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A.I.D. Loan No. 517-T-035

Project No. 517-0126

**LOAN AGREEMENT**

Between

**THE GOVERNMENT OF THE DOMINICAN REPUBLIC**

and

**THE GOVERNMENT OF THE UNITED STATES OF AMERICA**

for

**NATURAL RESOURCE MANAGEMENT**

Dated: August 11, 1981

**CONFORMED COPY**

LOAN AGREEMENT

Dominican Republic - Natural Resource Management

A.I.D. Loan Number 517-T-035

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LOAN AGREEMENT dated August 31, 1981, between the GOVERNMENT OF THE DOMINICAN REPUBLIC ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

## ARTICLE I

### The Agreement

The purpose of this Agreement is to set out the understanding of the Parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

## ARTICLE II

### The Project

SECTION 2.1 Definition of the Project. The Project, which is further described in Annex 1, consists of assisting the Government of the Dominican Republic in a program to be implemented by the Secretariat of Agriculture through the Sub-Secretariat for Natural Resources to develop the institutional capacity of the Borrower to undertake action programs to increase hillside farmer income and conserve the natural resources of the country.

Within the limits of the above definition of the Project, 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 III

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 an amount not to exceed Ten Million Five Hundred Thousand United States ("U.S.") Dollars (\$10,500,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal."

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, 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 the equivalent of Ten Million Two Hundred Thousand Dollars (US\$10,200,000).

SECTION 3.3 Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is July 31, 1986, 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 nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the 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 IV

##### 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 (10) 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 will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement 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 twenty five (25) years from the date of the first disbursement of the Loan in thirty one (31) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after 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 the Dominican Republic, 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 representative of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiation 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 Secretary of Finance in the Dominican Republic.

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 V

### 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 the legal advisor to the Borrower 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 of its terms;

(b) A statement of the name of the person holding, or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 5.2 Condition Precedent to Disbursement for Other Than Aerial Photography and Technical Assistance. Prior to any disbursement, or the issuance of any commitment document under the loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(a) Evidence that the Office of Technical Coordination (OTC) has been established in the Sub-Secretariat of Agriculture of Natural Resources.

(b) Evidence that a full time Project Director and a coordinator have been appointed within OTC for the project; and

(c) Evidence that an accountant and an administrative liaison person have been appointed within OTC for the project;

SECTION 5.3 Condition Precedent to Disbursement for Certain Activities by OTC Within the Institutional Strengthening Component. Prior to any disbursement, or the issuance of any commitment documents under the loan to finance Institutional Strengthening activities of OTC other than those

covered under 5.2, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

- (a) A general administration plan setting forth how the O.T.C. will work with other Borrower's agencies involved in the project.
- (b) A general plan for procurement of good and services for O.T.C.
- (c) A general staffing plan for O.T.C.

**SECTION 5.4 Condition Precedent to Disbursement for Other Activities**

Under the Institutional Strengthening Component (ISC). Prior to any disbursement, or the issuance of any commitment documents under the loan to finance the Institutional Strengthening Component activities, other than OTC planning activities specified in Sections 5.2 and 5.3 above, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D., an overall plan for the Institutional Strengthening Component.

**SECTION 5.5 Condition Precedent for Additional Disbursement for Particular Activities Under the Institutional Strengthening Component.**

Prior to any disbursement, or the issuance of any commitment documents under the loan to finance any particular activity of the Institutional Strengthening Component other than those provided for under Sections 5.2, 5.3, and 5.4, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

- (a) A detailed operation plan for the particular activity;

- (b) A technical assistance plan including the scope of work for the technical assistance to be provided under the particular activity;
- (c) A procurement plan, including a list of the goods to be purchased for the particular activity.
- (d) Budget for each particular activity.

**SECTION 5.6 Condition Precedent to Disbursement for the Soils and Water Activities in the Rio Ocoa Watersheds.** Prior to any disbursement, or the issuance of any commitment documents under the Loan to finance the Soil and Water activities in the Rio Ocoa watershed, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(a) A detailed development and management plan for the Rio Ocoa watershed, including evidence of the establishment of a watershed level natural resource office and committee with adequate authority and staffing to administer the project activities within the Rio Ocoa watershed.

(b) Evidence that the Agricultural Bank has established a Soil Conservation Credit Fund, has programmed funds sufficient to accomplish the goals of farmer participation established under the project as set forth in Annex I, and will use and deposit all reflows generated under this project for Agricultural Bank Credit programs in support of soil conservation activities under the project.

**SECTION 5.7 Condition Precedent to Disbursement for the Soils and Water Activities in Las Cuevas Watersheds.** Prior to any disbursement, or the issuance of any commitment documents under the Loan to finance the Soil and Water activities in Las Cuevas watershed, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.: A detailed development and management plan for Las Cuevas watershed, including evidence of the establishment of a watershed level natural resource office and committee with adequate authority and staffing to administer the project activities within Las Cuevas watershed.

**SECTION 5.8 Notification.** When A.I.D. has determined that the conditions precedent specified in Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6 and 5.7 have been met, it will promptly notify the Borrower.

**SECTION 5.9 Terminal Dates for Conditions Precedent.**

(a) If all of the conditions specified in Section 5.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may terminate this Agreement by written notice to Borrower.

(b) If all of the conditions specified in Section 5.2 have not been met within 90 days from the date of this agreement or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(c) If all of the conditions specified in 5.3 have not been met within 90 days from the date that conditions precedent to Section 5.2 were met, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

(d) If all of the conditions specified in 5.4 and 5.6 have not been met within 180 days from the date that conditions precedent to Section 5.2 were met, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

## ARTICLE VI

### Special Covenants

SECTION 6.1 Project Evaluation. The Parties agree to establish an evaluation program as 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: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 6.2 Evaluation Plan. Except as A.I.D. may otherwise agree in writing, the Borrower will prepare and submit to A.I.D. by August 1, 1982, a time phased plan for evaluation described in Section 6.1.

SECTION 6.3 Additional Covenant. Except as A.I.D. otherwise may agree in writing, the Borrower will contribute in a manner satisfactory to A.I.D., any additional funds necessary to maintain the sub-lending activities under this project, at an adequate level during the life of the project.

## ARTICLE VII

### Procurement Source

SECTION 7.1 Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1 (2) with respect to marine insurance. In addition, transportation costs will be financed under the loan on carriers under flag registry of the Dominican Republic.

SECTION 7.2 Local Currency Costs. Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Dominican Republic ("Local Currency Costs").

#### ARTICLE VIII

##### Disbursements

#### SECTION 8.1 Disbursement for Foreign Exchange 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 A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, (i) requests for reimbursement for such goods or services, or (ii) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or,

(2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (i) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (ii) directly to one or more contractors or

suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

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

SECTION 8.2 Disbursement for Local Currency Costs

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement hereunder may be obtained by purchase by A.I.D. with U.S. Dollars. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. Dollars required by A.I.D. to obtain the local currency.

SECTION 8.3 Other Forms of Disbursement. Disbursements of the Loan may also be made through other means as the Parties may agree to in writing.

SECTION 8.4 Rate of Exchange. If funds provided under the Loan are introduced into the Dominican Republic by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of the Dominican Republic at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Dominican Republic.

SECTION 8.5 Date of Disbursement. Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract or purchase order; or (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2 (b).

ARTICLE IX

Miscellaneous

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

To the Borrower:

Mail Address:           Secretaría de Estado de Agricultura  
                                  Centro de Los Héroes  
                                  Santo Domingo, Dominican Republic

Cable Address:         Sècretaría de Estado de Agricultura  
                                  Santo Domingo, Dominican Republic

To A.I.D.:

Mail Address:         US A.I.D. Mission to the Dominican Republic  
                                  Santo Domingo, Dominican Republic

Cable Address:         US A.I.D. Santo Domingo

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

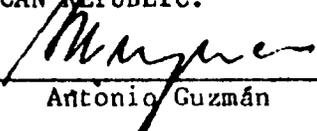
SECTION 9.2 Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the Office of the Secretary of State for Agriculture and A.I.D. will be represented by the individual holding or acting in the office of the Director, each 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 instruments signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 9.3 Standard Provision Annex. A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

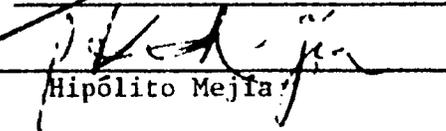
SECTION 9.4 Language of Agreement. This Agreement is prepared in both English and Spanish. In the event of ambiguity or conflict between the two versions, the English language version will control.

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

FOR THE GOVERNMENT OF THE  
DOMINICAN REPUBLIC:

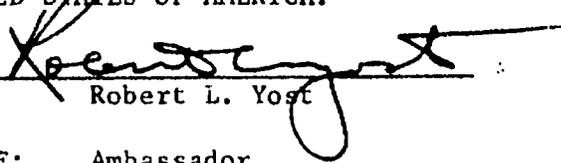
BY:   
Antonio Guzmán

TITLE: President

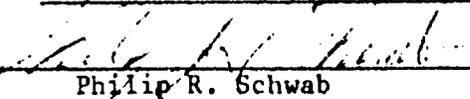
BY:   
Hipólito Mejía

TITLE: Secretary of State  
for Agriculture

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:

BY:   
Robert L. Yost

TITLE: Ambassador

BY:   
Philip R. Schwab

TITLE: Director, USA.I.D. Mission  
to the Dominican  
Republic

## ANNEX 1

### DEFINITION OF THE PROJECT

#### I. GENERAL

The goal of the project is to increase the income and standard of living of the rural poor. The subgoal of the project is to produce the field and institutional conditions necessary to adequately protect the country's natural resource base. The project purposes are: (A) to strengthen the Government of the Dominican Republic's (GODR) capability to promote the effective management of the country's natural resources; and (B) to establish a soil and water conservation model that can be used to help stop the degradation of the nation's natural resources. It is expected that at the end of this project the essential elements of an effective natural resource management structure will exist to set the stage for a massive conservation effort by the GODR.

#### II. THE PROJECT

The project will be financed by not to exceed ten million five hundred thousand dollars (\$10,500,000) of loan funds and five hundred thousand dollars of grant funds to be disbursed by A.I.D. and by not less than the equivalent of ten million two hundred thousand dollars (\$10,200,000), including costs born on an "in-kind" basis, to be provided by the Borrower.

Costs of the various activities included within the Project are estimated. Any substantial increases or decreases in these costs will require consultation and agreement between GODR and A.I.D.

Tables I and II set forth the estimated schedule of disbursements for the entire Project, from the several sources, during the five-year implementation schedule.

TABLE I  
(In Thousands)  
(\$ equiv. = RD\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
AID	1900	1630	2600	2575	2300	11000
GODR	<u>1475</u>	<u>1380</u>	<u>2450</u>	<u>2400</u>	<u>2490</u>	<u>10200</u>
Total	<u><u>3375</u></u>	<u><u>3010</u></u>	<u><u>5050</u></u>	<u><u>4975</u></u>	<u><u>4790</u></u>	<u><u>21200</u></u>

Since the Dominican Peso and U.S. Dollar are at parity, the cost of the Program is reflected as an aggregate sum, without distinguishing between the two currencies.

TABLE II

## SUMMARY COST ESTIMATE AND FINANCIAL PLAN

(\$000)  
(\$ equiv. = RD\$)

	A.I.D. (LOAN)		A.I.D. (GRANT)	TOTAL A.I.D.	GODR PESOS	TOTAL
	DOLLARS	PESOS	DOLLARS			
A. <u>Institutional Strengthening*</u>	<u>2,071</u>	<u>243</u>	<u>500</u>	<u>2,814</u>	<u>2,733</u>	<u>5,547</u>
Technical Assistance	605	-	500	1,105	-	1,105
Personnel	-	-	-	-	1,284	1,284
Vehicles	-	6	-	6	150	156
Equipment and Materials	250	175	-	425	40	465
Aerial Photographs	400	-	-	400	-	400
Training	810	-	-	810	460	1,270
Operating Costs	6	62	-	68	799	867
B. <u>Soil and Water Conservation</u>	<u>750</u>	<u>4,651</u>	<u>-</u>	<u>5,401</u>	<u>4,721</u>	<u>10,122</u>
Technical Assistance	398	-	-	398	-	398
Personnel	-	-	-	-	1,083	1,083
Vehicles	-	40	-	40	240	280
Equipment and Materials	62	80	-	142	-	142
Credit Funds	-	2,100	-	2,100	2,100	4,200
Incentive Cash Payments	-	2,130	-	2,130	-	2,130
Incentive Plant Materials	-	-	-	-	60	60
Nurseries Inputs (forest trees)	-	88	-	88	-	88
Training	290	112	-	402	28	430
Operating Costs	-	101	-	101	1,210	1,311
C. <u>Contingency</u>	<u>212</u>	<u>313</u>	<u>-</u>	<u>525</u>	<u>482</u>	<u>1,007</u>
D. <u>Inflation</u>	<u>921</u>	<u>1,357</u>	<u>-</u>	<u>2,278</u>	<u>2,200</u>	<u>4,478</u>
Total Project	<u>3,954</u>	<u>6,564</u>	<u>500</u>	<u>11,018</u>	<u>10,136</u>	<u>21,154</u>
Totals (Rounded)	<u>3,950</u>	<u>6,550</u>	<u>500</u>	<u>11,000</u>	<u>10,200</u>	<u>21,200</u>

\*Particular activities described in text

The project includes two major components: Institutional Strengthening, and Soil and Water Conservation. The Institutional Strengthening component includes activities to develop needed information, comprehensive plans, and national programs and policies and activities to upgrade the management and technical skills of the various key institutions involved in natural resource programs. The Soil and Water Conservation component consists of the implementation on hillside areas of an integrated set of conservation activities and farming systems research, and to develop technical packages for hillside cropping and grazing systems.

A. Institutional Strengthening (Loan \$2,314,000; Grant \$500,000 - GODR \$2,733,000)

1. Strengthening the GODR's Natural Resource Planning Capacity

a. Information Development (Loan \$763,000; GODR \$14,000)

Information will be developed which will be compatible at the national, watershed and farm levels. The national-level information will be maintained by the Sub-Secretariat for Natural Resources (SURENA) Department of Inventory and the watershed-level information will be maintained by the SURENA Land and Water Department personnel in the local Watershed Management Office. The project coordinating unit, the Office of Technical Coordination (OTC) will be provided on a timely basis with all information generated during project implementation. In addition to being responsible for the coordination of information collection, OTC will be responsible for the distribution of the information to participating agencies outside SURENA.

i. Cartography

Under this project activity, a standard cartographic base for all Dominican natural resources agencies will be established at the national, watershed and local levels, in order to assure data compatibility within and among GODR agencies. Maps with the following characteristics will be used: 1:250,000 scale Resource Planning Unit maps at the national level; 1:50,000 scale topographic maps at the watershed level; and, 1:20,000 (non-irrigated land) and 1:10,000 (irrigated land) scale soils maps (developed in the Soil Conservation component of the project) at the farm level. Maps will be reproduced by the University Geographic Institute (IGU) and distributed to participating agencies by OTC.

Under the project, nationwide aerial photographs will be taken, with aerial photographs of the Ocoa and Las Cuevas watersheds being taken as early as possible in project implementation. The paneling of the existing geodetic control stations will be carried out by SURENA personnel. Black and white aerial photographs will be taken at the 1:40,000 scale. Photo negatives will be stored in the University Geographic Institute and SEA's Department of Inventory; copies of any of the prints will be made available at cost to interested agencies.

The capability of SURENA's Department of Inventory will be strengthened to carry out on-going mapping activities. Cartographers and cartographic equipment will be added to the Department

of Inventory to help strengthen the computer mapping capability. The cartographers will also produce an updated version of the national land cover map. Approximately two systems analysts will also be added to SURENA's Department of Inventory to implement a computer terminal package. A vehicle will be purchased during the first year of the project to provide transportation for field checking of mapping. Approximately six person-months of technical assistance will be provided to assist the Department of Inventory to carry out these various activities. Approximately eighteen participants will take part in international short-term training in cartography and systems analysis throughout the life of the project.

A watershed level capability to produce maps will also be developed under this project activity. The Department of Land and Water Cartographic units will be established during the first year of the project in the Ocoa Watershed Office and during the third year of the project in Las Cuevas in the Watershed Management Office. Each unit will be staffed with two cartographers. Cartographic equipment will be obtained for each unit to assist in developing 1:20,000 and 1:10,000 scale maps to support activities at the farm level and 1:50,000 scale maps to support activities at the watershed level. During the fifth year of the project, the Ocoa office will assist in the development of similar maps for two additional watersheds not yet identified. Approximately three person-months of technical assistance in cartography will be provided to SURENA's Department of Land and Water to assist in the implementation of these field-level cartographic activities.

Total funding for this activity will be \$957,000 of which \$547,000 will be loan funds for technical assistance, aerial photography, cartographic equipment, computer package acquisition, and short term training costs. GODR counterpart of \$410,000 will pay for salaries, vehicles, and local travel costs.

ii. Erosion/Water Quality Monitoring

The project will provide for the establishment of approximately 12 erosion monitoring plots and 12 water quality monitoring stations in strategic locations in the two project watersheds. One system of water quality stations and soil erosion monitoring plots will be established during the first year of the project in the Ocoa watershed and the other system will be established by the third year of the project in the Las Cuevas watershed. All facilities will be located on the major rivers and soil/climatic units within the watersheds under study. Six permanent erosion plots (one per soils classification unit) and six permanent water quality monitoring stations (one above each major population center) will be set up in each watershed. The location of the erosion monitoring plots will be made in coordination with the farming systems research activity discussed under the Soil and Water Conservation component. A system for timely data collection will be established and implemented by the end of the first year of the project. The National Hydraulic Resources Institute will have the responsibility for collecting the data from the water quality monitoring stations. SURENA's Land and Water Department will have responsibility for collecting the data from the erosion monitoring plots. The National Meteorological Service,

within SURENA, will collect and provide timely rainfall data. Annual reports of the data collected, which includes information related to the project conservation activities, will be published jointly by the two agencies. All data and reports will be provided to OTC.

Approximately four person-months of technical assistance will be provided to the Department of Land and Water and to the National Hydraulic Resources Institute to assist in establishing and implementing the monitoring system. Approximately three biennial short courses will be conducted jointly by the two agencies to train the monitoring personnel.

Project funds for this erosion/water quality monitoring activity will total \$235,000. US funds will finance monitoring equipment, technical assistance in environmental monitoring and motorcycles to assist in carrying out the monitoring activities, totaling \$76,000. GODR counterpart will finance salaries, and land rental expenses totaling \$159,000.

### iii. Agricultural Zoning Study

The project will support the implementation of an agricultural zoning study of the two project watersheds and of two watersheds not yet identified. To improve the utility of the study data, computer software will be obtained to allow rapid cross-referencing of plant, soils and water requirements with the soil survey land base information, and provide storage of the production budgets for quick referencing and analysis.

The zoning studies of the two project watersheds will be completed during the first year of the project. The studies of the other two watersheds will be completed during the fourth year of the project. The zoning study information of the two project watersheds will be updated during the fourth year of the project and will be combined with other information on current land use and land base descriptions to identify areas with ecologically improper land use, and those areas for priority GODR and private action.

A vehicle will be purchased to support fieldwork for the zoning study. Approximately five person-months of technical assistance will be provided to SURENA's Department of Inventory to assist with the agricultural zoning study and software development. In addition, approximately 10 technicians from SURENA's Departments of Land and Water and Inventory will participate in short-term international training related to land use evaluation and land use zoning.

Total funding for the agricultural zoning activity will amount to \$139,000. Loan funds for technical assistance, vehicle operation costs, software acquisition and short-term training will amount to \$98,000. GODR counterpart will be \$41,000 to finance vehicle purchase, and local travel expenses.

#### iv. Marketing Studies

During the fourth year of the project, approximately 12 marketing channel studies of the major agricultural products expected to be affected by the project will be carried out in the two project watersheds. These studies will be carried out and

published by the Secretariat of State for Agriculture (SEA) Agricultural Economics Department. The objective of these studies will be to identify target group marketing impediments that require adjustments. Approximately three person-months of technical assistance will be provided to SEA's Agricultural Economics Department to implement this activity.

Project funding for this activity totals \$37,000. Loan funds of \$35,000 will be used to finance technical assistance and publications. Counterpart funds will finance local travel expenses amounting to \$2,000.

v. Small Farmer Association Studies

The project will provide funding for studies of small farmers' groups and associations in two watersheds not yet identified under the project. These watershed-level studies will be carried out, beginning in the fourth year of the project by SEA's Land and Water Department and Rural Organization Department. These studies will provide the basic information needed to define the characteristics of the watershed management structure in these two areas. These studies will examine the purpose of each association, membership numbers, association activities, its leadership strengths and weaknesses, and attitudes toward natural resource conservation and family planning. The results of these studies will be published and distributed to interested agencies by OTC.

Total project funding for this activity amounts to \$9,000 of which \$7,000 in loan funds will finance operating expenses and publications. GODR counterpart funds of \$2,000 will finance local travel expenses.

b. Development of National and Watershed Management Plans  
(Loan \$105,000; GODR \$16,000)

The project will fund the development and biennial updating of a 20 year national Natural Resources Management Strategy and five year Action Program. This strategy and program will be developed under OTC leadership and will, among other things, indicate each action to be undertaken, its timing, magnitude, location and the responsible GODR entities.

Part of this project planning activity will include the development of a comprehensive national plan for environmental education through mass media, social and religious groups, public agencies, and long-term integration of conservation education in public and private schools and universities. Another part of this project planning activity will include the development of a written plan for incorporating conservation methodologies into road construction and maintenance at the design phase. In addition, a 10 year training plan will be drawn up by OTC for Dominican natural resources agencies, indicating each agency's authorized and actual personnel levels by discipline, and their required additional personnel over the next 10 years. During the fourth year of project implementation this training

plan will be updated. Approximately ten person-months of technical assistance will be provided to OTC to assist in the development of the strategy and action programs and other national plans.

Various watershed-level plans will also be carried out under the project. The Ocoa Watershed Management Office, with Watershed Development Committee approval, will update its 1980 watershed development plan and will produce a first annual workplan prior to disbursement of funds under the Soil and Water Conservation activities in that area. Prior to the third year of the project, a watershed development plan and first annual workplan will be produced for the Las Cuevas watershed in a manner similar to that for the Ocoa watershed.

Total funding for this activity will amount to \$121,000. Loan funds for technical assistance and materials will amount to \$105,000. GODR counterpart will be \$16,000 to finance local travel expenses.

c. Agroforestry and Forest Management Planning  
Development (Loan \$205,000; GODR \$24,000)

A series of training and technical assistance activities will take place under the project. Long-term training will be provided to three DGF and three SURENA technicians in the field of agroforestry and forest management and planning. Approximately ten semiannual short courses, with up to 20 participants each, will be conducted by a combined DGF and SURENA team to train new DGF field agents in conservation forestry. A consultant in agroforestry will assist DGF, for approximately 24 person-months, in assessing its long and short-term management and planning training needs and provide direct technical

assistance to DGF in forest management and planning. A vehicle will be purchased to provide transportation for the advisor.

Project funding for these activities totals \$229,000. Loan funds in the amount of \$205,000 will finance long and short-term training as well as technical assistance, vehicle operation costs, and workshop costs. GODR counterpart of \$24,000 will pay for vehicle procurement, and local travel.

d. Road Construction Planning Development  
Loan \$32,000; GODR \$24,000

Three biennial workshops on conservation planning for road construction and maintenance will be provided under the project for all public sector institutions involved in the construction and maintenance of rural roads. The workshop will be given by the Secretariat of Public Works and Communications (SEOPC), with SURENA Land and Water Department and consultant assistance. Topics to be discussed include soil physical and chemical properties, rainfall infiltration and runoff characteristics, peak flow estimation (including catchment mapping) and effect on structure design, and proper location of road fill sources. A comparison of erosion and sediment loads due to road construction, with and without adequate conservation considerations in design and construction, will be emphasized. Approximately three person-months of technical assistance in conservation engineering will be provided to support this subactivity.

Total funding for this activity will amount to \$56,000. \$32,000 in loan funds will finance technical assistance and

materials. \$24,000 in counterpart funds will finance the in-country training costs.

e. Natural Resource Management Policy Studies  
(Loan \$295,000; GODR \$69,000)

Project funded consultants will work with OTC and the Natural Resource Commission (NRC) for approximately five person-months to review current natural resources policy and recommend organizational and other improvement designed to strengthen natural resource management. This will also include the establishment of a continuing GODR capability to monitor, review, and propose natural resource policy initiatives. Three biennial workshops will be conducted for NRC and Watershed Development Committee members, to monitor policy and program development and provide guidance for future efforts. Approximately two persons in SURENA will receive long-term training in policy development, and one person each in SURENA's Department of Inventory and SEA's Subsecretariat of Planning will receive long-term training in resource economics. Approximately two persons will also receive long-term training in environmental law and policy.

Total funding for this strategy and action program activity will amount to \$364,000. Loan funds for technical assistance materials, and long-term training will amount to \$295,000. GODR counterpart will be \$69,000 to finance salaries and the cost of the workshops.

2. Strengthening of the GODR Environmental Education Program  
(Loan \$441,000; GODR \$1,015,000)

An important element of the Environmental Education program will be strengthening and expansion of the GODR's efforts to increase the awareness of the general public on the relationships between the management of the natural resources base and the welfare of the country. Specific, time-phased objectives and target groups will be delineated for each awareness activity. Current Environmental Education Program activities will be strengthened and expanded. Technical assistance (perhaps a Dominican advertising firm) will be provided to help the Secretariat of State for Agriculture (SEA) design a series of messages for each audience, based upon audience profiles and pretests. SEA will then produce the messages and arrange for transmission. Approximately six months after transmission, the messages will be evaluated to determine their effectiveness in reaching the target and non-target audience, whether the message was received, and whether it had the intended effect. The next series of messages will then be revised accordingly.

Another important element of the Environmental Education Program will be the training of approximately 1,500 school teachers and local leaders and 5,000 farmers in conservation concepts. Much of this training effort will be carried out through short courses given by SURENA technicians in local communities. Other courses, particularly the

intensive courses for community leaders and technicians, will be carried out at the National Conservation Center in Jimenoa.

About 225 one-day workshops will be given for hillside farmers in local communities to motivate them to participate in conservation activities. Priority will be given to project watershed areas, where emphasis will be placed on reinforcing local leaders' and farmers' support for project and other conservation activities and on attracting new participants to the activities. Particular attention will be paid to keeping largely illiterate farmers abreast of project activities in on-farm conservation, incentive packages, and farming systems research. In addition, approximately 15-20 short courses per year will be presented at the center in Jimenoa. Materials for the courses will initially be based upon USDA-Soil Conservation Service program materials. Once the long-term participants return, Dominican development of materials will begin.

Evaluations will also be made of these training courses. Testing of training participants will take place before and after course presentation, based upon the use of objectively verifiable performance criteria. As part of the regular project evaluations, the longer term effectiveness of these courses will be tested. These evaluations should provide adequate information on the effectiveness of the training courses in reaching the target group and for making necessary modifications in training course design.

Educational equipment will be purchased to support these training activities. The training center at Jimenoa will be expanded to include facilities for approximately 25 trainees. A resident manager will be hired and a microbus will be purchased during year one to provide local transportation for center participants. Vehicles will be purchased during the second year of the project and replaced during the fifth year of the project, to provide transportation for the Jimenoa center, Environmental Education Program field personnel, and to replace the program director's current vehicle. Approximately three person-months of technical assistance will be contracted to support this subactivity.

The capabilities of SURENA's Environmental Education Program staff will also be upgraded under the project. Approximately eight technicians will be added to the Environmental Education Program staff in the areas of office administration, education technology, graphic arts and media communications. Approximately four technicians from the Environmental Education Program will receive long-term training in environmental education and communications.

The total cost of this national education activity is \$1,456,000; with \$441,000 in loan funds to finance educational equipment, technical assistance, and long-term training expenses and construction. GODR counterpart will be \$1,015,000 to finance salaries, vehicle procurement and operations, media transmission, in-country training and local travel costs.

3. Strengthening Interagency Administration  
(Loan \$473,000; Grant \$500,000; GODR \$971,000)

Under this activity, the central project management office at the national level, the Office of Technical Coordination (OTC) within

SURENA, will be strengthened during the first year of the project by the addition of approximately seven Dominican specialists (two in project management, two in administration, two in systems analysis, and one in accounting). One of the management specialists will serve as Assistant Director of the OTC; the second management specialist and the accountant will assist the Director of OTC with project monitoring. The two administrative specialists will be responsible for administrative coordination between OTC and the watershed-level offices and SEA's Department of External Resources. The systems analysts will be responsible for implementation of a computer terminal package which will be used for maintaining information for project monitoring, financial and economic analysis, and for the writing of progress reports on the various project activities. SEA will also employ two additional administrative specialists beginning in the first year of the project, to act as liaison between OTC and the SEA Undersecretary of Administration. It will be the sole responsibility of these specialists to assure timely movement of project paperwork between these three offices.

Approximately one person-month of technical assistance will be provided to assist OTC in the selection and implementation of the computer-related goods and services. A long-term advisor will be contracted for approximately 50 person-months to assist OTC with overall project implementation. Approximately three vehicles will be bought during the first year of the project to provide transportation for the Director and Assistant Director of OTC, and for the long-term advisor.

Studies of current and alternative organizational structures for improving interagency natural resources administration

will be conducted during the second and third project years by the OTC in cooperation with the Technical Secretariat of the Presidency. Once alternative organizational designs have been identified and analyzed, a recommendation will be made by the Natural Resource Commission as to the most desirable option. Approximately two person-months of technical assistance will be provided under the project to help carry out these studies.

Also funded under this activity will be the project evaluations. These evaluations will provide the GODR with an important management tool for identifying problem areas and for helping in developing the required adjustments. These evaluations will be carried out by SEA's Department of Control and Evaluation in coordination with AID and OTC. Funded under the project will be approximately five person-months of technical assistance and the local per diem and travel expenses.

At the watershed level, the existing natural resource management unit in the Río Ocoa watershed will be strengthened during the first year of the project and in the Las Cuevas watershed a management office will be established and strengthened by the end of the second year of the project. Each management unit will be provided with office space, field engineering equipment, an office director, an office assistant, and an accountant. During the second and fourth years of the project, one truck per watershed management unit will be purchased to replace current vehicles. Motorcycles will be purchased to provide local transportation

for the messengers at the watershed offices. Adequate working space will be provided by leasing office space in each watershed.

Management training will also be provided for the watershed office personnel. Five annual courses in project management will be presented to all watershed managers and to selected Watershed Development Committee members and to SEA department heads. Included in the workshop will be discussion and review of the results of the project evaluations. The project will fund the travel expenses and technical assistance costs.

Also provided under this project activity will be training to develop essential skills in land use management. Long-term training will be provided to approximately two technicians from SURENA's Land and Water Department and Department of Inventory in the area of rangeland management for multiple use. Long-term training will also be provided to approximately four technicians from SURENA's Land and Water Department, and approximately two each from the National Hydraulic Resources Institute, and General Forest Directorate (DGF) in the field of soil and water conservation (non-engineering).

Project funding for the Interagency Coordination activities amounts to \$1,944,000. Loan funds of \$473,000 will finance technical assistance, motorcycles, the computer terminal package, training, and office and engineering equipment. Grant funds of \$500,000 will pay for the long-term project advisor and the costs of the project evaluations. GODR counterpart funds of \$971,000 will pay for salaries, local travel, vehicles and office rent and utilities and vehicle operations.

B. Soil and Water Conservation (Total: \$10,122,295 -  
ATD: \$5,401,695 - GODR: \$4,720,600)

Soil and water activities will be carried out in two watershed areas: the Rfo Ocoa watershed and the Rfo Las Cuevas watershed. Field activities will begin in the Rfo Ocoa watershed during the first year of the project, and are expected to begin in the Las Cuevas watershed during the third year of the project.

1. Soil Survey and Interpretation (Loan \$85,000; GODR \$130,000)

This project activity will provide for production and publication of soils maps, with map unit descriptions and interpretations for major alternative agricultural and engineering uses in the upper watershed project areas. During the first year of implementation in a given watershed, SURENA's Land and Water Department will conduct a soil survey of the project area at the semi-detailed level and publish and distribute maps and soil unit descriptions and interpretations to participating agencies. Soil unit delineations will be made on the new aerial photographs produced in the Institutional Strengthening component. Approximately two vehicles will be purchased during the first year of the project to support this activity. Approximately ten person-months of technical assistance will be provided to SURENA's Department of Land and Water to assist in watershed soils mapping and interpretations.

Project funding for this activity totals \$215,000. Loan funds in the amount of \$85,000 will pay for imported surveying equipment and technical assistance, and GODR counterpart will finance \$130,000 for vehicle procurement and local travel expenses.

2. Farm Conservation (Loan \$349,000; GODR \$1,096,000)

To encourage small farmers to implement adequate conservation practices, this project activity will provide funding for the developing of farm conservation plans for approximately 3,000 small hillside farms and ranches. These plans will be developed with paratechnician assistance under the supervision of the Soil Conservation Service agents from SURENA's Department of Land and Water.

Implementation of the small farm conservation plans will be encouraged by requiring approved farm plans for receipt of the credit and other incentives described under the Incentive Package project activity. These conservation plans will be approved by the Watershed Management Office. Technical assistance and incentive packages will be provided to participating small and medium hillside farmers with less than 20 ha of land. Successful implementation of the plans, certified by SURENA Soil Conservation Service personnel, will be required to obtain the incentives packages.

Approximately four vehicles will be purchased under the project to facilitate field supervision of these farm planning activities. Approximately eight person-months of technical assistance will be provided to support this subactivity.

Also during the first year of the project, technical assistance will be provided to SURENA's Land and Water Department for the development of technical guides for conservation planning on each soils unit of the watershed, as determined in the soil survey activity. Approximately six person-months of technical assistance will be provided to support development of these guides.

During the first year of implementation of the Soil and Water Conservation activities in a given watershed, approximately 20 Dominican conservation paratechnicians and six extension agents will be employed for each watershed. The paratechnicians will be local leaders selected by SURENA's Soil Conservation Service with the approval of the Watershed Development Committee. The six extension agents (per watershed) will be employed by SEA's Subsecretariat for Research and Extension beginning in the first year of implementation of field activities. These paratechnicians and extension agents will provide technical assistance on conservation planning and implementation at the farm level.

A series of short courses will also be carried out under this project activity to provide field technicians with training in conservation methods. Each new paratechnician will receive 3 weeks of training in farm planning and conservation practices. Sixteen semiannual short courses will be given by SURENA's Land and Water Department to train new paratechnicians in conservation planning and implementation. Emphasis will be given in these courses in: changing from inappropriate land use and to application of conservation measures; and field development of actual farm conservation plans. New hillside extension agents will also participate in these courses in order to better understand how their extension activities relate to the conservation activities of SURENA's Soil Conservation Service. In addition to these short courses, eight workshops will be given by the USDA Soil

Conservation Service Office in Puerto Rico to SEA and other GODR middle-level field technicians on conservation methodologies and practices.

Small farmers will be provided with regular "one-on-one" assistance by paratechnicians and extension agents. In addition, sixteen joint semiannual conservation field days per year will be provided by SEA to demonstrate proper land use, conservation practices and agronomic techniques.

Project funds for these farm conservation activities amount to \$1,445,000. Loan funds will finance the purchase of 40 motorcycles, technical assistance and in-country training expenses totaling \$349,000. GODR counterpart funds will finance local travel costs, salaries and the procurement of two pickup trucks in the amount of \$1,096,000.

3. Incentives Packages (Loan \$4,230,695; GODR \$2,282,600)

The project will provide resources for the disbursement of approximately \$4.2 million in production and conservation credit (\$2.7 for the Ocoa watershed and \$1.5 for the Las Cuevas watershed), approximately \$2.1 million in incentive payments, and the distribution of approximately 200,000 tree seedlings to support the farm conservation activity. Under this project activity, the GODR Agricultural Bank will establish an account to handle the credit funds over the life of the project. Credit use will be based on the development and implementation of a conservation farm plan approved and certified by technicians from the Watershed Management Office, as described in the Farm Conservation activity. Incentive payments amounting to 50% of the credit cost of specific conservation practices, certified as to technical adequacy by

the Watershed Management Office, will be made by the project to the Agricultural Bank to reduce the farmer's loan principal. The loan grace period will then remain in effect as long as the farmer receives an annual certification by the Watershed Management Office as to the adequate maintenance of conservation practices. Disputes over certification which cannot be resolved at the Watershed Management Office level will be handled by the Watershed Development Committee. Failure to receive certification will result in elimination of the grace period for the specific loan affected. Provision will be made in the loan regulations for reapplication for additional loan funds in the event of a natural disaster. Approximately four vehicles will be purchased to provide the bank credit agent team with transportation to support this activity.

Two plant nurseries will be expanded in the upper areas of each watershed by SEA's Undersecretariat of Production and Marketing. Planting stock, fertilizer, and building materials will be provided under this activity. These nurseries will provide planting stock to the farm conservation and watershed protection activities.

As provided for under the Interagency Administration activity, a review of the effectiveness of these incentive packages will be carried out as part of the project evaluation series. It is anticipated that these reviews will be initiated during the second year of the project. The results of these reviews will be used to determine needed changes in the incentive package mix (e.g., level of incentive payment).

Project funds totaling \$6,513,295 will pay for these incentives packages. Loan funds in the amount of \$4,230,695 will finance half of the conservation and production credit and the incentive payments. GODR counterpart of \$2,282,600 will finance half of the conservation and production credit, the procurement of vehicles, nursery inputs, and local travel.

4. Watershed protection (Loan \$96,000; GODR \$261,000)

The project will provide for the reforestation of approximately 800 hectares of critically eroded areas and areas susceptible to erosion. DGF will employ local small farmer groups to reforest these 800 hectares. SURENA's Land and Water Department will provide technical assistance on application of conservation practices to treated areas. Planting stock will come from the plant nurseries described under the incentives package activity. Planting sites will be selected by DGF with Watershed Development Committee approval.

A total of \$357,000 will finance this activity, of which \$96,000 in loan funds will pay for local tools and nursery input costs. GODR counterpart funds in the amount of \$261,000 will pay for labor and local travel expenses for this activity.

5. Hillside Farming Systems Research  
(Loan \$641,000; GODR \$951,000)

Under this project activity, SEA's Department of Agricultural Research and Extension and SURENA's Land and Water Department will establish a farming systems research program in each watershed consisting of seven subactivities: (a) preliminary area

characterization, (b) watershed-level studies, (c) farm register studies, (d) agroecosystem experiments, (e) design of production package alternatives, (f) evaluation of alternatives, and (g) technology transfer.

The basic unit for conducting the studies will be the farm system development teams, composed of a soil and water specialist, a general agronomist, and an extension agent with interest in economics. The number of teams will depend on the farm-system classification developed during project implementation, but will initially consist of three teams to study six farm system types: subsistence crops, mixed crops and animals, and predominantly animals on very steep slopes (50%) and steep slopes (20-50%).

These farm-system development teams will be supervised by a Watershed Systems Research Group. This group, in addition to coordinating and advising the farming-system development teams, will conduct (not delegate) the necessary studies of climate, soil, credit, and marketing at the watershed level. The group will be administratively and technically responsible to the Watershed Management Office.

The members of the farming-systems development teams will be technicians from SEA's Subsecretariat of Agricultural Research and Extension and SURENA's Department of Land and Water. SEA will hire six new technicians for this activity for each watershed. Members of the Watershed Systems Research Group will be composed of SEA assistant department heads from the same technical areas, and augmented by a SURENA regional Natural Resources Specialist.

During the annual project evaluation workshops discussed under the Interagency Administration activity, these studies will be analyzed. Each team will present the results of their studies.

Identification of usable farm-systems models and subjects requiring more studies will be made at that time. The Watershed Systems Research Group will combine the results of their watershed-level studies with the farm-system team studies and develop a plan for the next year's activities.

A hillside farming-systems and erosion monitoring station will be established in each watershed, with leased facilities by the Department of Agricultural Research to support this activity. A resident station director and assistant director will be employed during the first year of the project to oversee station operations and to carry on research activities. Facilities will be provided for research staff, laboratory equipment, and field day and workshop participants.

Approximately four vehicles will be purchased to provide transportation for the station staff. Approximately six four-wheel drive vehicles will be purchased to support the farming systems development teams' fieldwork.

The Department of Agricultural Research, in conjunction with the Department of Land and Water, will establish 10 permanent, on-farm hillside farming-systems and erosion monitoring model farms in distinct soil and climate areas in each watershed. (These erosion monitoring plots will complement the Erosion and Water Quality monitoring activities discussed in the Information Development project activity.) Funds will be provided for a model farm supervisor, land rental, labor and production inputs.

A long-term advisor from the Center for Tropical Agricultural Research and Training (CATIE) in Costa Rica will begin work during the first year of the project. He will work with the Subsecretariat for Agricultural Research and Extension assisting in implementing this activity in the Ocoa and Las Cuevas Watersheds for approximately 24 person-months. One vehicle will be purchased to support the advisor. In addition, approximately four participants will receive long-term training in farming systems research, preferably at CATIE.

Total funding for this activity is \$1,592,000 of which loan funds in the amount of \$641,000 will finance technical assistance, long and short-term training, tools and laboratory equipment. GODR counterpart will finance salaries, local travel, and the procurement of six vehicles in the amount of \$951,000.

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A.I.D. LOAN AGREEMENT NO. 517-T-035

STANDARD PROVISIONS

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 Borrower 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 Borrower will:

1) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

2) 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.

1) Any resources financed under the Loan 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 objective sought in carrying out the Project.

2) Goods or services financed under the Loan, 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.

1) This Agreement and the Loan 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 Borrower.

2) To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed under the Loan, and any property or transactions relating to such contracts, and (b) any commodity procurement transaction financed under the Loan are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the Dominican Republic, the Borrower 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 Loan.

3) Ratification of this Agreement by the Congress of the Dominican Republic shall constitute Congressional approval of and authorization for the inclusion of the above-described exemptions in contracts to be financed hereunder, and no further Congressional approval or authorization for such contracts by reason of the inclusion of such exemptions shall be required.

SECTION B.5 Reports, Records, Inspections, Audit. The Borrower will:

- 1) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- 2) 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 Loan. 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
- 3) 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 Loan.

SECTION B.6 Completeness of Information. The Borrower confirms:

- 1) 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 Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

2) 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. Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the Dominican Republic.

SECTION B.8 Information and Marking. The Borrower will give appropriate publicity to the Loan and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed under A.I.D., as described in Project Implementation Letters.

## ARTICLE C

### Procurement Provisions

#### SECTION C.1 Special Rules.

1) 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.

2) Premiums for marine insurance placed in the Dominican Republic will be deemed and eligible Foreign Exchange Cost, if otherwise eligible under Section C.7.(1).

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

SECTION C.2 Eligible Date. 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, 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.

1) The Borrower will furnish to A.I.D. upon preparation:

a) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Loan, 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;

b) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Loan, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (1)(b) will be identified in Project Implementation Letters;

2) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Loan will be approved by A.I.D. in writing prior to their issuance of same, and their terms will include standards and measurements commonly used in the United States;

3) Contracts and contractors financed under the Loan 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

4) Consulting firms used by the Borrower for the Project but not financed under the Loan, 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 Borrower for the Project but not financed under the Loan 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 Loan. 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 Loan, the Borrower 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.

1) Goods which are to be transported to the Dominican Republic may not be financed under the Loan if transported either:

a) 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

b) On an ocean vessel which A.I.D., by written notice to the Borrower has designated as ineligible; or

c) Under an ocean or air charter which has not received prior A.I.D. approval.

2) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, if such goods or persons are carried:

a) On an ocean vessel under the flag of a country not, at the time of shipment, identified under Section 7.1 of Agreement, unless A.I.D. had previously approved it; or

b) On an ocean vessel which A.I.D., by written notice to the Borrower has designated as ineligible; or

c) Under an ocean vessel or air charter which has not received prior A.I.D. approval.

3) 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:

a) 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

b) At least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the Dominican Republic 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 (a) and (b) of this subsection must be achieved with respect to any cargo transported from U.S. ports and also any cargo transported from non-U.S. ports, computed separately.

SECTION C.7 Insurance

1) Marine insurance on goods financed by A.I.D. which are to be transported to the Dominican Republic may be financed as a Foreign Exchange Cost under this Agreement provided:

a) Such insurance is placed at the lowest available competitive rate, and

b) Claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Borrower 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 Dominican Republic 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.

2) Except as A.I.D. may otherwise agree in writing, the Borrower will insure, or cause to be insured, goods financed under the Loan

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 Borrower 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 Borrower 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 Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

#### ARTICLE D

##### Termination and Remedies

SECTION D.1 Cancellation by Borrower. The Borrower 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 Borrower shall have failed:

1) To pay when due any interest or installment of Principal required under this Agreement, or

2) To comply with any other provision of this Agreement, or  
3) To pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower 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 Borrower 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:

a) Such unrepaid Principal and accrued interest hereunder will be due and payable immediately; and

b) 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:

1) An Event of Default has occurred; or  
2) An event occurs that A.I.D. 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; or

3) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

4) The Borrower 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 Borrower 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 Borrower;
- 2) Decline to issue additional commitment documents or to make disbursements other than under existing ones; and
- 3) At A.I.D.'s expense, direct that title to goods financed under the Loan be transferred to A.I.D. if the goods are from a source outside the Dominican Republic, are in a deliverable state and have not been offloaded in ports of entry of the Dominican Republic. 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 Loan that is not then disbursed or irrevocably committed to third parties.

SECTION D.5 Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, 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.

- 1) 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

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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 Borrower to refund the amount of such disbursement in United States dollars to A.I.D. within sixty (60) days after receipt of a request therefor. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

COMMENTS:

*fiche only*

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2) Any refund under the preceding subsection, or any refund to A.I.D. from a contractor, supplier, bank, or other third party with respect to goods or services financed under the Loan, 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.

**BEST AVAILABLE DOCUMENT**