

AIRGRAM

DEPARTMENT OF STATE ^{at 5} 2/79

512-L-082

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FROM BRASILIA
E.O. 11652

SUBJECT AID LOAN 512-L-082 - ENDE

REFERENCE Loan Completion Review and Report

For IA/DR

Six copies of the Loan Completion Review and Report for subject loan are transmitted herewith for AID/W information and distribution to appropriate offices.

JOHNSON

Attachments: 4/3

RELAYED BY	OFFICE	PHONE NO.	DATE	DISPATCHED
CONT: Elnotta	CONT		10 18-76	CONT: GJRowlan

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USAID/BRAZIL

LOAN COMPLETION REVIEW AND REPORT

(Per M.O. 1264.1 Section IV)

Loan No: 512-L-082

Date: August 18, 1976

Borrower: BNDE

Date Loan Authorized: February 26, 1971

Date Loan Agreement: October 3, 1971

Terminal Commitment Date: December 31, 1975

Terminal Disbursement Date: June 30, 1976

Amount of Loan: \$25,000,000

Disbursement Status: As of June 30, 1976:

Total Disbursement: \$25,000,000

Unliquidated Balance: \$ -0-

I. Purpose of Loan

The purpose of this loan was to assist the GOB in the expansion and institutionalization of its national rural road financing program. The program created and managed by the Banco Nacional do Desenvolvimento Econômico (BNDE), assisted in technical matters by the National Highway Department (DNER), will lead to (1) more effective allocation of Federal and State resources in the rural transport sector, (2) improved quality of road planning and construction through sub-borrower use of supervisory consultants, (3) establishment of uniform standards for rural road design, and (4) closer coordination between State and Federal Highway Departments or consortia of municipalities. To be eligible for financing, roads had to be economically feasible and so justified. Consultants were hired by the BNDE to monitor the construction program. The DNER will continue to assist the BNDE in supervising engineering and construction work. \$281,883 of the A.I.D. loan were used to fund the BNDE consultants for monitoring the project.

II. Principal Covenants

The Borrower has complied with all the covenants.

III. Reports

The reporting requirements set forth in the Loan Agreement and Implementation Letters have been fully met with the exception of the independent auditor's annual certificate to A.I.D. regarding the Borrower's compliance or non-compliance of the covenants and warranties of the Loan Agreement. The Mission is continuing follow-up action on this matter.

IV. Monitoring

All sub-projects were complete at June 30, 1976 except Bahia and Santa Catarina. The program in which USAID participated in Bahia was completed but additional roads will be built by the State of Bahia with the assistance of a new loan from the BNDE, without USAID participation.

V. Recommended Actions

Inasmuch as the completion of the roads is of prime interest to USAID, the Borrower has been requested to continue to submit quarterly progress reports on the construction status for the on-going work in the States of Bahia and Santa Catarina.

VI. Project Evaluation

This project was delayed in starting due to the many sub-projects in the various states. Also some difficulties were experienced as the BNDE was unable to contract for consultants to monitor the construction quality and schedules. However, the sub-projects in Mato Grosso, Goiás, Pernambuco and Maranhão were completed as scheduled.

In addition, a change in State Governors and the high rates of inflation had a major effect on the implementation of the project. In 1975 all governors were changed and as a result, delays in providing counterpart funding caused curtailment of the programs in Rio Grande do Norte and Bahia and was the major factor in the cancellation of the state programs in Piauí and Ceará. Inflation of approximately 50% during construction also caused delays in the implementation of the sub-projects. The various states resolved this problem by negotiating supplemental loans with the BNDE (Mato Grosso, Goiás, Maranhão) or curtailing the program and also negotiating a supplemental loan (Bahia, Rio Grande do Norte).

The following summary gives the final numbers of kilometers built and their relative costs in cruzeiros as of June 30, 1976:

	<u>Kilometers</u>	<u>(000 eliminated) Final Cost</u>
Mato Grosso	1.819	133,491
Goiás	1.190	75,323
Maranhão	449	32,100
Maranhão	456	42,574
Pernambuco	234	37,522
Rio Grande do Norte	257	24,787
Bahia	581	102,500
Santa Catarina	198*	130,816

* Still under construction

you for *JM*
Drafted by: ENRQ:CONT: JRDavison: sm
10-18-76

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