IMPLEMENTATION LETTERS

To assist the Government in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B. GENERAL COVENANTS

Section B.1. CONSULTATION. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and other matters relating to the Project.

Section B.2. EXECUTION OF PROJECT. The Government will:

- (a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section B.3. UTILIZATION OF GOODS AND SERVICES. (a) Any resources financed under the Assistance will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Assistance, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

Section B.4. TAXATION. (a) This Agreement and the Assistance will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in Pakistan.

(b) The Government shall endeavor to provide an exemption from identifiable taxes, tariffs, duties or other levies imposed under the laws in effect in Pakistan for any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts. If such exemption is not forthcoming within 30 days of the date of this Agreement, necessary budgetary funds to cover all such taxes, tariffs, duties or levies will be promptly provided by the Ministry of Health.

Section B.5. REPORTS, RECORDS, INSPECTIONS, AUDIT. The Government will:

- (a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Assistance. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records and other documents relating to the Project and the Assistance.

Section B.6. COMPLETENESS OF INFORMATION. The Government confirms:

- (a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Assistance, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement, and
- (b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

Section B.7. OTHER PAYMENTS. The Government affirms that no payments have been or will be received by any official of the Government in connection with the procurement of goods or services financed under the Assistance, except fees, taxes, or similar payments legally established in Pakistan.

Section B.8. INFORMATION AND MARKING. The Government will give appropriate publicity to the Assistance and the Project as a program to which the United States has contributed, identify the Project site and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C. PROCUREMENT PROVISIONS

Section C.1. SPECIAL RULES. (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in Pakistan will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Assistance will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons (and their personal effects) will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

Section C.2. ELIGIBILITY DATE. No goods or services may be financed under the Assistance which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

Section C.3. PLANS, SPECIFICATIONS AND CONTRACTS. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Government will furnish to A.I.D. upon preparation,

(1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Assistance, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished to A.I.D. on preparation;

(2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Assistance, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of proposals for goods and services financed under the Assistance will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements; and

(c) Contracts and contractors financed under the Assistance for professional services and such other services, equipment or materials as may be jointly agreed in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution.

Section C.4. REASONABLE PRICE. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Assistance. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section C.5. NOTIFICATION TO POTENTIAL SUPPLIERS. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Assistance, the Government will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

Section C.6. SHIPPING. (a) Goods which are to be transported to Pakistan may not be financed under the Assistance if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as

in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Government, has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Assistance, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Technical Advisory Services," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Government, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to Pakistan on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

Section C.7. INSURANCE. (a) Marine insurance on goods financed by A.I.D. which are to be transported to Pakistan may be financed under the Assistance, as a Foreign Exchange Cost under this Agreement, provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Government by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to Pakistan financed by A.I.D. hereunder will be insured against marine risks, and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Government will insure, or cause to be insured, goods financed under the Assistance imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Government under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Government for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

Section C.8. U.S. GOVERNMENT-OWNED EXCESS PROPERTY. The Government agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Assistance, should be utilized. Funds under the Assistance may be used to finance the costs of obtaining such property for the Project.

Article D. TERMINATION; REMEDIES

Section D.1. CANCELLATION BY GOVERNMENT. The Government may, by giving A.I.D. 30 days' written notice, cancel any part of the Loan or the Grant which has not been disbursed or committed for disbursement to third parties.

Section D.2. EVENTS OF DEFAULT; ACCELERATION. It will be an "Event of Default" if the Government shall have failed: (a) to pay when due any interest or installment of Principal required under this Agreement, or (b) to comply with any other provision of this Agreement, or (c) to pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Government or any of its agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may give the Government notice that all or any part of the unrepaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

- (1) Such unrepaid Principal and accrued interest hereunder will be due and payable immediately, and
- (2) The amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

Section D.3. SUSPENSION. If at any time:

- (a) An Event of Default has occurred; or
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Assistance will be attained or that the Government will be able to perform its obligations under this Agreement; or
- (d)¹ The Government shall have failed to pay when due any interest, installment of Principal or other payment required under any other loan, guaranty, or other agreement between the Government or any of its agencies and the Government of the United States or any of its agencies,

then A.I.D. may:

- (1) Suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Government;
- (2) Decline to issue additional commitment documents or to make disbursement other than under existing ones; and
- (3) At A.I.D.'s expense, direct that title to goods financed under the Assistance be transferred to A.I.D. if the goods are from a source outside Pakistan, are in a deliverable state and have not been offloaded in ports of entry of Pakistan. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

Section D.4. CANCELLATION BY A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3., the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Assistance that is not then disbursed or irrevocably committed to third parties.

Section D.5. CONTINUED EFFECTIVENESS OF AGREEMENT. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

Section D.6. REFUNDS. (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Government to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty days after receipt of a request therefor.

¹ The text was signed as above without a paragraph c). (Information supplied by the Government of the United States of America.)

(b) If the failure of the Government to comply with any of its obligations under this Agreement has the result that goods or services financed under the Assistance are not used effectively in accordance with this Agreement, A.I.D. may require the Government to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Assistance, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, (i) if derived from Loan funds, will be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder, and (ii) if derived from Grant funds, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Government under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. dollars by the Government.

Section D.7. NONWAIVER OF REMEDIES. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Section D.8. ASSIGNMENT. The Government agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Government in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.
