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PD AAB-436-A1

INFORMATION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LA)

FROM: LA/DR, John R. Breen

SUBJECT: ISSUES PAPER - URUGUAY IRR Ag Cooperatives
Development Loan

The DAEC will meet at 2:30 p.m. on November 22nd to review a proposed \$1.5 million loan to Uruguay for agricultural co-op development. The purpose of the loan is to demonstrate that an established national co-op, the Agricultural Cooperative Societies for Rural Development (CALFORU), working through local co-ops can organize an integrated production and marketing system geared to expanding production of non-traditional export crops among smaller farmers.

This project will assist CALFORU accomplish the following: a) expand its marketing system (\$1,100,000); b) improve its farm supply distributions system (\$215,000); improve its internal management (\$65,000); c) assist selected small farmers (\$25,000); d) establish a pilot machinery pool (\$50,000) and provide consultant services, feasibility studies and training (\$40,000). A.I.D. funds would be used to assist in building a fruit packing plant, provide working capital, procure office and warehouse equipment and fertilizer, conduct feasibility studies, and provide the services of U.S. technical advisors.

The proposed loan was not included in the FY 75 Congressional Presentation. The borrower's contribution would amount to 38% of the project and exceeds the FAA requirement for host-country contributions. A number of general issues to be discussed at the Agricultural Research and Technical Assistance IRR are relevant to this project as well.

ISSUES:

1. Since CALFORU is the proposed borrower of this loan, shouldn't the DAEC be provided with a more detailed statement of the organization, operations and capacity of CALFORU?

2. This loan proposes to assist 3,000 small farmers in marketing of non-traditional crops, 17,000 farmers in buying farm supplies and 788 small fruit and vegetable farmers in receiving integrated services. However, almost 73% of the A.I.D. funds will be used in the marketing activity -- principally for fruits. What percentage of the 3,000 farmers to be reached by the marketing activity will utilize the fruit packing and canning facilities? Has the Mission calculated the cost-benefit relationship to these fruit producers? Does this represent too much concentration in one small segment of the target group?

3. While the IRR defines the 788 small farmers to be assisted by integrated services, no description is given of the 3,000 and 17,000 to be assisted in the other activities. What are the average net assets, size of land holdings and income level of the target man to be reached in the marketing and farm supply activities? In what percentile of the national income distribution pattern do these farmers fall? To obtain a far larger impact on agricultural exports and simultaneously reach a larger group of small farmers, should consideration be given to including this loan as part of the proposed FY 76 Agricultural Export Loan?

4. A key constraint to the success of this program will be both the implementation of sound, national agricultural development policies and the availability of timely and adequate agricultural credit. Problems have been encountered in the past especially with the Bank of the Republic (BOR) in providing production credits at the beginning of the crop year. While CALFORU does not appear to be making any full-season production credits under this loan it does seem to be providing short-term working capital to farmers. Is A.I.D. money being used to compensate for BOR inefficiency? Should the Uruguayans be required to provide all the short-term domestic credit under this program and thus also demonstrate the GOU's commitment to agricultural policies favoring small farmers?

5. The IRR proposes that the loan be made either to CALFORU with a GOU guarantee or to the GOU with a two-step procedure. In either case CALFORU would amortize its loan in 25 years. Is the credit worthiness of CALFORU such that A.I.D. should consider a direct loan? Since CALFORU is a private, profit-making organization would 2% and 3% money for 25 years be appropriate under this option? What assurance is there that any medium term loans would not create a maintenance of value problem for CALFORU?

6. In the past, CALFORU has made almost no profit on its marketing projects. Since the bulk of this loan would go for expanding these activities what policy changes can we expect CALFORU to implement in order to insure greater profitability?

7. Some of the sub-projects, such as the \$25,000 for Small Farmer Assistance, appear to be too small to have much national significance. Given the limited human resources at CALFORU wouldn't this kind of activity be best handled elsewhere or deferred while CALFORU management concentrates its efforts on improving its efforts in marketing and the farm supply system?

8. The IRR recognizes certain current deficiencies in CALFORU. Before approving a loan it should be made clear what remedial actions will be taken to: a) increase the quantity and improve the quality of CALFORU's management and operating personnel and the management system; b) make legal modifications for CALFORU and the SFR's vis-a-vis the project development; c) provide external technical assistance and training; d) assure CALFORU's access to adequate import quotas.

9. The IRR refers to the 1972 IDS export demand studies. Since the fruits of this loan will not be marketed until at least 1976 is an up-dating of the marketing studies necessary during the intensive review period particularly in light of the apparent down-turn in the Brazilian economy. (Since the IRR states that Brazil is the principal market for Uruguayan fruit.)

Babel

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AID Loan 528-T-024

LOAN AGREEMENT

between

THE ORIENTAL REPUBLIC OF URUGUAY

2074

and the

UNITED STATES OF AMERICA

for an

AGRICULTURAL RESEARCH/TECHNICAL ASSISTANCE PROJECT

Dated: December 5th., 1975

A TRUE COPY OF THE
SIGNED ORIGINAL

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ANNEX A	

LOAN AGREEMENT dated the 5th. day of December of 1975, between the ORIENTAL REPUBLIC OF URUGUAY ("Borrower"), and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("AID").

ARTICLE I

The Loan

SECTION 1.01 - The Loan - AID agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, an amount not to exceed four million eight hundred and fifty thousand United States dollars (\$4,850,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Project ("Dollar Costs") and Local Currency costs of goods and services required for the Project ("Local Currency Costs"). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02 - The Project - The Project shall assist the Uruguayan Ministry of Agriculture and Fisheries, acting through

the Agricultural Research and Technical Assistance Division ("IATA"), to establish a network of demonstration and experimentation farms to help to develop improved agricultural production systems. The Loan will be used principally for: (a) contracting foreign technical advisors, (b) external training of Uruguayan technicians, and (c) equipment and miscellaneous procurement.

The Project is more fully described in Annex A, attached hereto, which Annex may be modified by mutual agreement of the parties in writing. The procedures for securing goods and services to be financed under the Loan shall be described in the Implementation Letters referred to in Section 9.03 ("Implementation Letters").

SECTION 1.03 - Use of Funds Generated by Other United States Assistance - The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purpose that AID and the Borrower may agree to in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an

equivalent amount of United States dollars computed, as of the date of the agreement between AID and Borrower as to the use of such funds, at the most favorable legal rate of exchange in effect on the date on which the pesos become available.

SECTION 1.04 - Implementing Agency - The Borrower hereby designates the Ministry of Agriculture and Fisheries (MAP) as its Implementing Agency ("Implementing Agency") for purposes of carrying out the overall Project.

ARTICLE II

Loan Terms

SECTION 2.01 - Interest - The Borrower shall pay to AID interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04) and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder on a date to be mutually agreed upon by the parties.

SECTION 2.02 - Repayment - The Borrower shall repay to AID the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 2.01. AID shall provide the Borrower with an

amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03 - Application, Currency, and Place of Payment -

All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as AID may otherwise agree to in writing, all such payments shall be made to the Agency for International Development, Cashier, SER/CONT, Washington, D.C. 20523, and shall be deemed made when received by AID at this address.

SECTION 2.04 - Prepayment - Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any such prepayment shall be applied in the order prescribed in Section 2.03 and, to the extent applied to Principal, shall be applied pro rata to the remaining installments thereof.

SECTION 2.05 - Renegotiation of the Terms of the Loan - In the light of the undertaking of the United States of America, and the other signatories of the Act of Bogotá and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with AID concerning an acceleration of the repayment of

Principal at any time or from time to time as AID or the Borrower may request, provided, however, that no such request under this Section be made prior to six (6) months before the date the first installment of Principal is payable under Section 2.02. The parties hereto shall mutually determine whether such an acceleration shall take place on the basis of the following criteria:

(a) the capacity of Borrower to service a more rapid liquidation of its obligations in the light of the internal and external financial position of Uruguay, taking into account debts owing to any agency of the United States of America, or to any international organization of which the United States of America is a member; and

(b) the relative capital requirements of Borrower and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01 - Conditions Precedent to Initial Disbursement of Loan Funds - Prior to any disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as AID may otherwise agree to in writing, furnish to AID in form and substance satisfactory to AID:

(a) An opinion or opinions of the Legal Officer of the Government of Uruguay or of other counsel satisfactory to AID demonstrating that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Borrower, and constitutes a valid and binding obligation of Borrower, in accordance with its terms;

(b) Evidence of the authority of the person or persons who will act as representative or representatives of Borrower pursuant to Section 9.02, together with a specimen signature of each such person duly certified as to its authenticity;

(c) Detailed time-phased plans for implementing the project including:

(i) time-phased implementation plans for the technical assistance, participant training, and equipment components of the project; for the expansion of the national network of the UEDPs and for strengthening the IATA headquarters staff, and field operations. Such plans will provide a coherent and integrated framework for describing the phasing, sequence and inter-relationship of the various project inputs and activities as well as identify the outputs and beneficiaries projected during the life of the project.

(ii) evaluation plans and procedures for project performance including the establishment of performance criteria;

(iii) plans for coordination with other public and private technical assistance organizations;

(iv) general financial plans for the project including a detailed financial plan for the year 1976.

(d) Evidence that Borrower shall provide, or shall cause IATA to provide, the counterpart contributions required for the first twelve months of the Project.

(e) Evidence that an Executive Unit within IATA has been established responsible for the overall management and coordination of the Project.

SECTION 3.02 - Conditions Precedent to Disbursements for Financing Technical Assistance Costs - Prior to any disbursements or the issuance of any commitment documents for each particular technical assistance contract or proposal, the Borrower shall furnish to AID, in form and substance satisfactory to AID, the Scope-of-Work for each technician to be contracted under the Loan.

SECTION 3.03 - Conditions Precedent to Disbursement for Financing Participant Training Costs - Prior to any disbursement or the issuance of any commitment documents for financing Participant Training, the Borrower shall submit to AID in form and substance

satisfactory to AID, evidence of arrangements to assure that all participants shall, upon completion of their training, return to Uruguay and be employed by the Ministry of Agriculture and Fisheries or participating agencies in positions relevant to their areas of acquired expertise and at salaries commensurate with their professional responsibilities.

SECTION 3.04 - Conditions Precedent to Disbursements for Financing Equipment and Miscellaneous Items - Prior to any disbursement or the issuance of any commitment document under the Loan for the purpose of financing equipment and miscellaneous items, the Borrower shall furnish to AID in form and substance satisfactory to AID:

(a) A detailed plan showing how budgetary allocations for IATA will be supplemented by a system of fees, for services to farmers, to help cover operational costs of IATA's expansion program.

(b) Evidence that the National Advisory Board, which was established by decree in 1973, has been fully integrated into the IATA expansion plans.

(c) A plan for vehicle maintenance and procurement of spare parts.

(d) Executed agreements or arrangements between the Ministry of Agriculture and Fisheries and at least two of the participating agencies describing the nature of such participation in the program

and roles in the implementation plan.

(e) Evidence that the Borrower has provided adequate funds and all necessary authorizations for the importation of vehicles - in addition to those specified in Annex A - needed for the Project in accordance with the implementation plan required in Section 3.01 (c).

SECTION 3.05 - Terminal Dates for Meeting Conditions

Precedent to Disbursement -

(a) If all of the conditions specified in Section 3.01 shall not have been met within one hundred and twenty (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 giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

(b) If disbursements under Sections 3.02 and 3.03 or if arrangements satisfactory to AID for effecting such disbursements are not initiated or if all of the conditions specified in Sections 3.03 and 3.04 shall not have been met within one hundred and eighty (180) days from the date of this Agreement, or such later date as AID may agree to in writing, AID, at its option, may cancel the then undisbursed balance of the amount of the Loan

and/or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.06 - Notification of Meeting of Conditions

Precedent to Disbursement - AID shall notify the Borrower within thirty (30) days of the receipt of documents submitted in satisfaction of Sections 3.01, 3.02, 3.03 and 3.04 whether AID has determined that the various conditions precedent to disbursement have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01 - Execution of the Project - The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound financial and administrative practices, and also in accordance with all of the related plans, specifications, contracts, schedules, and other arrangements, including all modifications therein. In this connection, the Borrower shall cause the Implementing Agency at all times to employ suitably qualified and experienced consultants, where appropriate in connection with the Project set forth in Annex A, to be professionally responsible for the planning and execution of the Project. AID reserves the right to review such plans, specifications, contracts, schedules and other documents related to the Project, as may be appropriate, at the consultations specified in Section 4.03.

SECTION 4.02 - Funds and Other Resources to be Provided by Borrower - The Borrower shall provide or cause to be provided promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project.

SECTION 4.03 - Continuing Consultation - The Borrower and AID shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and AID shall from time to time, at the request of either party exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors and suppliers engaged in the Project and other matters relating to the Project.

SECTION 4.04 - Management - The Borrower shall provide qualified and experienced management for the Project and shall train such staff as may be appropriate for the organization, development, maintenance, operation and evaluation of the Project.

SECTION 4.05 - Operation and Maintenance - The Borrower shall operate, maintain, and repair the equipment procured under the Project in conformity with sound financial, administrative and mechanical practices, and in such manner as to insure the continuing and successful achievement of the purpose of the Project.

SECTION 4.06 - Taxation - This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from any taxation or fees imposed under the

laws in effect within the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided by AID under the Loan, and exclusive of funds to be provided by Borrower under the Loan.

SECTION 4.07 - Utilization of Goods and Services - .

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as AID may otherwise agree to in writing. Upon completion of the Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as AID may agree to in writing prior to such use or disposition.

(b) Except as AID may otherwise agree to in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or

financed by any country not included in Code 935 of the AID Geographic Code Book as in effect at the time of such use.

SECTION 4.08 - Disclosure of Material Facts and Circumstances

The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to AID in the course of obtaining the Loan are accurate and complete, and that it has disclosed to AID accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform AID of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09 - Commissions, Fees and Other Payments -

(a) The parties warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to their full-time officers and employees or as compensation for bona fide professional, technical or comparable services to which they are a party or of which they have

knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable, the same shall be adjusted in a satisfactory manner.

(b) The parties warrant and covenant that no payments have been or will be received by them or any of their officials in connection with the procurement of goods and services financed hereunder, except commissions, fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.10 - Maintenance and Audit of Records - The Borrower shall maintain, or cause to be maintained in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

(a) The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;

(b) The nature and extent of solicitations of prospective suppliers of goods and services acquired;

(c) The basis of the award of contracts and orders to successful bidders; and

(d) The progress, both financial and qualitative, of the Project.

Such books and records shall be regularly audited in accordance with sound auditing standards, for such period and at such intervals as AID may require, and shall be maintained for five years after the date of the last disbursement by AID or until all sums due AID under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11 - Reports - The Borrower shall furnish to AID such information and reports relating to the Loan and to the Project as AID may request.

SECTION 4.12 - Inspections - The authorized representative of AID shall have the right at all reasonable times to inspect the Project, the utilization of all goods, facilities and services financed by Loan funds or by Borrower's contribution, and the Borrower's books, records, and other documents relating to the Project and the Loan. The Borrower shall cooperate with AID to facilitate such reasonable inspections and shall permit representatives of AID to visit any part of the country of the Borrower for any purpose relating to the Loan. Prior to undertaking any inspections pursuant to the provisions of this Section, however, AID hereby undertakes to advise the Borrower of its intent to exercise its rights hereunder. The Borrower shall:

(a) upon request extend to AID the right to inspect the books, records and other documents of the Implementing Agency relating to the Project;

and (b) insert, or cause to be inserted in all contracts with private entities, whether financed directly or through an intermediary under the Loan, a clause extending to AID the right to make inspections in accordance with this Section.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01 - Agricultural Credit - Borrower covenants to make available, through appropriate institutions, agricultural credit to farmers in amounts and on terms sufficient to permit attainment of goals set forth in the National Agricultural Development Plan.

SECTION 5.02 - Incentives for Agricultural Production - Borrower covenants to pursue agricultural pricing, exchange rates, tax, credit and trade policies within the context of the Government of Uruguay's overall economic program which provides incentives for agricultural production.

SECTION 5.03 - Agricultural Marketing - Borrower covenants to undertake additional studies on the marketing of agricultural products as determined jointly by Borrower and AID.

SECTION 5.04 - Borrower Contributions - Borrower covenants to provide, or cause IATA to provide, in a timely manner over the life of the Project, the counterpart contributions required.

SECTION 5.05 - Annual Review - Borrower covenants to review annually with AID the plans set forth in Article III, Section 3.01 (c)

SECTION 5.06 - Low Income Farmer - Borrower covenants that in the implementation of the Loan it will make special effort to:

(a) identify the problems unique to the small or low income farmer in obtaining and applying new technologies and farm management practices and (b) assist such farmers through special programs relating to credit, marketing and technical assistance.

ARTICLE VI

Procurement

SECTION 6.01 - Procurement from Selected Free World Countries -

Except as AID may otherwise agree to in writing, and except as provided in Section 6.07 (c) hereof with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in countries included in Code 941 of the AID Geographic Code Book as in effect at the time the orders are placed or contracts are entered into for such goods and services ("Selected Free World Goods and Services"). All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the AID Geographic Code Book as in effect at the time of shipment.

SECTION 6.02 - Procurement from Uruguay - Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Uruguay.

SECTION 6.03 - Eligibility Date - Except as AID may otherwise agree to in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04 - Implementation of Procurement Requirements -

The definitions applicable to the eligibility requirements of Section 6.01 and 6.02 will be set forth in detail in Implementation Letters.

SECTION 6.05 - Plans, Specifications and Contracts - The

Borrower shall furnish or cause to be furnished to AID upon request, all plans, specifications, bid documents and contracts relating to the Project, and any modifications therein, relating to goods and services to be financed under the Loan.

SECTION 6.06 - Reasonable Price - No more than reasonable

prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with established procedures.

SECTION 6.07 - Shipping and Insurance -

(a) Selected Free World Goods financed under the Loan shall be transported to Uruguay on flag carriers of any country included in Code 935 of the AID Geographic Code Book as in effect at the time of shipment. No such goods may be transported on any ocean vessel (or aircraft):

(1) which AID in a notice to the Borrower has designated as ineligible to carry AID financed goods or;

(ii) which has been chartered for the carriage of AID-financed goods unless such charter has been approved by AID.

(b) Unless AID shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels:

(i) at least fifty percent (50%) of the gross tonnage of Selected Free World Goods financed under the Loan and transported on ocean vessels from United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately-owned United States-flag commercial vessels; and at least fifty percent (50%) of the gross freight revenue generated by ocean shipment of Selected Free World Goods financed under the Loan and transported on dry cargo liners from United States ports shall be paid to or for the benefit of privately-owned United States-flag commercial vessels:

(ii) at least fifty percent (50%) of the gross tonnage of all Selected Free World Goods financed under the Loan and transported on ocean vessels from non-United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately-owned United States-flag commercial vessels, and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World Goods financed under the Loan and transported on dry cargo liners

from non-United States ports shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

(c) Marine insurance on Selected Free World Goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided:

(i) such insurance is placed at the lowest available competitive rate in Uruguay or in a country included in Code 941 of the AID Geographic Code Book as in effect at the time of placement; and

(ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Selected Free World Goods financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all Selected Free World Goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent

with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the AID Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.08 - Notification to Potential Suppliers - In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan pursuant to Section 7.01, the Borrower shall furnish to AID such information with regard thereto, and at such times, as AID may request in Implementation Letters.

SECTION 6.09 - United States Government-Owned Excess Property - The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-Owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from AID and AID will assist the Borrower

in ascertaining the availability of an in obtaining such Excess Property. AID will make arrangements for any necessary inspection of such property by the Borrower or its representative. The cost of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan.

SECTION 6.10 - Goods and Services not Financed Under the Loan - Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the AID Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.11 - Information and Marking - Borrower shall give publicity to the Loan and the Project as a program of United States aid and shall agree to the marking of goods financed under the Loan according to procedures to be described in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01 - Disbursement for United States Dollar Costs - Letter of Commitment to United States Banks - Upon satisfaction of conditions precedent, the Borrower, may from time to time, request AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID, committing AID to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letter of Credit or otherwise, for Dollar Costs of goods procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as AID may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 7.02 - Disbursements for Peso Costs - Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by AID of Uruguayan pesos for peso costs of goods and services procured or to be procured for the Project in accordance with the terms and conditions of this Agreement by submitting to AID such supporting documents as AID may prescribe in Implementation

Letters. AID shall make such disbursements from pesos owned by the United States Government and obtained by AID with United States dollars. The United States dollar equivalent of the pesos made available hereunder will be the amount of United States dollars required by AID to obtain the pesos.

SECTION 7.03 - Other Forms of Disbursement - Disbursements of the Loan may also be made through such other means as the Borrower and AID may agree to in writing.

SECTION 7.04 - Date of Disbursement - Disbursements by AID shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01 on the date on which AID makes a payment to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 7.02, on the date on which AID disburses the pesos to the Borrower or its designee.

SECTION 7.05 - Terminal Date for Disbursement -

(a) Except as AID may otherwise agree to in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 7.03, or amendment thereto, shall be issued in response to requests received by AID more than forty-two (42) months after the signing date of this Agreement and no disbursement shall be made against documentation received by AID or any bank described in Section 7.01 more than

forty-eight (48) months after the signing date of this Agreement.

AID at its option, may at any time or times after such forty-eight (48) months reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01 - Cancellation by the Borrower - The Borrower may, with prior written consent of AID and by written notice to AID, cancel any part of the Loan (i) which, prior to the giving of such notice, AID has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02 - Events of Default: Acceleration - If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other Loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies

and AID, or any of its predecessor agencies; then AID, may at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under the then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03 - Suspension of Disbursement - In the event that at any time:

(a) An Event of Default has occurred;

(b) An event occurs that AID determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;

(c) Any disbursement by AID would be in violation of the legislation governing AID;

(d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies

and the Government of the United States or any of its agencies;

(e) Satisfactory progress is not being made in carrying out all or any part of the Project in accordance with the terms of this Agreement; then AID may, at its option:

(i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event AID shall give notice to the Borrower promptly;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents;

(iv) at AID's expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of Uruguay.

Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04 - Cancellation by AID - Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension

AID may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05 - Continued Effectiveness of Agreement -

Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06 - Refunds -

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, AID, notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to AID within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement,

AID's rights to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that AID receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, AID shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07 - Expenses of Collection - All reasonable costs incurred by AID other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due AID by reason of occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to AID in such manner as AID may specify.

SECTION 8.08 - Nonwaiver of Remedies - No delay in exercising or omission to exercise any right, power, or remedy accruing to

AID under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01 - Communications - Any notice, request, document or other communication given, made, or sent by the Borrower, or AID pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministerio de Economía y Finanzas
Colonia 1089
Montevideo, Uruguay

Cable Address: MinEconomía y Finanzas
Montevideo, Uruguay

TO IMPLEMENTING AGENCY:

Mail Address: Ministerio de Agricultura y Pesca
Constituyente 1476
Montevideo, Uruguay

Cable Address: Ministerio de Agricultura y Pesca
Montevideo, Uruguay

TO AID:

Mail Address: USAID Mission to Uruguay
American Embassy
Lauro Müller 1776
Montevideo, Uruguay

Cable Address: USAID AmEmbassy
Montevideo, Uruguay

Other addresses may be substituted for the above upon giving notice. All notices, requests, communications, and documents submitted to AID hereunder shall be in English except as AID may otherwise agree to in writing.

SECTION 9.02 - Representatives - For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Minister of Economy and Finance, the Implementing Agency will be represented by the individual holding or acting in the office of the Minister of Agriculture and Fisheries and AID will be represented by the individual holding or acting in the office of the AID Representative, USAID Mission to Uruguay. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to AID. Until receipt by AID of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03 - Implementation Letters - AID shall from time to time issue Implementation Letters that will prescribe the procedures

applicable hereunder in connection with the implementation of this Agreement. Nothing set forth in such Letters of Implementation shall either modify or alter the terms of this Agreement.

SECTION 9.04 - Promissory Notes - At such time or times as AID may request, the Borrower shall issue promissory notes or such other evidence of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as AID may reasonably request.

SECTION 9.05 - Successors to Rights of AID - If by operation of any law of the United States, or by virtue of assignment, any corporate or other agency of the United States Government succeeds to the rights and obligations of AID under this Agreement, such agency shall be deemed to be AID for purposes of this Agreement.

SECTION 9.06 - Effective Date of Agreement - This Agreement shall enter into effect on the day and year first above written.

SECTION 9.07 - Termination Upon Full Payment - Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and AID under this Loan Agreement shall terminate.

SECTION 9.08 - General - This Agreement is executed in English and Spanish. In the event of any inconsistencies regarding the terms

of this Agreement. the English language version will control

IN WITNESS WHEREOF, Borrower, and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE ORIENTAL REPUBLIC OF URUGUAY

By: Juan Carlos Blanco
Dr. Juan Carlos Blanco

Title: Minister of Foreign Relations

By: Valentin Arismendi
Cr. Valentin Arismendi

Title: Acting Minister of Economy and Finance

By: Julio E. Fernandez
Ing. Julio E. Fernandez

Title: Minister of Agriculture and Fisheries

THE UNITED STATES OF AMERICA

By: Ernest V. Siracusa
Ernest V. Siracusa

Title: Ambassador of the United States of America

By: Leonard J. Horwitz
Leonard J. Horwitz

Title: AIL Representative in Uruguay

ANNEX A to Loan Agreement

Project Description

A. The Loan will assist the Borrower to carry out a five year program to achieve a sustainable increase in agricultural production to augment export earnings, reduce food imports, and increase small and medium farmer income productivity. This objective will be accomplished by developing, within the Ministry of Agriculture, a mechanism for expanding and improving the quality of applied agricultural research and disseminating the results to farmers. Such a mechanism will also incorporate into and coordinate with a national network involving all public and private agricultural agencies in a concentrated research and technical assistance program to transfer applied technology to the farmer and to improve their farm management capabilities.

The Borrower will implement the project through the Ministry of Agriculture and Fisheries (MAP) which will, in turn, delegate responsibility for project implementation to its Agricultural Research and Technical Assistance Division (IATA). The specific activities to be carried out under the project are as follows:

1. Research/Technical Assistance Network

IATA will continue to (a) expand and improve the staff capacities and support services of its Montevideo headquarter facilities, (b) expand and improve staff capacities of its five regional experiment stations, and (c) complete a network of experimental and demonstration units (UEDPs) in selected geographic zones.

2. Project Components

The Loan will be used principally for (a) contracting foreign technical advisors, (b) external training of Uruguayan technicians, and (c) equipment, machinery and vehicles.

a. Technical Advisors

The Borrower, through IATA will contract up to nine foreign technical advisors for two years each and up to three for four years, for a total of up to 30 man/years at an estimated total cost of \$1,800,000. The Borrower will also contract up to 17 short-term advisors (under 6 months) for a total of up to 36 man/months at an

estimated total cost of \$ 180,000. The Borrower will contract directly for this technical assistance with an U.S. institution (s) (presumably a consortium of U.S. universities, acceptable to A.I.D. Each technical specialty covered by a contract advisor will be subject to the requirements of appropriate scope of work plans, consistent with the overall project implementation plan and further subject to the approval of A.I.D.

The U.S. Advisors by speciality will be provided in various areas of agricultural development including: Agricultural Economics, Farm Management, Agronomy, Agricultural Engineering, Fruit Culture, Weed Control, Animal Husbandry, Agricultural Information, Entomology, Horticulture, Plant Pathology and Soil Conservation and such other disciplines as may mutually be agreed on.

b. Training

The training component will include approx. 648 man/months (36 fellowships of 18 months each) for Uruguayan technicians studying for Master's degrees or their equivalent in various relevant disciplines. In addition approximately 31 fellowships will be granted for short-term training of some five to six months each, or for an estimated 170 man/months. The total of the estimated 818 man/months of formal training is programmed at approximately \$706,000. This training program may also be administered by the U.S. contractor (university consortium) in order to facilitate participant selection placement and processing and insure quality training services. All participant training will be directly related to the requirements of the project and the individual participants selected will be subject to the approval of A.I.D.

Uruguayan technicians will be trained in various technical areas including: Citrus Production, Dairy Production, Plant Protection, Potato Production, Production Systems, Grain Storage, Beef Cattle Production, Agricultural Economics, Plant Breeding, Agricultural Information, Farm Management, Farm Machinery, Irrigation and Drainage, Animal Husbandry, Fiber Crop Production, Fruit Culture, Agroclimatology, Weed Control, Horticulture, Entomology, Plant Pathology and Soil Conservation.

In addition to both the planned formal training outside of Uruguay and the daily in-service training by U.S. advisors with their counterparts, IATA will conduct about 78 short courses, conference or seminars during the next four years. These courses or seminars will be conducted by IATA staff members for other

IATA technicians, personnel from other private and public technical assistance agencies, cooperative leaders, producers and other interested parties. All parties will be kept up-to-date on important and varied research findings. The U.S. advisors will participate in the planning and conducting these courses or seminars. U.S. advisors will also be available to conduct seminars and other educational activities with public and private institutions to the extent their work schedule will permit.

c. Equipment and Miscellaneous

This component of the loan will be used principally to finance equipment, machinery and vehicles to support the research/technical assistance effort at the five regional experiment stations and the UEDPs. A limited amount of equipment and miscellaneous items financed by the loan will be used to support the Montevideo headquarters. All procurement will be directly related to project purposes and its acquisition and location will be subject to the approval of A.I.D.

3. Project Administration

The IATA Director General will manage the program through delegations of authority to the five regional directors, to the research project chiefs, and to the technicians in charge of the various special services, such as, soil certification, soils laboratory, plant protection, animal nutrition, agricultural information, and agricultural economic departments. A system of technical advisory councils will be established and maintained to assist in planning and evaluating project activities.

IATA and the other participating technical agencies will strengthen their countrywide services as necessary to carry out the project.

The Montevideo headquarters will also serve as home base for both the long-term and the short-term U.S. advisors contracted to assist in the implementation of this project.

The five experiment stations will serve as IATA regional offices.

The UEDPs will be composed of land, equipment, manpower, and other resources necessary to develop and demonstrate improved production systems. Each UEDP will serve as a center for applied research experiments, for demonstrations of a practical or commercial nature and as a base for extending information and technical assistance. Each unit is (or will be) located on land representative of the sub-region. These properties may be owned by IATA, leased from some other Government agency, or donated by a producers' association, cooperative, or from a single producer. The major portion of each UEDP will be used for demonstrating one or more production systems, and the rest will be reserved for special crop research.

4. Coordination with Other Organizations

The coordination of the activities of IATA with other participating organizations will be carried out at both national and regional levels, through special advisory boards. These boards will consist of technicians from both the public and private sectors and are responsible for assisting IATA with program planning and evaluation. The objective of the National Advisory Board will be to insure that research activities are planned and carried out and are in the best interest of the country and the agricultural sector. The purpose of the Regional Advisory Boards is to insure that the production problems are identified and receive consideration when specific research projects are planned.

Future extension activities (as in the past) will in part be carried out by organizations such as cooperatives, rural associations, the Banco de la República, Plan Agropecuario, Plan Citrícola, Plan Granjero, FUCREA, The Colonization Institute, the Wool Growers Association, and through private enterprises such as fertilizer and chemical companies, veterinary supply houses, and farm machinery dealers. Each of these organizations has varying numbers of field agents stationed in the rural areas where the experiment stations and the UEDPs are located. The approach will be to service these existing field agent resources who are already established, supported by their parent organization and have ongoing direct contact with farmers. They will be reached by providing new and improved technology through the UEDPs located in specific production areas and concentrating on specific production problems for each area. The field technicians from these organizations, the farmers and their organizations such as

cooperatives and associations will participate in identifying both technical production restraints and the design of research or demonstration activities to solve these problems. They will also provide the required feedback to the UEDPs outlining both the positive and negative results of techniques that have been utilized on a commercial scale.

5. Project Implementation

As provided in Section 3.01 of the Loan Agreement, IATA will prepare and submit to AID, a project implementation plan, which will depict the phasing, sequence and relationships of the various project inputs and activities as well as identify the outputs projected during the life of the project.

Among the major activities to be carried out are:

- a. Take the necessary steps to contract a U.S. institution to provide external technical assistance and training. This will include finalizing detailed scopes of work for contract technicians, developing individual technician training requirements, and all actions necessary for finalizing a contractual arrangement.
- b. Select the first group of Uruguayan technicians to be sent for participant training.
- c. Initiate procedures to procure the equipment, machinery and vehicle components of the project.
- d. Identify and assign counterparts for U.S. technicians.
- e. Develop and finalize cooperating agreements with other participating agencies of both the public and private Uruguayan agencies.
- f. Identify and assign logistical support facilities for the U.S. contract technicians. This will include such things as: office space, secretarial assistance, transportation, etc.
- g. Formalize land use agreements with cooperating institutions for the establishment of the remaining UEDPs .

h. Identify and assign Uruguayan personnel to staff the UEDPs.

i. Form and initiate meetings of both the National and Regional Advisory Committees.

j. Finalize project evaluation procedures.

As the above actions are completed and the loan financed project inputs begin to become available, IATA will then:

a. Develop monthly work schedules for U.S. contract technicians.

b. Continue to identify and provide English language training for participant trainees.

c. Standardize procedures for customs clearance, inventory, assignment, and maintenance of equipment, machinery and vehicles.

d. Continue to mobilize the UEDPs as outlined in the implementation plan.

IATA will, at this point, be able to attack the priority problems of agricultural production through practical applied research on different agricultural production systems and to extend the results of this research to farmers through better coordination of an expanded corps of technical advisors.

As the UEDPs become operational and effective, and the trained Uruguayan counterparts return to their jobs, the U.S. contractual technical assistance will be phased out. IATA will then continue the research technical assistance effort with their own resources.

6. Scheduling

The program will be carried out over a five year period (1976-80) with total annual financial contributions from the borrower and A.I.D. becoming available according to the following schedule:

FINANCIAL PLAN

COMPONENTS

	<u>FISCAL YEARS</u>					<u>TOTAL YEARS</u>
	1976	1977	1978	1979	(3 mos. only) 1980	
	(in thousands U.S. Dollars)					
<u>A. Counterpart Financing</u>						
1. Additional Personnel Costs IATA	206	359	447	484	151	1,627
2. Land Rentals - fair value	60	100	120	120	30	430
3. Livestock-beef cattle & sheep	60	30	35	-	-	125
4. Capital Investments	300	475	100	-	-	875
5. Additional Operating Costs IATA	70	120	150	150	50	590
6. IATA regular budget supporting expansion plan	250	250	250	250	63	1,063
7. Additional personnel costs - co-operating agencies	255	711	1,228	1,214	385	4,220
Sub-Total - Uruguayan Financing	1,201	2,105	2,436	2,553	660	8,950
<u>B. AID Loan Financing</u>						
1. 12 US Advisors (30 m/yrs.)	195	620	660	220	45	1,800
2. Short-term Experts (36 m/mos.)	40	100	20	20	-	180
3. <u>Training</u>						
a. 36 persons (18 mos. ea. MS Degree)	57	130	171	80	-	438
b. 31 persons (5 or 6 mos. ea.)	28	45	65	24	-	172
c. International Meetings	10	10	10	10	-	40
4. <u>Equipment</u>						
a. Agricultural Equipment	-	1,000	-	-	-	1,000
b. Vehicles	-	80	20	-	-	100
c. Lab. Equipment	25	275	-	-	-	300
d. Central Office	25	265	25	25	-	340
5. Contingency	30	300	70	24	0	424
Sub-Total - AID Financing	406	2,935	1,061	403	45	4,850
<u>TOTAL A & B</u>	1,607	5,040	3,537	2,956	705	13,800

Percent AID - 35% Dollar Financing AID - 4,667
 Percent GOV - 65% Local Currency AID - 193

The Borrower will contribute in accordance with its normal budgetary procedures, but not less than on an annual basis, the counterpart contribution as outlined above. In the event that such counterpart contributions are not forthcoming, A.I.D. may withhold additional disbursements.

At appropriate times over the life of the project, and at least annually, the Borrower, represented by the Minister of Agriculture and Fisheries, will meet with A.I.D. and discuss financial needs of each of the activities financed by the Borrower's contribution in relation to planned activity and performance during the previous period.

Over the life of the Project, the loan will finance activities described herein. These specific allocations represent the best estimate as to need and timing at this time. Some variation is expected as experience is gained, and some re-allocation of program needs may become apparent. Within the total amount programmed, no loan financed activity will be allowed to vary by more than 10% between major project categories from its original projection over the life of the project.

7. Evaluation

A joint GOU/AID Evaluation Committee will be established within two months after the first disbursement under the loan. The Committee will consist of representatives of the Ministry of Agriculture's Planning Office, IATA, the Contractor, the USAID Agriculture Division, and the Program Office. The MAP Planning Office representative will be chairman as the GOU will assume the major responsibility for evaluation.

The Committee shall design very soon after loan implementation begins the type of information and appropriate formats to be included in the evaluation.

The first evaluation of project progress against performance indicators contained in the logical framework will be held one year after the first disbursement. Succeeding evaluations will be conducted annually on or near the anniversary date of the first disbursement and at other times as determined necessary by the Evaluation Committee.

This Annex may be amended by mutual agreement between the parties in writing.