

shall consist of goods and services in accordance with specific programmes agreed upon from time to time between the two governments. Similarly, agreement will be reached on the methods of procurement and transfer.

2. In order that Canadian aid may cover different types of projects, different forms of financing may be used; in particular, Canadian aid will be available on either a grant or a loan basis, depending on the nature of each specific programme and the uses to which the goods and services supplied under it are put.

3. The particular terms of each specific programme will be a matter for agreement between the two governments, subject to the following general provisions;

- (a) Grants: In any specific programme under which goods financed by grants from the Canadian Government are sold or otherwise distributed to the Pakistan public "counterpart funds" will normally be set aside. The Pakistan Government will set up a special account for these funds and will keep separate records of the amounts placed in the account in connection with each specific programme. It will pay into this account the rupee equivalent of the Canadian expenditures on goods and services supplied under any such programme. The Government of Pakistan will from time to time report to the Government of Canada the position of this account and will supply a certificate from the Auditor General of Pakistan. The two governments will from time to time agree on the economic development projects in Pakistan to be financed from this account.
- (b) Loans: For the specific programmes which are agreed to be appropriate for financing by means of loans the terms of the loans will be determined by the two governments. These terms will relate primarily to the commercial character of the particular project in question, to its anticipated earnings, and to its anticipated effects on the foreign exchange position of Pakistan.
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