

No. 19883

**UNITED STATES OF AMERICA
and
SRI LANKA**

**Loan Agreement for malaria control (with annexes). Signed
at Colombo on 28 February 1978**

Authentic text: English.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
SRI LANKA**

**Accord de prêt relatif à la lutte antipaludique (avec
annexes). Signé à Colombo le 28 février 1978**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

LOAN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SRI LANKA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA FOR MALARIA CONTROL

Dated: February 28, 1978

Loan No. 383-U-019 and 019A

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PROJECT LOAN AGREEMENT for Malaria Control dated February 28, 1978 between the GOVERNMENT OF THE REPUBLIC OF SRI LANKA ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.")

Article 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 Borrower of the Project described herein, and with respect to the financing of the Project by the Parties.

¹ Came into force on 28 February 1978 by signature.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of a program to reduce the incidence of malaria in Sri Lanka to a minimum of one case per 1,000 population per year country-wide within a five year period. Annex 1, 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 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE LOAN. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed twelve million United States (U.S.) dollars (\$12,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal".

The Loan may be used only to finance foreign exchange costs, as defined in Section 7.1, of goods and services required for the Project.

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

(b) The resources provided by Borrower for the Project will be not less than SL/Rs. 222,000,000 including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is June 30, 1982 or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(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 Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, 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 six (6) 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 Borrower, may at any time or times reduce the amount of the Loan 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 4. LOAN TERMS

Section 4.1. INTEREST. The Borrower 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 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 8.3) 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 hereunder, on a date to be specified by A.I.D.

Section 4.2. REPAYMENT. The Borrower 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 (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower 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 Borrower may prepay, 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 Borrower 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 Sri Lanka which enable the Borrower 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 a 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 Borrower's Director, External Resources Department, Ministry of Finance and Planning.

Section 4.6. TERMINATION ON FULL PAYMENT. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all its terms;
- (b) A statement of the name(s) of the person(s) holding or acting in the office of the Borrower specified in Section 9.2 and a specimen signature of each person specified in such statement;
- (c) A five-year Plan of Operation approved by the Borrower and the World Health Organization (WHO);
- (d) Evidence that the detailed Plan of Action for the first year of the Project has been adopted and is acceptable to WHO;
- (e) Evidence that the Borrower shall provide to the Anti-Malaria Campaign (AMC) all necessary funds, in addition to the Loan, for the timely and effective execution of the portion of the malaria control program to be executed during the first project year;
- (f) Evidence of arrangements for the procurement of necessary commodities including, but not limited to, those commodities to be financed under the Loan including list and price of such commodities and the distribution and utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and of utilization thereof;
- (g) Evidence that inland transportation and storage for insecticide from port of entry to end use point are adequate and meeting program and environmental health requirements;
- (h) Evidence that a sufficient number of vehicles are operating to meet the requirements of the malaria control program and that arrangements have been made to meet the upcoming requirement as old vehicles are retired;
- (i) A comprehensive plan assuring that an effective control, repair and maintenance system will be established for the malaria control program and evidence that the Borrower is taking appropriate action to insure that a shortage of operating vehicles does not curtail malaria program operations whether from lack of sufficient vehicle supply, spare parts, maintenance, or funds for purchasing petroleum, oil and lubricants;
- (j) Evidence that the Borrower has requested and the WHO has agreed to provide three (3) technical advisors over the period 1977 to 1981 such advisors to be (1) malariologist, (2) entomologist and (3) sanitarian;
- (k) A detailed plan for the safe handling of insecticide used in the Project to insure an absolute minimum health risk to insecticide handlers and the target population;
- (l) A complete statement of procedures for monthly review meetings and annual evaluations of the malaria control program including subjects to be regularly covered at the review meetings and evaluations;

- (m) An implementation plan which establishes goals, targets, effective procedures and a time-phased schedule for:
1. Health education;
 2. Training of malaria program personnel in Sri Lanka and overseas;
 3. Determining research priorities and executing the research.

Section 5.2. SECOND YEAR DISBURSEMENT. Prior to disbursement or the issuance of commitment documents for the second year of the Project, the Borrower shall, except as the Parties may otherwise agree in writing, furnish the following in form and substance satisfactory to AID:

- (a) Evidence that the detailed Plan of Action for the year has been adopted which is acceptable to WHO and AID;
- (b) Evidence that the Borrower shall provide to the AMC all necessary funds in addition to the Loan for the timely and effective execution of that portion of the malaria control program to be executed during the year;
- (c) Evidence of arrangements for the procurement of necessary commodities including, but not limited to, those commodities to be financed under the Loan including list and price of such commodities and the distribution and utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and of utilization thereof;
- (d) Evidence that satisfactory progress as determined by the annual evaluation is being made with respect of the Plan of Operation and annual Plan of Action;
- (e) Evidence that commodities procured for the previous year's program have been effectively utilized for the Project;
- (f) Evidence that inland transportation and storage for insecticide from port of entry to and use point are adequate and meeting Project requirements;
- (g) Evidence that a sufficient number of vehicles is operating to meet the requirements of the malaria control program and that arrangements have been made to meet the upcoming requirement as old vehicles are retired;
- (h) A comprehensive plan, including details on time-phasing for the transfer to, and effective implementation by, General Health Services of responsibility for maintenance of malaria control efforts after malaria has ceased to be a significant health problem.

Section 5.3. SUBSEQUENT YEARS DISBURSEMENTS. Prior to disbursement or the issuance of Commitment documents for each of the last three years of the program, the Borrower shall, except as the Parties may otherwise agree in writing, furnish in form and substance satisfactory to AID:

- (a) Evidence that the detailed Plan of Action for the year has been adopted which is acceptable to WHO and AID;
- (b) Evidence that the Borrower shall provide to the AMC all necessary funds, in addition to the Loan, for the timely and effective execution of that portion of the malaria control program to be executed during the year;
- (c) Evidence of arrangements for the procurement of necessary commodities including, but not limited to, those commodities to be financed under the Loan including list and price of such commodities and the distribution and

utilization thereof as required for the Project together with schedules for purchase, delivery, distribution and of utilization thereof;

- (d) Evidence that satisfactory progress, as determined by the annual evaluation, is being made with respect to the Plan of Operations and annual Plan of Action;
- (e) Evidence that commodities procured for the previous year's program have been effectively utilized for the Project;
- (f) Evidence that inland transportation and storage for insecticide from port of entry to end use point are adequate and meeting Project and environmental health requirements;
- (g) Evidence that a sufficient number of vehicles is operating to meet the requirements of the malaria control program and that arrangements have been made to meet the upcoming requirements as old vehicles are retired.

Section 5.4. NOTIFICATION. When AID has determined that the conditions precedent specified in Sections 5.1, 5.2, and 5.3 have been met, it will promptly notify the Borrower.

Section 5.5. TERMINAL DATES FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 5.1 have not been met within 120 days from the date of this agreement, or such later date as AID may agree to in writing, AID, at its option, may terminate this Agreement by written notice to Borrower.

Article 6. SPECIAL COVENANTS

Section 6.1. PROJECT IMPLEMENTATION. (a) Procurement of Malathion. The Borrower covenants that all procurement of Loan-financed malathion will be handled from Washington, D.C. using the Invitation for Bid (IFB) procedure that has been approved by the Parties. Said IFB to be issued by the Borrower's Embassy in Washington, D.C. with authorized representative of the Borrower's Anti-Malaria Campaign to execute such procurement in Washington, D.C. International travel for Borrower's representative to travel to Washington, D.C. for such procurement will be an eligible foreign exchange cost under this Loan.

(b) *The Sri Lanka Malaria Control Program.* The Borrower shall carry out the Malaria Control Program with sufficient manpower and funding so that malaria will be effectively controlled in Sri Lanka. Upon attainment of this objective, the Borrower shall maintain continuing and effective malaria control.

(c) *Import Requirements.* Should sufficient foreign exchange not be available from other donors to accomplish the Plan of Operation, the Borrower will provide required foreign exchange funding from its own free foreign exchange on a timely basis to insure the effective execution of the Plan of Operation and annual Plans of Action.

(d) *Annual Plans of Action.* The Borrower agrees to Implement the Plan of Operations through annual Plans of Action reviewed and approved by the Ministry of Health, WHO, and AID. The Ministry of Health shall have authority to amend, modify or alter annual Plans of Action with the approval of WHO and AID.

(e) *Spray Operations.* The Borrower shall carry out Insecticide spray operations with sufficient resources so that within the next five years malaria is reduced to a level where it is no longer a significant health problem. The Borrower

shall carry out sufficient total, focal, and selective spraying coverage in areas of malariogenic potential so that the Project's objective is achieved.

(f) *Surveillance Operations.* It is understood that malaria surveillance operations provide the necessary epidemiological information for proper program planning and evaluation and are central to the effective administration of the Malaria Control Program. The Borrower agrees to take necessary actions to assure an effective and successful malaria surveillance operation and thereby reduce the likelihood of resurgence at a further date.

(g) *Research Activities.* It is understood that a program in basic and applied research connected with the field of malaria is essential to provide necessary epidemiological knowledge on malaria. Studies shall include such topics as insecticide susceptibility, vector investigation in problem areas, role of possible secondary malaria vectors, vector resistance and the impact of malaria on economic development among others. The Borrower shall assure that such research activities are carried out effectively.

(h) *Training.* In order to provide necessary training for Malaria Control Program staff, the Borrower agrees to provide adequate funds for in-service and refresher training as well as for training opportunities for new personnel.

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

(j) *Integration of Malaria Service into the General Health Service.* It is understood that the orderly functional integration of the malaria control activity into the General Health Service of Sri Lanka is an important objective of the Project and Plan of Operations. The Borrower agrees that malaria control units throughout Sri Lanka should be integrated into the General Health Services as soon as malaria has been effectively controlled. The Borrower agrees that established health services should assume responsibility for malaria control efforts after malaria has ceased to be a significant problem.

(k) *Equipment Maintenance.* In order to assist in the achievement of the objectives of the Project, the Borrower shall assure that an effective control, repair and maintenance system for vehicles, equipment and other supplies is instituted and carried out.

(l) *Environmental Health.* It is understood that insecticides used in the Malaria Control Program for residential spraying are highly toxic and can, if improperly handled, cause sickness and death. The Borrower will take appropriate safety measures including the provision of safety equipment to insecticide handlers and training of handlers and supervisory personnel in the dangers associated with the insecticide and proper procedures for safe handling. The Borrower will also maintain rigid control over the quality of insecticide procured for the Malaria Control Program to insure that it meets WHO and AID technical requirements. The Borrower agrees to adopt reasonable guidelines on recommendations AID may require as identified by the environmental assessment team concerning the care and handling of insecticides in general and malathion in particular as related to the execution of the Malaria Control Program.

(m) *Review and Evaluation Meetings.* The Borrower shall cause to be held monthly internal review meetings and annual external evaluations attended by Ministry of Health officials, WHO and AID as well as other donors to the Project as appropriate.

(n) *Compliance with the Plan of Operation.* In carrying out the covenants, the Borrower shall adhere to the Plan of Operation and the annual Plans of Action with material modifications therein being acceptable to WHO and AID.

(o) *Reporting.* The Borrower will provide to AID such reports on procurement, shipping and program operation as AID may reasonably require.

Section 6.2. 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, the program will include, during the implementation of the Project and at one or more points thereafter: (i) evaluation of progress toward attainment of the objectives of the Project; (ii) identification and evaluation of problem areas or constraints which may inhibit such attainment; (iii) assessment of how such information may be used to help overcome such problems, in this or other projects; and (iv) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 7. PROCUREMENT SOURCE

Section 7.1. FOREIGN EXCHANGE COSTS. Disbursements pursuant to Section 8.1 will be used exclusively to finance the cost of goods and services required for the Project having their source and origin in the United States (Code 000 of the AID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services) ("Foreign Exchange Costs"), except as AID may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1 (b) with respect to marine insurance.

Article 8. DISBURSEMENTS

Section 8.1. DISBURSEMENT FOR FOREIGN COSTS. (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services 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 AID, with necessary supporting documents as prescribed in Project Implementation Letters, (a) requests for reimbursement for such goods or services, or (b) requests for AID to procure commodities or services in Borrower's behalf for the Project; or
- (2) By requesting AID to issue Letters of Commitment for specified amount, (a) to one or more U.S. Banks, satisfactory to AID, committing AID 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 AID to pay such contractors or suppliers, through Letters of Credit or otherwise, for such goods or services.

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

Section 8.2. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

Section 8.3. DATE OF DISBURSEMENT. Disbursements by AID will be deemed to occur on the date on which AID makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment or of Credit.

Article 9. 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 address:

To the Borrower:

Mail address:

Director
External Resources Department
Ministry of Finance and Planning
Colombo 1, Sri Lanka

Alternate address for cables:

FORAID
Colombo, Sri Lanka

To A.I.D.:

Mail address:

Office of A.I.D. Representative
c/o American Embassy
Colombo, Sri Lanka

Alternate address for cables:

AmEmbassy
Colombo, Sri Lanka

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 relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Director, External Resources Department, Ministry of Finance and Planning, and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative, Sri Lanka, 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 1. The names of the representatives of the Borrower, 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 their authority.

Section 9.3. STANDARD PROVISIONS ANNEX. A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its 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 the Republic of Sri Lanka:

Government
of the United States of America:

By: [Signed]

By: [Signed]

Name: LAI JAYAWARDENA

Name: W. HOWARD WRIGGINS

Title: Secretary, Ministry of Finance
and Planning

Title: American Ambassador

ANNEX 1

PROJECT DESCRIPTION

1. *Plan of Operation*

The Plan of Operation prepared by the Anti-Malaria Campaign (AMC) Government of Sri Lanka with the advice of the World Health Organization (WHO) has been approved by A.I.D. and WHO. (Official Government approval is expected prior to loan authorization and in any event will be a condition precedent to initial loan disbursements.) This new Plan of Operation replaces the "Revised Plan of Operation" which was signed between the Government and WHO in 1972. The new plan covers the period 1977-1981. The plan takes into account recent failures of the malaria control program in presenting an approach which will help to insure that once malaria is reduced to the stated target of 1.0 API it is further reduced through a consolidation effort of close surveillance, selective spraying and case treatment. Salient features of the plan which are intended to insure long-term success of this program are:

(a) Intensive use of malathion during the initial phase of the program (4 to 5 years) to obtain maximum effect before resistance develops.

(b) Banning use of malathion as an agricultural insecticide to prolong its effective life as an insecticide for malaria control.

(c) Segregation of the Anti-Malaria Campaign (AMC) from the General Health Services during the Intensive Spraying Phase of the program to place the field workers under the administrative and supervisory authority of the AMC headquarters in Colombo rather than Medical Officers of Health. This will centralize authority and program control during the crucial first years of the program. Integration into the General Health Services will be carried out gradually in phased stages after the Intensive Spraying Phase.

(d) Tenure in the Government Health Service has been granted to malaria workers thereby reducing insecurity of employment which was found to be a major obstacle to satisfactory performance of former field activities. Promotion channels for malaria workers to become public health inspectors and polyvalent health workers in the General Health Service are also being opened to clear the way for eventual integration.

(e) Laboratory staff has been increased and seven field laboratories established in addition to the central laboratory at the AMC. At the central laboratory 10 percent of all

negative and positive blood films and all *P. falciparum* are cross-checked at the cross-checking laboratory to maintain quality control of field laboratory activities.

(f) Formal coordination mechanisms have been established between the AMC, other Government Departments and the target communities.

(g) The Malaria Eradication Training Center has expanded its curriculum to cover training for medical, paramedical and other personnel of the Health Department, medical students, agriculture officers, teachers, and youth volunteers.

(h) The vehicle maintenance facility is being upgraded and a line of vehicles, tools and spare parts will be supplied by the Government of the United Kingdom.

2. Financial Plan

This AID loan totalling \$12.0 million will finance about 54% of the projected import requirement and about 68% of the malathion requirement. This loan will also finance short-term training and safety equipment. The remaining foreign exchange requirement will be financed by other donors or by the Government.

As the project cost tables indicate, there are heavy malathion demands during the early years of the project when malaria incidence is high and intensive spraying is occurring, about 60 percent of this five year malathion requirement for the program is needed in the first two years. It is proposed that disbursement of AID loan funds be made roughly in proportion to annual foreign exchange requirements. However, since it will take other donors time to process their assistance and make their funds available, the AID loan, especially during the first year, may be disbursed more rapidly. For example:

Year	<i>FX costs*</i>	<i>FX cost (malathion*)</i>	<i>AID loan disbursements*</i>
1977	7.40	6.27	4.0
1978	6.86	6.27	3.0
1979	4.45	3.97	2.5
1980	2.19	1.84	1.5
1981	2.04	1.70	1.0
TOTAL	22.94	20.00	12.0

* \$U.S. millions.

Total Local Costs (SL/Rs. 000)

Activity	1st year	2nd year	3rd year	4th year	5th year	Total
Spraying	31,580	36,220	46,910	41,390	29,793	185,893
Treatment	100	900	2,615	3,015	1,900	8,530
Epidemiology	1,988	2,082	2,185	2,280	2,395	10,930
Laboratory services	1,324	1,395	1,470	1,548	1,630	7,367
Surveillance	648	1,943	4,523	6,558	7,203	20,875
Entomology	784	825	865	905	950	4,329
Health education	53	55	57	60	63	288
Training	53	55	57	60	63	288
TOTAL	36,530	43,475	58,682	55,816	43,997	238,500

Foreign exchange requirement 1977-1981¹

(U.S. \$1000's)

	1977	1978	1979	1980	1981	Total
Insecticides ²	6,273	6,273	3,918	1,844	1,700	20,008
Drugs	280	200	122	78	89	769
Vehicles ³	555	167	167	—	—	889
Spares for vehicles ³	55	28	28	55	55	221
Spares for lab. and spraying equipment ⁴	40	40	40	40	20	180
Training	14	16	29	29	29	117
WHO ⁵	—	—	—	—	—	—
AID ⁶	6	6	6	6	6	30
Safety equipment/protective clothing ...	50	—	—	—	—	50
Technicians (WHO)	94	101	108	108	108	519
Supplies and equipment	30	30	30	30	30	150
TOTAL	7,397	6,861	4,448	2,190	2,037	22,933

¹ Based on current prices except ².² Based on CIF price \$0.85/lb.³ After first 3 years new vehicle procurement will stop and emphasis will be given to spare parts.⁴ AMC traditionally buys sprayers from India.⁵ Long-term post-graduate fellowships.⁶ Short-term training in U.S. and countries with active malaria programs.

ANNEX 2

LOAN STANDARD PROVISIONS ANNEX

Definitions. As used in this Annex, the "Agreement" refers to the Loan 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 Cooperating Country 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 Cooperating Country 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 arrangement, 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 the territory of the Cooperating Country.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Assistance, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Assistance, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Cooperating Country, the Cooperating Country will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Assistance.

Section B.5. REPORTS, RECORDS, INSPECTIONS, AUDIT. The Cooperating Country 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 Cooperating Country 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 Cooperating Country affirms that no payments have been or will be received by any official of the Cooperating Country in connection with the procurement of goods or services financed under the Assistance except fees, taxes, or similar payments legally established in the territory of the Cooperating Country.

Section B.8. INFORMATION AND MARKING. The Cooperating Country 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 the territory of the Cooperating Country 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.

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 Cooperating Country 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 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;

(c) Contracts and contractors financed under the Assistance for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified 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; and

(d) Consulting firms used by the Cooperating Country for the Project but not financed under the Assistance, the scope of their services and such of their personnel assigned to

the Project as A.I.D. may specify, and construction contractors used by the Cooperating Country for the Project but not financed under the Assistance shall be acceptable to A.I.D.

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 Cooperating Country 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 the territory of the Cooperating Country 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 Cooperating Country, 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: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Cooperating Country, 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 the territory of the Cooperating Country 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 the territory of the Cooperating Country 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 of the Cooperating Country, 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 the territory of the Cooperating Country 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 Cooperating Country 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 Cooperating Country 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 Cooperating

Country 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 Cooperating Country 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 COOPERATING COUNTRY. The Cooperating Country may, by giving A.I.D. 30 days written notice, cancel any part of the Loan 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 Cooperating Country 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 provisions 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 Cooperating Country 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 Cooperating Country 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 Cooperating Country will be able to perform its obligations under this Agreement; or
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (d) The Cooperating Country 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 Cooperating Country 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 Cooperating Country;
- (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 Sri Lanka, are in a deliverable state and have not been offloaded in ports of entry of Sri Lanka. 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 Cooperating Country to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty days after receipt of a request therefor.

(b) If the failure of the Cooperating Country 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 Cooperating Country 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, 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.

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.
