

ACTION MEMORANDUM FOR THE ACTING ROCAP DIRECTOR

From: *for* Anthony Vollbrecht, *TRD* PDSO/Regional Projects
Transition

Subject: Project Authorization Amendment
Local Government Regional Outreach Strategy Housing
Guaranty (LOGROS: 596-0167, 596-HG-010)

Date: August 23, 1993

I. ACTION REQUIRED

A. Your approval is required to authorize a Project Authorization Amendment in the amount of \$2.0 million (grant) from FAA Sections 103, 104, 105 and 106 functional accounts for the Local Government Regional Outreach Strategy Project (596-0167 LOGROS).

B. Your approval is required to authorize a Guaranty Authorization for the HG portion of the amendment. Through this Authorization, the U.S. Government (USG) will guarantee a loan of \$20 million to the Central American Bank for Economic Integration (CABEI). Of the \$20 million in HG authorization, \$15 million will be derived from an existing HG authorization to CABEI (596-HG-008), and \$5 million in new authority (596-HG-010).

C. Your approval is required to sign the Housing Guarantee Letter of Advice to CABEI. The Letter of Advice provides A.I.D.'s agreement to guarantee loans to the Borrower of up to \$20 million to finance costs associated with shelter-related municipal infrastructure investments in Central America. CABEI countersignature of the Letter of Advice will constitute the obligation of \$3,252,000 in subsidy costs for the \$5 million in new HG authority.

II. AUTHORITY

A. Authority for Grant funds:

Pursuant to LAC Bureau Delegation of Authority 752, Section II.B, as Principal Officer of ROCAP you have the authority to amend project authorizations if the amendment does not: (1) result in a

total LOP funding of more than \$100 million; (2) present significant policy issues; or (3) require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator (or if such waivers are required they are obtained prior to such authorizations).

This amendment will not result in total LOP funding of more than \$100 million and does not present significant policy issues, nor does it require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator. The additional \$2.0 million in grant funds was approved as part of the ROCAP FY 1994-95 Action Plan approval by AID/Washington and authority to design and authorize the project amendment was delegated to the field in STATE 227444.

B. Authority for Housing Guaranty Authorization:

Pursuant to authority vested in PRE/H and their request that the Mission Director or Deputy Director of USAID/GUATEMALA sign and approve the Guaranty Authorization and issue a Letter of Advice to the Central American Bank for Economic Integration (CABEI) received in STATE 253854, you are authorized to sign the GUARANTY AUTHORIZATION for the Central American Bank for Economic Integration (CABEI). This Guaranty Authorization authorizes the issuance to eligible U.S. investors, acceptable to A.I.D., of guaranties pursuant to Section 222 of the FAA of not to exceed \$5 million. 596-HG-010 is a \$5 million Housing Guaranty (HG) with an approved subsidy cost of \$3,252,000. This \$5 million Guaranty will be combined with an existing \$15 million Guaranty authorization for a total of \$20 million under LOGROS project activity.

III. DISCUSSION

III.A. Project Description

The Local Government Regional Outreach Strategy (LOGROS) Project 596-0167 was authorized on August 21, 1992 at \$6.0 million for seven years with a PACD of September 30, 1999. The purpose of the project is "to contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement."

The Project Paper Supplement integrates a Housing Guaranty Program for the purpose of financing municipal infrastructure investments in Central America within the context of the LOGROS project. The LOGROS HG is specifically designed to address high priority municipal finance issues central to the LOGROS agenda by financing the construction of infrastructure projects in municipalities throughout Central America. Capital

funds for the improvements will derive from CABEI's internally generated funds, an A.I.D. Housing Guaranty, and capital contributions from the participating financial institutions and/or municipalities.

The Project Paper Supplement also supports authorization of an additional \$2 million in development assistance (DA) funds to support long-term and short-term technical assistance, training activities (including seminars), evaluation, and project environmental impact assessment activities. These support activities are needed for the first four years of the six year Housing Guaranty element.

III.B. Financial Summary

It is estimated that \$0.4 million of the funds authorized by this amendment will be obligated in Fiscal Year 1994 with the balance of \$1.6 million during fiscal years 1995, 1996 and 1997. Life of Project (LOP) obligations will cover costs in the following elements and amounts:

D.A. Funds:

<u>ELEMENT</u>	<u>AMOUNT</u>
Consensus Building	\$ 450,000
Technical Assistance	900,000
Project Management	600,000
Evaluation	<u>\$50,000</u>
TOTAL D.A. Funds	<u>\$.2,000,000</u>

HG FUNDS

Municipal Infrastructure

• HG Funds	\$20,000,000	
• CABEI Funds	<u>\$ 6,000,000</u>	<u>\$26,000,000</u>
TOTAL PP SUPPLEMENT		<u>\$28,000,000</u>

III.C. Social, Economic, Technical and Environmental Feasibility

The Mission undertook a number of studies and analysis to assure itself that CABEI's present and future financial and managerial position is adequate to undertake this activity, that there is a project demand to utilize the funds provided by this PP Supplement, and also that CABEI has the capability to address environmental issues. Section 8, Key Analysis of the Project Paper Supplement supported with pertinent annexes addressed these concerns. The Mission has determined that there are no social, economic, technical or environmental issues associated with this Amendment to LOGROS.

Issues and comments by the bi-lateral missions have been incorporated in the PP supplement.

III.D. Conditions Precedent, Covenants, Waivers and Implementing Agents

III.D.1 Conditions Precedent and Covenants.

There are no conditions precedent or covenants to disbursement of Project grant funds except in the case of CABEI where the Controller will determine whether or not CABEI has met prior open audit recommendations and the certifiability of its accounting system to receive A.I.D. funds. For HG funds, conditions precedent and covenants are included in the Project Paper Supplement and will become part of the Implementation Agreement between ROCAP/RHUDO and CABEI.

III.D.2. Waivers.

No waivers are contemplated under this Amendment. All procurement will follow Buy America Guidelines.

III.E. Recommendation of ROCAP Project Committee.

The ROCAP Project Committee, as indicated by the attached clearances, has cleared this PP Supplement and the Project Authorization Amendment and recommends that you authorize the Amendment.

As recommended in the Project Committee Review, this Action Memorandum is noting that the Mission has discussed CABEI's current financial position and that the leadership in recent years has made a number of operational and structural improvements that will hopefully continue even if there is a change in CABEI's management.

III.E.2. Congressional Notification.

This Project Paper Supplement follows from the New Project Description (amendment) included in the ROCAP Action Plan for FY 1994-1995 approved in AID/W in July, 1993 (see State 227444). No Congressional Notification or Technical Notification is necessary as the Amendment is less than \$5 million; does not represent a substantive change in the project purpose; and will not increase total proposed obligations for FY 93. The CN on the HG portion, submitted by PRE/H, cleared on August 10, 1993.

III.F. Project Officer Responsible.

The Project Officer responsible for implementation is the U.S. Direct Hire holding or acting in the position of Director, RHUDO/CA.

IV. RECOMMENDATION

That you sign the attached Project Authorization Amendment No. 1; the Guaranty Authorization (596-HG-010) and the Letter of Advice, thereby authorizing Project Paper Supplement No. 1 to the Local Government Regional Outreach Strategy Housing Guaranty Project (LOGROS: 596-0167, 596-HG-010).

Attachments:

- Delegation of Authority 752.
- State 227444 dated July 27, 1993 (Review of ROCAP Action Plan for FY 1994-95).
- Project Authorization Amendment No. 1.
- Guaranty Authorization- Project No. 596-HG-010.
- Letter of Advice.
- State 253854 (CABEI - Municipal Development (596-HG-010) Authorization).

Drafted by: REduardo, PDSO
Cleared by: RCarlson, RHUDO
CBrown, RLA
GByllesby, CONT
LKlassen, D/DDIR

REduardo
RCarlson
(in draft)
VIA FAX
if
my phone

8-20-93
8-20-93
8/20/93
11/1/93
8/20/93 REduardo

P:\PUBLIC\DOCS\ACMELO.RE

Agency for International Development
Washington, D.C. 20523

Office of the
General Counsel

September 17, 1992

MEMORANDUM

TO: All LAC Bureau Field Mission Directors and
A.I.D. Representatives

FROM: GC/LAC, Gary M. Winter (Acting) *GMW*

SUBJECT: Revised Delegation of Authority No. 752 to LAC Field
Posts

This memorandum is to advise you that on September 14, 1992, AA/LAC, James Michel signed a revised Delegation of Authority No. 752 to LAC Field posts (copy and accompanying memorandum attached; revised Delegation of Authority No. 751 has not been attached)

Substantive changes made to the delegation were:

(A) Project approval authority has been increased from \$20 million to \$50 million, except that such authority for posts in Argentina, Belize, Brazil, Chile, Columbia, Mexico, Paraguay and Uruguay is limited to \$5 million (all such posts other than Brazil and Mexico may now approve projects with foreign governments, agencies of such governments and international organizations in addition to non-governmental organizations);

(B) Project amendment approval authority has been increased from \$30 million to ~~_____~~ except that such authority for posts referred to in clause (A) above is limited to \$5 million; and

(C) Authority to determine whether a PID or PID equivalent document for a project should be prepared has been delegated to the field; authority to approve PIDs and PID equivalent documents which are prepared also has been delegated to the field.

Please circulate copies of the revised Delegation of Authority among your staff.

Attachments:

1

Office of the
General Counsel

SEP 1 1992

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR
LATIN AMERICA AND THE CARIBBEAN

FROM: GC/LAC, Gary M. Winter (Acting) *AW*
SUBJECT: Revisions of LAC Delegations of Authority

Problem: Your approval is required to revise the LAC delegations of authority to the field and to AID/W offices.

Discussion: This office and LAC/DR have discussed a number of revisions to existing LAC Bureau delegations of authority. Although A.I.D. still is operating under interim reorganization delegations of authority, it was agreed that we should go forward with these revisions now, rather than wait for more permanent agency-wide delegations. The proposed revisions are discussed below.

I. Delegation to Field Posts (DOA No. 752)

A. Project Authorizations

Currently, principal officers of LAC field posts (other than Argentina, Belize, Brazil, Chile, Colombia, Mexico, Paraguay and Uruguay) may authorize a project if the approved life of the project does not exceed \$20 million. A.I.D. Delegation of Authority No. 400, dated August 16, 1991, authorizes Regional Assistant Administrators to redelegate project approval authority to Mission Directors or other principal officers of field posts for projects where the life of project funding does not exceed \$50 million. The proposed revision is consistent with Delegation of Authority No. 400. In addition, the proposed revision would authorize the principal officers of LAC field posts in Argentina, Belize, Chile, Colombia, Paraguay and Uruguay to approve projects, without limitation as to the nature of the recipient, so long as such projects do not exceed \$5 million and so long as the life of project does not exceed five years. Currently, the principal officers of these posts may only approve projects with non-governmental organizations. Project approval authority of principal officers of LAC field posts in Brazil and Mexico would continue to be limited to \$5 million and five years for projects

only with non-governmental organizations.

B. Project Amendments

Currently, principal officers of LAC field posts (other than Argentina, Belize, Brazil, Chile, Colombia, Mexico, Paraguay and Uruguay) may amend project authorizations if the amendment does not result in a total life of project funding of more than \$30 million. A.I.D. Delegation of Authority No. 400 authorizes Regional Assistant Administrators to redelegate to Mission Directors or other principal officers of field posts the authority to amend a project authorization when the amendment will result in a total life of project funding which does not exceed \$100 million. The proposed revision is consistent with Delegation of Authority No. 400. However, as is currently the case, project authorization amendment authority may not result in a total life of project funding in excess of \$5 million or a life of project in excess of five years for principal officers of LAC field posts in Argentina, Belize, Brazil, Chile, Columbia, Mexico, Paraguay and Uruguay.

C. PIDs or PID Equivalentents

The proposed revision would delegate to principal officers of LAC field posts the authority to determine whether PIDs or PID equivalent documents need be prepared. This is consistent with the Action Memorandum for the Administrator from AA/OPS (Acting), dated December 17, 1991, entitled "Reforming the Programming System, Phase II," and 91 STATE 167474, from you to all LAC field posts. It is also proposed that authority to approve PIDs and PID equivalent documents which are prepared pursuant to the above guidance be delegated to principal officers of LAC field posts.

D. Miscellaneous

The proposed revision includes technical corrections of AIDAR citations, titles of A.I.D. officers and the language for source/origin and nationality waiver certifications.

II. Delegation to AID/W (DOA No. 751)

A. PACD Extensions

The proposed revision delegates to the Director, LAC/DR, the authority to approve PACD extensions up to a total life of not more than ten years.

B. Source/Origin and Nationality Waivers

The proposed revision eliminates dollar limits on source/origin and nationality waivers for commodities (including motor vehicles) and services. This is consistent with A.I.D.

Delegation of Authority No. 405, dated May 24, 1991.

C. Miscellaneous

The proposed revision includes technical corrections of the names of various offices within the LAC Bureau and within A.I.D.

Recommendation: That you approve and sign the attached revised delegations to field posts and AID/W offices.

Approved: _____ *JAM*

Disapproved: _____

Date: 9/14/92

Attachments: a/s

Clearances:

DAA/LAC, A. Williams	<u><i>AW</i></u>	Date:	<u>9/10/92</u>
LAC/DR, P. Bloom	<u><i>PS</i></u>	Date:	<u>9/2/92</u>
LAC/DR, J. Evans	<u>(Draft)</u>	Date:	<u>8/28/92</u>

GC/LAC:GMWint^{H/W}vc:9/1/92:X7-8532:
 Doc U:\AGCR:D\DOCS\LATIN-AM\DELEGAT

DELEGATION OF AUTHORITY
No. 752

Delegation of Authorities to the Field;
Latin America and the Caribbean Region

Section I. Definitions

A. A.I.D. Missions and posts subject to this delegation of authorities shall be the A.I.D. Missions to Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama and Peru; the A.I.D. Representative offices for programs in Argentina, Belize, Brazil, Chile, Colombia, Mexico, Paraguay, and Uruguay; the Regional Office of Central American Programs (ROCAP); and the Regional Development Office for the Caribbean (RDO/C).

B. "Project" for purposes of this delegation includes project and non-project assistance, but excludes P.L. 480 activities. "Project" also encompasses discrete activities funded under umbrella projects for which no project paper has been prepared or approved.

C. "Project Assistance Completion Date" (PACD) is the estimated date by which all A.I.D.-financed goods are to have been delivered or all services performed under the Project Agreement. In non-project assistance, the equivalent date is the terminal date for requests for disbursement authorizations.

D. "Life of Project" is the planned length of the project as determined in project preparation. The life of project runs from the estimated date of signature of the Project Agreement or other obligating document to the PACD.

E. "PID" means project identification document for project assistance and program assistance initial proposal for nonproject assistance.

F. "Act" means the Foreign Assistance Act of 1961, as amended.

Section II. Authorization Authorities

Except as otherwise specifically provided herein, the following authorities are hereby delegated to the principal officers of LAC Bureau field posts:

A. The authority to authorize a project, if the project:

1. Does not exceed \$50 million over the approved life of project (\$5 million in the case of LAC Bureau field posts in Argentina, Belize, Chile, Colombia, Paraguay and Uruguay);

2. Does not present significant policy issues;

3. Does not require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator, or if such waivers are required they are obtained prior to such authorization; and

4. Does not have a life of project in excess of ten years (five years in the case of LAC Bureau field posts in Argentina, Belize, Chile, Colombia, Paraguay and Uruguay).

B. The Authority to amend project authorizations executed by any A.I.D. official, if the amendment:

1. Does not result in a total life of project funding of more than \$100 million (\$5 million in the case of LAC Bureau field posts in Argentina, Belize, Chile, Colombia, Paraguay and Uruguay);

2. Does not present significant policy issues; and

3. Does not require issuance of waivers that may only be approved by the Administrator or an Assistant Administrator, or if such waivers are required they are obtained prior to such authorization.

C. The authority to determine whether a PID or PID equivalent is to be prepared for a project. Such determination shall be made in accordance with the guidance contained in STATE 167474, dated May 27, 1992. PIDs and PID equivalent documents that are prepared may be approved by the principal officers of LAC Bureau field posts, unless AID/W directs otherwise.

D. The authority to approve extensions of the life of a project (PACD extensions), up to a total life of not more than ten years (five years in the case of LAC Bureau field posts in Argentina, Belize, Chile, Colombia, Paraguay and Uruguay).

E. The principal A.I.D. officers responsible for programs in Brazil and Mexico may authorize projects (subject to paragraph II.C above) only for recipients other than foreign governments, agencies of such governments and international organizations as defined in Delegation of Authority No. 402, and which do not exceed \$5,000,000 over the life of project and which do not have a life of project of more than five years. Amendments to such instruments may be authorized to increase initial funding levels or to extend the life of project within these same limits.

Section III. Implementation Authorities

The following authorities are hereby delegated to the principal officers of all LAC Bureau field posts, to the extent that the activities are either bilateral (i.e., obligated by agreements directly with foreign governments or agencies thereof) or with an international organization as defined in Delegation of Authority No.

402, provided that the authorities in paragraphs B, D and E below shall not be exercised by the A.I.D. principal officers responsible for programs in Argentina, Belize, Brazil, Chile, Colombia, Mexico, Paraguay and Uruguay without prior consultation and approval by LAC/DR and either the cognizant RLA or GC/LAC and, for paragraphs D and E, the cognizant contracting officer.

[For activities which are not either bilateral or with public international organizations, please note that the Associate Assistant to the Administrator for Management has redelegated to the principal A.I.D. officers at overseas posts, but not to the Regional Assistant Administrators, the authority to execute some U.S. Government grants, other than grants to foreign governments or agencies thereof, and some Cooperative Agreements, pursuant to Delegation of Authority No. 452 which is published in Handbook 5, and Appendix 1J to Handbook 13. Some authority to sign direct contracts has also been redelegated by AIDAR 701.601(b)(5). We construe this Delegation, the standard grant provisions, and related handbook provisions to include authorities to implement such assistance which correspond to those set forth in this Section III.]

A. General Implementation Authorities

1. Host Country Assurances. Authority to receive and determine the adequacy of assurances with respect to projects as required under Section 110 of the Act*, but not to waive the requirements of Section 110;
2. Agreements. Authority to negotiate, execute, and implement, in accordance with the terms of the authorization thereof and in accordance with applicable statutes and regulations, loan, grant and guaranty (other than Housing Guaranty) agreements, and amendments and other agreements ancillary thereto, for assistance to their respective countries or regions;
3. Host Country Contracts. Authority to approve all borrower/grantee contractors and contracts financed in whole or in part by an A.I.D. loan or grant and review and approve requests for proposals and invitations for bids with respect to such contracts; provided, however, that any invitations for bids for construction activities which will be advertised in the United States and which are estimated to be \$500,000 or more first shall be reviewed and approved by a Regional Legal Advisor or GC and by a U.S. direct-hire

*Section 110 of the FAA generally requires a 25% host country contribution to the total cost of any bilateral D.F.A.-funded project.

engineer; and provided further, however, that any invitations for bids for fabricated or made-to-order equipment (e.g. turbines,

transformers but not motor vehicles) which are estimated to be \$200,000 or more first shall be reviewed and approved by a Regional Legal Advisor or GC and by a U.S. direct-hire engineer;

4. PIOs. Authority to sign or approve Project Implementation Orders;

5. PILs. Authority to prepare, negotiate, sign and deliver Project Implementation Letters;

6. Conditions Precedent. Authority to review and approve documents and other evidence submitted by borrowers or grantees in satisfaction of conditions precedent under such loan, grant, guaranty agreements, or agreements ancillary thereto; and

7. PASA/RSSAs. Authority to sign statements that proposed PASA or RSSA agreements are exempt from OMB Circular A-76.*

B. Waiver Authorities for Source/Origin and Nationality Authority to waive, in accordance with the applicable statutes and regulations, including the terms of Delegation of Authority No. 405 and the criteria contained in Supplement B of Handbook 1, source, origin or nationality requirements to permit the procurement of commodities and services (other than transportation services) in countries included in A.I.D. Geographic Code 941, 899, or 935, subject to the following:

(1) Each waiver of the requirement that motor vehicles be manufactured in the United States shall contain a certification signed by the principal officer of the post that "special circumstances exist to waive the requirements of Section 636(i) of the Act";

(2) That all waivers of source, origin, and nationality from U.S. Code 941 to Code 899 or 935, for procurement of goods, shall contain a certification by the approving official that "Exclusion of procurement from free world countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the U.S. foreign assistance program";

(3) That all waivers of the nationality requirements for services, other than ocean transportation services, from the U.S. or

*OMB Circular A-76 generally allows other government agencies to provide goods or services to A.I.D. only if the goods or services cannot be provided by the private sector.

Code 941 to Code 899 or 935 shall contain a certification by the approving official that "The interests of the United States are best

served by permitting the procurement of services from free world countries other than the cooperating country and countries included in Code 941"; and

(4) A summary of each waiver shall be cabled to AA/LAC and FA/OP when the waiver is signed.

C. Extension of Terminal Dates

In accordance with A.I.D. Handbook 3 and Delegation of Authority No. 400 and any amendments thereto, authority to extend the terminal date for meeting conditions precedent for a cumulative period of not to exceed one year.

D. Waiver Authority for Competition Under Host Country Contracts

Authority to waive, in accordance with the terms and provisions of Chapter 12C4a of Supplement B of Handbook 1, competition in the procurement of goods and services and to authorize a single-source negotiated borrower/grantee contract; provided that the estimated procurement does not exceed \$1,000,000 per transaction (exclusive of transportation costs for commodities); that the USAID Noncompetitive Review Board specified in Handbook 11 finds the waiver justified; and that a summary of each waiver shall be cabled to AA/LAC when the waiver is signed.

[Please note that the provisions for noncompetitive negotiation of A.I.D. direct contracts are set forth in FAR 5.202 and 6.302 and the A.I.D. specific waivers in AIDAR 706.302.70.]

E. Waiver of Advertisement Requirements for Host Country Contracts

Authority to waive the requirement that a notice of availability of an IFB, RFTP, RFQ, or prequalification questionnaire be publicized in the Commerce Business Daily or an A.I.D. Publication for contracts which are \$500,000 or less in estimated value; provided, however, that this authority shall be exercised only to avoid serious delay in project implementation; and provided further, however, that efforts shall be made in any event to secure proposals, bids, or offers from a reasonable number of potential contractors or suppliers.

[For A.I.D. direct contracts, the corresponding authority is FAR 5.202 and AIDAR 706.302.70.]

Section IV. Redelegation of Authorities

Pursuant to the authorities delegated to me as Assistant Administrator for Latin America and the Caribbean, I hereby delegate all of the authorities set forth in Sections II and III hereof, retaining for myself concurrent authority to exercise any of the

13

functions herein redelegated, to the principal A.I.D. officers of the Missions and Posts included in Section I.

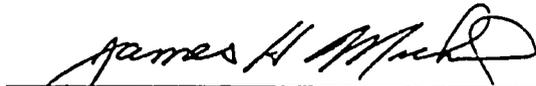
A. The authorities delegated herein shall be exercised in accordance with applicable statutes and regulations, including the Foreign Assistance Act of 1961, as amended, and the A.I.D. Handbooks and after consultation with a Regional Legal Advisor or GC/LAC, as appropriate, and with appropriate technical and support personnel.

B. The authorities delegated pursuant to Section II and Section III.B hereof shall not be further redelegated; provided, however, that they may be exercised by the person acting in the capacity of the Mission Director while the latter is out of the country (with my prior approval).

C. Other authorities delegated pursuant to Section III hereof may, in the discretion of the principal A.I.D. officer, be further redelegated to his/her deputy, or the individual acting in such capacity or may be exercised by the person acting in the capacity of the principal A.I.D. officer while, with my prior approval, the latter is out of the country. In addition, the principal A.I.D. officer in all posts except Argentina, Belize, Brazil, Chile, Colombia, Mexico, Paraguay and Uruguay may further redelegate the authorities contained herein in Section III.A 3, 4, 5, 6 and 7 to USAID direct hire staff members as he or she should deem appropriate.

D. Delegation of Authority Number 752, dated August 2, 1991, is hereby superseded in its entirety.

E. This Delegation of Authority is effective immediately.


James H. Michel
Assistant Administrator,
Bureau for Latin America and
the Caribbean

Date: 9/14/92

Drafted: GC/LAC:GMwinter:08/4/92:X76504

ACTOR AID/2 INFO AMB

VZCZCGT0125
RR RUEHGT
DE RUEHC #7444/01 2080526
ZNR UUUUU ZZH
R 270523Z JUL 93
FM SECSTATE WASHDC
TO RUEHGT/AMEMBASSY GUATEMALA 5511
INFO RUEHSJ/AMEMBASSY SAN JOSE 5976
RUEHSN/AMEMBASSY SAN SALVADOR 4290
RUEHZP/AMEMBASSY PANAMA 0952
RUEHTG/AMEMBASSY TEGUCIGALPA 6146
RUEHMU/AMEMBASSY MANAGUA 1816
RUEHBE/AMEMBASSY BELIZE 2020
BT
UNCLAS SECTION 01 OF 03 STATE 227444

27-JUL-93 TOR: 13:08
CN: 31270
CHRG: AIS
DIST: AID
ADD:

ACTION	
USAID	ROCAP
PDSO	
INFO	
DIR	
DUE DATE	
08-03-93	
ACTION TAKEN	
(Date/initials)	

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: REVIEW OF ROCAP ACTION PLAN FOR FY 1994-1995

1. THE DAEC REVIEW OF THE ROCAP FY 1994-95 ACTION PLAN WAS REVIEWED ON JULY 13, 1993. A-AA NORMA PARKER CHAIRED THE MEETING ATTENDED BY REPRESENTATIVES FROM LAC/DR, DPP, TI, CEN, PRE/H, AND FA/P. ROCAP WAS REPRESENTED BY MISSION DIRECTOR FERRENCE BROWN AND PROGRAM OFFICER NANCY HOFF. THE ACTION PLAN WAS APPROVED.

2. THE A-AA OPENED THE MEETING BY COMPLIMENTING THE MISSION ON A CONCISE AND CLEARLY WRITTEN ACTION PLAN AND REQUESTED A QUICK BRIEFING ON THE REORGANIZATION OF ROCAP TO PROVIDE A FRAMEWORK ON SUBSEQUENT DISCUSSION. THE REGIONAL AND BILATERAL PROGRAMS ARE NOW UNDER A UNIFIED ORGANIZATIONAL STRUCTURE WHICH WILL RESULT IN SIGNIFICANT STAFF REDUCTIONS AND EVENTUAL OPERATING EXPENSE SAVINGS.

3. THE MISSION DIRECTOR OUTLINED THE THREE STRATEGIC OBJECTIVES OF THE ROCAP PROGRAM AND PROGRESS MADE TO DATE, NOTING THAT IT WAS CONTINUING TO EXAMINE ITS PORTFOLIO TO DETERMINE THE RELATIVE COMPARATIVE ADVANTAGES OF REGIONAL PROJECTS IN THESE AREAS.

A. MORE EFFECTIVE AND DEMOCRATIC LOCAL GOVERNANCE

IT WAS AGREED THAT THE LOGROS PROJECT, EVEN AT THIS EARLY STAGE, HAS DEMONSTRATED ITS RELEVANCE TO BILATERAL MISSION EFFORTS IN DECENTRALIZATION AND MUNICIPAL DEVELOPMENT PRINCIPALLY BY PROVIDING ECONOMIES OF SCALE FOR ACCESS TO TECHNICAL ASSISTANCE. THE PROPOSAL TO LINK PROJECT FUNDS WITH HG FUNDS TO IMPROVE MUNICIPAL FINANCE SYSTEMS AND

OTHER LOCAL GOVERNMENT POLICY ISSUES SHOULD HAVE SIGNIFICANT REGIONAL IMPACT. THE PROJECT STAFF HAS DEVELOPED GOOD WORKING RELATIONSHIPS WITH LOCAL INSTITUTIONS. MOST OF THE BILATERAL MISSIONS IN THE REGION ARE WORKING WITH THE LOGROS PROJECT TO COMPLEMENT THEIR STRATEGIC OBJECTIVES.

THE BUREAU NOTED THAT THE PROJECT HAS DEVELOPED WELL THOUGHT OUT INDICATORS THAT WOULD BE GOOD MONITORS OF PROJECT PROGRESS. THE MISSION AND BUREAU CONCURRED THAT THE PROJECT WAS PROGRESSING WELL AND HAD A DEMONSTRATED COMPARATIVE ADVANTAGE IN ITS STRATEGIC AREA.

P. ENVIRONMENTALLY SOUND AND EFFICIENT PRACTICES IN NATURAL RESOURCE MANAGEMENT

THE RENARM PROJECT WAS DEVELOPED WHEN THERE WERE NO BILATERAL PROJECTS IN THIS STRATEGIC AREA. SINCE THAT TIME MOST OF THE BILATERAL MISSIONS HAVE DEVELOPED ENVIRONMENTAL STRATEGIC OBJECTIVES AND ARE IMPLEMENTING PROJECTS IN THIS AREA. THE UPCOMING EVALUATION OF THE RENARM PROJECT IS AN OPPORTUNITY TO REEXAMINE PROJECT ACTIVITIES TO DETERMINE THE APPROPRIATE RELATIONSHIP BETWEEN RENARM AND BILATERAL PROJECTS, THE PROJECT MANAGEMENT STRUCTURE, AND DEFINE THE COMPARATIVE ADVANTAGE OF THE REGIONAL PROGRAM IN CARRYING OUT THE LAC BUREAU'S ENVIRONMENTAL STRATEGY. THE BILATERAL MISSIONS HAVE PARTICIPATED IN THE DEVELOPMENT OF THE EVALUATION SCOPE AND WILL BE CONSULTED DURING THE EVALUATION PROCESS, PRESENTLY SCHEDULED FOR OCTOBER, AND THE REASSESSMENT OF PROJECT OBJECTIVES.

C. AN OPEN AND COMPETITIVE REGIONAL ECONOMY

SIGNIFICANT PROGRESS HAS BEEN MADE IN REGIONAL INTEGRATION AND COOPERATION IN THE LAST TWO YEARS. THE NORTHERN TIER COUNTRIES HAVE ALREADY CREATED A CUSTOMS UNION AND THERE HAS BEEN A 20 PER CENT INCREASE IN INTRAREGIONAL TRADE. SALVADOR, HONDURAS AND GUATEMALA HAVE MADE VERY SIGNIFICANT PROGRESS IN HARMONIZING TRADE RELATIONSHIPS.

COSTA RICA REMAINS HESITANT AND NICARAGUAI'S PRESENT ECONOMIC SITUATION HINDERS FULL PARTICIPATION. ROCAF HAS

SUPPORTED REGIONAL TRADE POLICY REFORM THROUGH THE
 PROVISION OF TECHNICAL ASSISTANCE IN THE AREA OF ECONOMIC
 ANALYSIS.

THE APERTURA PROJECT HAS NOT BEEN AUTHORIZED. HOWEVER, THE ECONOMIC POLICY RESEARCH PROJECT HAS BEEN AMENDED TO CARRY OUT CORE ACTIVITIES IN REGIONAL POLICY HARMONIZATION. THE MISSION IS IN THE PROCESS OF DETERMINING HOW A REGIONAL PROGRAM SHOULD BE DESIGNED AND OPERATED WHICH WOULD COMPLEMENT THE ONGOING BILATERAL PROGRAMS GIVEN THE VERY DIFFERENT STAGES OF DEVELOPMENT AND EXISTING RELATIONSHIPS AMONG THE NATIONS OF THE REGION. THE MISSION WILL EXAMINE, IN COLLABORATION WITH THE BILATERAL MISSIONS, HOW BEST TO ORGANIZE AND CARRY OUT A REGIONAL TRADE AND INVESTMENT STRATEGY. THE MISSION DIRECTOR STATED THAT A SMALL RESOURCE LEVEL IN TERMS OF DOLLARS CAN HAVE SIGNIFICANT IMPACT ON POLICY FORMULATION.

4. THE REGIONAL AGRICULTURAL HIGHER EDUCATION PROJECT

THE CURRENT MORTGAGE OF THE REGIONAL AGRICULTURAL HIGHER EDUCATION PROJECT IS DOLS. 2.689 MILLION. AT THE PROPOSED FUNDING LEVELS FOR THE ROCAP PROGRAM FOR FYS 94 AND 95, THERE IS A DOLS. 1.523 MILLION SHORTFALL FOR FUNDING OF THE EARTH SCHOOL. THE MISSION AND BUREAU AGREED THAT THE EARTH SCHOOL IS AN EXCELLENT AGRICULTURAL EDUCATION INSTITUTION AND THAT THE BUREAU WILL MAKE ITS BEST EFFORT TO PROVIDE THE DOLS. 1.523 MILLION TO MEET THE COMMITMENT TO THE SCHOOL. IF THE BUREAU IS UNABLE TO PROVIDE THE FUNDING, THE MISSION WILL FUND THE BALANCE OF THE MORTGAGE FROM UNRESTRICTED FUNDS FROM ITS OYB. THIS WOULD IMPLY THE TERMINATION OF THE EXITOS (NON-TRADITIONAL AGRICULTURE EXPORT PROJECT) A YEAR BEFORE ITS PACD AND CURTAILMENT OF THE MISSION'S REGIONAL POLICY HARMONIZATION ACTIVITIES.

5. THE INCAP INSTITUTIONAL STRENGTHENING PROJECT

IN A SIDE MEETING, IT WAS DECIDED THAT A TWO YEAR PACD EXTENSION FOR THE INCAP PROJECT WAS JUSTIFIED BASED ON THE MID-TERM EVALUATION RESULTS. HOWEVER, AN ADDITIONAL \$1 MILLION IN FUNDING (AN EVALUATION RECOMMENDATION) IS NOT AVAILABLE. EXTENDING THE PROJECT WILL ALLOW THE \$2 MILLION ADD-ON MECHANISM TO REMAIN OPEN IN THE EVENT THAT EARMARKED MONEY BECOMES AVAILABLE OR BILATERALS WANT TO ADD FUNDING DURING THE PACD EXTENSION PERIOD. THE MISSION WILL ALSO EXPLORE OPTIONS WHICH MIGHT ALLOW INCAP TO COMPETE FOR AID CONTRACTS AND/OR SUBCONTRACTS.

6. THE CENTRAL AMERICAN RURAL ELECTRIFICATION SUPPORT PROJECT (CARES)

IT WAS AGREED THAT THE MISSION WOULD SUBMIT A PROPOSAL FOR RENEWABLE ENERGY ACTIVITIES FOR DOLS. 500,000 AS AN

AMENDMENT TO THE CARES PROJECT WHICH WOULD GO TOW. DS
MEETING THE AGENCY'S ENVIRONMENTAL/ENERGY FARMARK.

7. NPDS

A. A DOLS. 1 MILLION AMENDMENT TO THE CENTRAL AMERICAN RURAL ELECTRIFICATION SUPPORT PROJECT (596-0146) INCREASING THE LOP TO \$11 MILLION WAS APPROVED AND AUTHORITY TO DESIGN AND AUTHORIZE THE PROJECT AMENDMENT WAS DELEGATED TO THE FIELD.

B. A DOLS. 2 MILLION AMENDMENT TO THE LOGROS PROJECT (596-0167) AND A DOLS. 10 MILLION HOUSING GUARANTEE COMPONENT WAS APPROVED AND AUTHORITY TO DESIGN AND AUTHORIZE THE PROJECT AMENDMENT WAS DELEGATED TO THE FIELD.

C. A DOLS. 5 MILLION AMENDMENT TO THE EXPORT INDUSTRY TECHNOLOGY SUPPORT PROJECT (596-0165) WAS NOT APPROVED DUE TO BUDGET CONSTRAINTS.

6. FOLLOWING THE DISCUSSIONS SUMMARIZED ABOVE, THE A-AA NOTED THAT THE MISSION HAS EVIDENCED THAT IT FULLY APPRECIATES THE DIFFICULT TASK AHEAD; I.E.. TO FORMULATE A

3/3

UNCLASSIFIED STATE 227444/03

REGIONAL STRATEGY BASED ON AN ASSESSMENT OF COMPARATIVE
ADVANTAGE, AND HAS DEMONSTRATED THAT IT HAS ALREADY BEGUN
TO MOVE TOWARDS RESOLUTION OF THE ISSUES INVOLVED.
THE A-AA ALSO CONGRATULATED THE MISSION ON THE ACCELERATED
DISBURSEMENT OF ITS PIPELINE OVER THE PAST YEAR.

WHARTON
BT
#7444

NNNN

3/3

UNCLASSIFIED STATE 227444/03

USAID/GUATEMALA

93 JUL 27 16:54

RECEIVED

PROJECT AUTHORIZATION AMENDMENT

AMENDMENT No. 1

NAME OF COUNTRY: Central America Regional (Guatemala, Panama, Honduras, Costa Rica, Belize, El Salvador, Nicaragua).

NAME OF PROJECT: Local Government Regional Outreach Strategy (LOGROS).

PROJECT NUMBER: 596-0167

Delete paragraph 1. in its entirety and substitute in lieu thereof the following:

1.- Pursuant to Sections 103, 104, 105, and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Supplement to the Local Government Regional Outreach Strategy involving planned obligations not to exceed Eight Million United States Dollars (U.S. \$8,000,000) in Grant funds ("Grant") over a seven year period from date of original authorization, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process, to assist in financing foreign exchange and local currency costs for the Project.

Delete paragraph 2. in its entirety and substitute in lieu thereof the following:

2.- LOGROS will contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement. In order to accomplish this purpose, the LOGROS project will fund two components. The Consensus-Building Component will establish a regional network and use that network to establish regional consensus on priority decentralization issues. Networking and consensus-building activities will be issue-oriented, and will foster broad consensus on decentralization processes, policies,

priorities and problems. The Technical Component will address high-priority constraints to decentralization that have broad potential for replication. Both components will be supported by a regional training framework, which will identify existing regional institutions capable of providing training for municipal officials. Other LOGROS activities include preparation of a Regional Municipal Sector Reassessment; indicator development and monitoring; a regional communications activity; support for other regional organizations promoting decentralization in the Central America; and support for bilateral Mission requests for assistance.

The Project Paper Supplement integrates a Twenty Million United States Dollars (\$20,000,000) Housing Guaranty component with the Central American Bank for Economic Integration (CABEI) into the Project. The Housing Guaranty component is designed to advance a municipal finance policy agenda that will alleviate constraints to the flow of funds for capital investment in the municipal sector. Project Grant funds will work with the Housing Guaranty element by financing long-term technical assistance, short term technical assistance, training activities/seminars, evaluations, and environmental impact assessments.

2.A. Conditions and Covenants for HG Funds

The following conditions precedent (Cps) to borrowing, and the following covenants will become part of the Implementation Agreement between RHUDO/CA and CABEI.

Conditions Precedent to First Borrowing. In addition to any Cps required by the Loan and Guaranty Agreements:

a. CABEI will have hired a Municipal Management Specialist to head the Municipal Finance Division.

b. CABEI will have disbursed its own funds (amount or percent to be negotiated) for eligible projects under the program.

Conditions Precedent to Subsequent Borrowing. CABEI will have liquidated any advances outstanding from prior borrowing.

Covenants. a. CABEI will use its best efforts to assure that municipal development activities financed under this program are carried out within the context of the LOGROS agenda, especially with regard to community participation in project selection and development.

b. CABEI will provide sufficient personnel in the field and in Tegucigalpa to manage the implementation of this program.

c. CABEI will ensure that environmental impact assessment is conducted on each subproject in accordance with CABEI environmental policies and procedures. As necessary to complement and supplement CABEI staff capabilities, CABEI will use DA funds earmarked under the grant in the amount of US\$200,000 for the purpose of contracting specialized short-term environmental impact assessment expertise to help CABEI evaluate the environmental impacts of those projects for which CABEI determines that such analyses are needed.

d. CABEI will ensure that subprojects use positive interest rates and are cost recoverable.

e. CABEI will honor statutory limitations included in the U.S. Foreign Assistance Act of 1961, as amended; as well as such restrictions contained in authorization and appropriation bills for A.I.D.; as well as restrictions in other pertinent U.S. legislation and policy regarding use of project funds.

f. CABEI will finance the cost of an annual independent audit which meets A.I.D., requirements and provides for additional certification statements as required.

Delete paragraph 3. in its entirety and substitute in lieu thereof the following:

3.- The contracts which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions,

24

together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Commodities, Nationality of Services

All commodities, services and their supplier's financed by A.I.D. under the Project shall have their source and origin in the United States except as A.I.D. may otherwise agree in writing. Under A.I.D.'s Buy America guidance, no local procurement are authorized except as A.I.D. may otherwise agree in writing with the following exceptions: (1) Commodities of U.S. origin, which are otherwise eligible for financing, if the value of the transactions is estimated not to exceed \$100,000 exclusive of transportation costs; (2) Commodities of Geographic Code 935 origin, if the value of the transaction does not exceed \$5,000; (3) Commodities and services which are available only locally, including utilities; communications; rental costs; petroleum, oils and lubricants; newspapers, periodicals and books published locally; and other commodities, services and related expenses that, by their nature or as practical matter, can only be acquired, performed, or incurred locally; and (4) Technical services when the value of the transactions is estimated not to exceed \$250,000. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.



Terrence J. Brown
Mission Director
USAID/Guatemala and ROCAP

Aug. 23, 1993
Date

15

**GUARANTY AUTHORIZATION
PROGRAM NO. 596-HG-010
AUTHORIZATION No. 596-HG-010**

PROVIDED FROM: Housing Guaranty Authority

FOR: Central American Bank for Economic Integration
(CABEI)

Pursuant to the authority vested in the Mission Director by the Foreign Assistance Act of 1961, as amended (FAA) and the delegations of authority issued thereunder, I hereby authorize the issuance to eligible U.S. investors (Investors) acceptable to A.I.D. of guaranties pursuant to Section 222 of the FAA of not to exceed UNITED STATES DOLLARS FIVE MILLION ONLY (\$5,000,000) in face amount. The guaranties shall assure against losses as provided in the Housing Guaranty Standard Terms and Conditions (22 C.F.R. Part 204) with respect to loans, including any refinancings thereof. These guaranteed loans shall be made to the Central American Bank for Economic Integration (Borrower) to support the provision of shelter-related infrastructure for the urban poor.

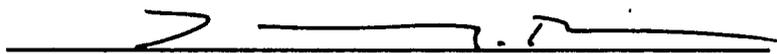
These guaranties shall be subject to the following terms and conditions:

1. **Term of Guaranty:** The loans and any refinancing thereof shall extend for a period of up to thirty (30) years from the date of each disbursement of the loans and may include a grace period of up to ten (10) years on repayment of principal, during which time interest shall accrue and be payable, and contain such other terms and conditions as are agreed to by the Borrower and the Investor, subject to the approval of A.I.D. The guaranties of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. **Interest Rate:** The rate or rates of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the Foreign Assistance Act of 1961, as amended (FAA), and shall be consistent with rates of interest generally available for similar types of loans made in the long-term U.S. capital markets.
3. **The Central American Bank for Economic Integration Guaranty:** Prior to disbursement of any loan amounts pursuant to this guaranty authorization, a written guaranty to indemnify A.I.D.

against all losses arising by virtue of A.I.D.'s guaranties to the Investor or from non-payment of the A.I.D. fee shall be provided in a form satisfactory to A.I.D. by the Central American Bank for Economic Integration.

4. **Fee:** The fee of the United States shall be payable in U.S. Dollars and shall be equal to one-half of one percent (1/2 percent) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1 percent) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
5. **Other Terms and Conditions:** The Guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

In accordance with the provisions of the Federal Credit Reform Act of 1990, I hereby authorize the obligation of UNITED STATES DOLLARS THREE MILLION TWO HUNDRED AND FIFTY TWO THOUSAND (Dols. 3,252,000) to cover the subsidy cost of Authorization No. 596-HG-010 and for use of UNITED STATES DOLLARS FIVE MILLION (Dols. 5,000,000) in guaranty authority. Action must be taken to obligate these funds by no later than August 31, 1993, by receiving from the Central American Bank for Economic Integration the countersigned Letter of Advice. The guaranteed loans must be disbursed by no later than September 30, 1998, after which time the obligated funds expire.



Terrence J. Brown
Mission Director
USAID/Guatemala and ROCAP

Aug. 22, 1993
Date

UNITED STATES
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS
GUATEMALA CITY, GUATEMALA, C.A.

Letter of Advice

August 23, 1993

Federico Alvarez Fernandez
Executive President
Central American Bank for Economic
Integration
Apartado Postal 772
Tegucigalpa, M.D.C. Honduras, C.A.

Dear President Alvarez:

Subject to the terms of this Letter of Advice and such terms and conditions to be further agreed upon in a Program Implementation Agreement and in consideration for such program implementation measures and other commitments to be made by the Central American Bank for Economic Integration ("Borrower") as set forth below, the Agency for International Development ("A.I.D.") has agreed to guaranty loans to the Borrower of up to five million United States dollars (US \$5,000,000) to finance costs associated with shelter-related municipal infrastructure investments in Central America.

As set forth in detail in the approved Project Paper forming the basis for the authorization of the guaranty, which will be combined with US \$15,000,000 in an existing guaranty, the purpose of this Project is to contribute to the transfer of authority and control over financial and human resources from central to local governments while helping to improve local governments' response to citizen demands for improved services and political enfranchisement. The Project will promote democracy through municipal

Carta de Aviso

Agosto 23, 1993

Señor
Federico Alvarez Fernández
Presidente Ejecutivo
Banco Centroamericano de Integración
Económica
Apartado Postal 772
Tegucigalpa, M.D.C., Honduras

Estimado señor Alvarez:

La Agencia para el Desarrollo Internacional ("A.I.D.") ha acordado prestar en garantía al Banco Centroamericano de Integración Económica ("Prestatario") hasta la cantidad de cinco millones de dólares estadounidenses (US\$5,000,000) para financiar los costos asociados con las inversiones municipales para infraestructura de vivienda en Centroamérica. Este préstamo estará sujeto a los términos de esta Carta de Aviso y a los términos y condiciones que se acordarán en un Convenio de Ejecución de Programa, tomando en consideración las medidas de ejecución del programa, y otros compromisos que realizará el Prestatario como se indica a continuación.

Tal y como se indica en el Documento Básico autorizado, el cual constituye la base para la autorización de esta garantía que será combinada con US\$15,000,000 de otra garantía existente, el propósito de este Proyecto es contribuir a la transferencia de autoridad y control sobre los recursos humanos y financieros del gobierno central hacia las municipalidades, contribuyendo a mejorar la capacidad de la municipalidad para satisfacer las necesidades de los ciudadanos de mejoramiento de servicios y

development, focusing on municipal finance to produce improved delivery of urban services to lower income households. The local currency equivalent of the loans will be used to improve the shelter-related municipal infrastructure of households below the median income in participating Central American countries.

A.I.D.'s commitment to guaranty the loans is valid for a period of 24 months from the date this Letter of Advice is countersigned. Should the Borrower fail to execute a loan agreement within that period, A.I.D. reserves the right to cancel its commitment to guaranty.

Prior to any disbursement of the A.I.D.-guaranteed loan, the Borrower will complete, or, in the case of advances, agree to complete, expenditures satisfactory to A.I.D. which will directly benefit below-median-income families. Procedures with respect to such expenditures and advances shall be set forth in a Program Implementation Agreement to be negotiated between A.I.D. and the Borrower. A.I.D.'s issuance of a guaranty is further dependent on the Borrower's compliance with the following program parameters contained in the Project Paper:

The Housing Guaranty resource will be used within the context of A.I.D.'s Local Government Regional Outreach Strategy (LOGROS) Project, to include:

- Promotion of municipal financial autonomy
- Citizen participation
- Sound municipal financial practices

participación política. El Proyecto promoverá la democracia a través del desarrollo municipal, centrándose en el financiamiento municipal para mejorar los servicios urbanos para las familias de escasos recursos. El equivalente en moneda local del valor de los préstamos será utilizado para mejorar la infraestructura municipal en el área de vivienda para las familias de ingresos por debajo de la media en los países participantes de Centroamérica.

El compromiso de A.I.D. de garantizar los préstamos es válido por un período de 24 meses a partir de la fecha en que sea firmada y aceptada esta Carta de Aviso. Si el Prestatario no ejecuta un convenio de préstamo dentro de este período, A.I.D. se reserva el derecho de cancelar su compromiso de garantía de los préstamos.

Previo a cualquier desembolso del préstamo garantizado por A.I.D., el Prestatario completará, o, en el caso de adelantos, acordará completar, los gastos que beneficiarán directamente a las familias de ingresos debajo de la media, a satisfacción de A.I.D. Los procedimientos con respecto a estos gastos y adelantos deberán establecerse en un Convenio de Ejecución de Programa, que será negociado entre A.I.D. y el Prestatario. La emisión por A.I.D. de una garantía dependerá del cumplimiento por el Prestatario de los siguientes parámetros del programa, contenidos en el Documento Básico:

El recurso de Préstamo Garantizado será utilizado dentro del contexto del Proyecto de Estrategia Regional para el Fortalecimiento de los Gobiernos Locales (LOGROS), que incluye:

- Fomento de la autonomía financiera municipal
- Participación ciudadana
- Prácticas municipales financieras sólidas

Eligibility criteria for projects to be financed under the program will include:

- Shelter-related municipal infrastructure, such as water, sewer and sanitation, solid waste, local streets, electricity
- Affordability of projects to households below the median income
- Environmental soundness
- Cost recovery at municipal/local level

Borrower agreements with financial intermediaries:

- Private sector lenders where feasible
- Public sector loan programs to be financially sound and sustainable
- All program interest rates to be at least positive

We appreciate your commitment to successful project implementation and look forward to close collaboration with you in this important effort. We especially wish to recognize the high quality of the collaboration and cooperation we have received from your staff in our joint development of this project.

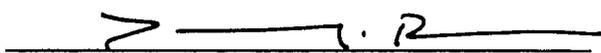
Los criterios de elegibilidad para los proyectos a ser financiados bajo el programa, incluirán:

- Infraestructura municipal relacionada con la vivienda, como por ejemplo agua, alcantarillado y saneamiento, desechos sólidos, vías de acceso, electricidad
- Accesibilidad a los proyectos por las familias de ingresos debajo de la media
- Sanidad ambiental
- Recuperación de costos a nivel municipal/local

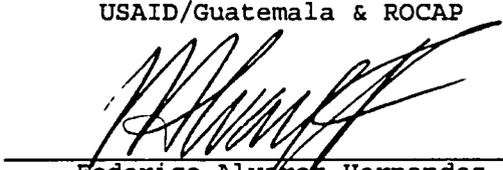
Acuerdos del Prestatario con los intermediarios financieros:

- Prestamistas del sector privado, cuando sea factible
- Programas de préstamos del sector público financieramente sólidos y sostenibles
- Todas las tasas de interés del programa deberán ser positivas, por lo menos

Agradecemos su compromiso para ejecutar el proyecto en forma exitosa y esperamos colaborar estrechamente con usted en este esfuerzo tan importante. Deseamos reconocer especialmente la calidad de la colaboración y cooperación que hemos recibido de usted y su personal en el desarrollo conjunto de este proyecto.


Terrence J. Brown
Mission Director/Director de la Misión
USAID/Guatemala & ROCAP

Accepted/Aceptado:


Federico Alvarez Hernandez
Executive President/Presidente Ejecutivo

Date/Fecha:

Agosto 24, 1993

Attachment/Anexo:

Annex A/Anexo A: Term sheet/Lista de Términos

Annex A

TERM SHEET

HOUSING GUARANTY SUPPLEMENT TO LOCAL
GOVERNMENT REGIONAL OUTREACH STRATEGY
PROJECT

Project No. 596-HG-010
Authorization No. 596-HG-010

Borrower: Central American Bank for
Economic Integration

A. Terms and Conditions:

1. Term of Guaranty: The loans (including any refinancing thereof) shall extend for a period of up to thirty (30) years from the date of each disbursement and may include a grace period of up to ten (10) years on repayment of principal and such other terms and conditions as may be agreed by the borrower and the investor, subject to the approval of A.I.D. The guaranties of the loans shall extend for a period beginning with the disbursement of the loans and shall continue until such time as the investors have been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate or rates of interest payable to the investors pursuant to the loans shall not exceed the allowable rate or rates of interest prescribed pursuant to Section 223(F) of the Foreign Assistance Act of 1961, as amended ("FAA"), and shall be consistent with the rates of interest generally available for similar types of loans made in the long-term U.S. capital markets.

3. Borrower Indemnity: The full faith and credit of the Central American Bank for Economic Integration shall be pledged to indemnify A.I.D. in U.S. Dollars against all losses arising by virtue of A.I.D.'s guaranties to the

Anexo A

LISTA DE TÉRMINOS

PRÉSTAMO GARANTIZADO SUPLEMENTARIO AL
PROYECTO DE ESTRATEGIA REGIONAL PARA
EL FORTALECIMIENTO DE LOS GOBIERNOS
LOCALES

Proyecto No. 596-HG-010
Autorización No. 596-HG-010

Prestatario: B a n c o
Centroamericano de Integración
Económica

A. Términos y Condiciones:

1. Término de la Garantía: Los préstamos (incluyendo cualquier refinanciamiento de los mismos) se extenderán por un período de hasta treinta (30) años a partir de la fecha de cada desembolso, y pueden incluir un período de gracia de hasta diez (10) años para la devolución de la cantidad principal y cualesquiera otros términos y condiciones que sean acordados por el prestatario y el inversionista, sujetos a previa aprobación de A.I.D. Las garantías de los préstamos se extenderán por un período de tiempo, el cual se iniciará con el desembolso de los préstamos y deberá continuar hasta cuando se les haya pagado por completo a los inversionistas, de acuerdo a los términos de los préstamos.

2. Tasa de Interés: La tasa o tasas de interés pagaderas a los inversionistas de acuerdo a los préstamos, no deberán exceder la tasa o tasas de interés permitidas prescritas en base a la Sección 223(F) de la Ley de Ayuda al Exterior de 1961, con sus enmiendas ("LAE"), y deberán ser consistentes con las tasas de interés disponibles para préstamos similares de capital a largo plazo realizados en los mercados estadounidenses.

3. Indemnización del Prestatario: El Banco Centroamericano de Integración Económica se compromete a pagar a A.I.D. en Dólares Estadounidenses cualquier pérdida por las garantías de A.I.D. para los inversionistas o de la falta de pago

investors or from non-payment of the A.I.D. fee. The indemnity obligations of the Central American Bank for Economic Integration shall be set forth in the Implementation Agreement.

4. Fee: The A.I.D. fee shall be payable by the borrower in U.S. Dollars and shall be equal to one-half of one percent (1/2 percent) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1 percent) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.

5. Selection of Investors: At a time agreed to by A.I.D. and the borrower, A.I.D. will publish an announcement informing interested and eligible U.S. investors, as defined in Section 238(C) of the FAA, of the A.I.D. authorization and inviting such investors to communicate with the borrower directly. The text of the announcement will be agreed upon by A.I.D. and the borrower prior to its publication.

6. Approval of Investors: A.I.D.'s concurrence in the selection of investors is necessary prior to the borrower's signing a loan commitment. This concurrence will be based upon receipt of copies of loan proposals, including name, interest rate, related fees, special conditions, and the reasons for the borrower's proposed selection as well as a copy of the commitment the borrower proposes to sign.

7. Termination of Commitment: A.I.D.'s commitment to guaranty loans to the borrower is valid for a period of 24 months from the date of this letter. Should the borrower fail to execute a loan agreement within that period, A.I.D. reserves the right to terminate its commitment to guaranty.

de la cuota de A.I.D. Las obligaciones de indemnización del Banco Centroamericano de Integración Económica deberán ser estipuladas en el Convenio de Ejecución.

4. Cuota: La cuota de A.I.D. deberá ser pagadera por el prestatario en Dólares Estadounidenses y deberá ser equivalente a la mitad del uno por ciento (1/2%) anual aplicado a la cantidad garantizada pendiente de pago de los préstamos más una cantidad fija equivalente al uno por ciento (1%) de la cantidad de los préstamos autorizados o cualquier parte de los mismos, la cual será pagada como lo determine A.I.D. de acuerdo a los desembolsos de los préstamos.

5. Selección de Inversionistas: En un período de tiempo acordado por A.I.D. y el prestatario, A.I.D. publicará un anuncio informando a los inversionistas estadounidenses interesados y elegibles, de acuerdo a lo establecido en la Sección 238(C) de la LAE, de la autorización de A.I.D., e invitando a estos inversionistas a comunicarse directamente con el prestatario. El texto del anuncio deberá ser acordado por A.I.D. y el prestatario previo a su publicación.

6. Aprobación de Inversionistas: El prestatario deberá obtener la aprobación de A.I.D. de la selección de los inversionistas previo a la firma de un compromiso de préstamo por parte del prestatario. Esta aprobación se realizará en base a las copias de las propuestas de préstamo, incluyendo nombre, tasa de interés, cuotas relacionadas, condiciones especiales, y las razones para la selección propuesta por el prestatario así como la copia del compromiso que el prestatario firmará.

7. Terminación del Compromiso: El compromiso de A.I.D. de garantizar los préstamos al prestatario es válido por un período de 24 meses a partir de la fecha de esta carta. Si el prestatario no ejecuta un convenio de préstamo dentro de ese período, A.I.D. se reserva el derecho de terminar su compromiso de garantía.

2,2

8. Other Terms and Conditions: The Guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

B. Implementation Documents

1. Implementation Agreement covering the project between borrower and A.I.D.

2. Loan Agreement (or equivalent agreement) covering the loan between investors and borrower.

3. A loan-associated Paying and Transfer Agency Agreement, between the borrower and the A.I.D.-approved paying agent (The Riggs National Bank of Washington, D.C.) to facilitate loan servicing.

4. Standard Terms and Conditions (codified at 22 C.F.R., Part 204) covering the Guaranty of the loans between the investors and A.I.D.

8. Otros términos y Condiciones: La Garantía estará sujeta a cualesquiera otros términos y condiciones que A.I.D. considere necesarios.

B. Documentos de Ejecución

1. Convenio de Ejecución que ampara el proyecto entre el prestatario y A.I.D.

2. Convenio de Préstamo (o convenio equivalente) que ampara el préstamo entre inversionistas y prestatario.

3. Un Convenio de Agencia para trámites relacionados con el pago y transferencia del préstamo, entre el prestatario y el agente pagador autorizado por A.I.D. (El Riggs National Bank de Washington, D.C.) para facilitar los servicios concernientes al préstamo.

4. Términos y Condiciones Stándar (compilados en 22 C.F.R., Parte 204) que ampara la Garantía de los préstamos entre los inversionistas y A.I.D.

ACTION AID/2 INFO AMP DCM ECON /5

VZCZCGT0251
PP RUEHGT
DE RUEHC #3854/01 2312041
ZNR UUUUU ZZH
P 192030Z AUG 93
FM SLOSTATE WASHDC
TO AMEMBASSY GUATEMALA PRIORITY 5972
BT
UNCLAS SECTION 31 OF 24 STATE 253854

19-AUG-93 TOR: 20:41
CN: 36316
CHRG: AID
DIST: AID
ADD:

AID ADM

E.O. 12356: N/A

TAGS:

SUBJECT: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
MUNICIPAL DEVELOPMENT (596-HG-310) AUTHORIZATION

ACTION
USAID ROCAP
RHUDO
INFO
PPSO
DIR
CONT
DUE DATE
8/24/93
ACTION TAKEN
(Initials)

1. PRE/H HEREBY REQUESTS THAT THE MISSION FORMALLY AUTHORIZE THE SUBJECT PROJECT BY SIGNING THE GUARANTY AUTHORIZATION AND ISSUE A LETTER OF ADVICE TO THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION.

2. 596-HG-310 IS A FIVE MILLION DOLLAR HOUSING GUARANTY (EG) WITH A SUBSIDY COST OF THREE MILLION TWO HUNDRED AND FIFTY TWO THOUSAND DOLLARS. THE CREDIT SUBSIDY HAS BEEN APPROVED.

3. THE MISSION DIRECTOR OR DEPUTY DIRECTOR OF USAID/GUATEMALA IS REQUESTED TO SIGN AND APPROVE THE GUARANTY AUTHORIZATION AND TO SIGN AND DELIVER THE LETTER OF ADVICE FOR THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION IN THE NAME OF AND ON BEHALF OF THE UNITED STATES OF AMERICA, ACTING THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT. THE TEXT OF THE GUARANTY AUTHORIZATION IS AS FOLLOWS IN PARA 5 BELOW. THE TEXT OF THE LETTER OF ADVICE IS AS FOLLOWS IN PARA 6. ITS ATTACHMENT A, TERM SHEET, IS AS FOLLOWS IN PARA 7.

4. FOLLOWING EXECUTION OF THE AUTHORIZATION AND RECEIPT FROM THE BORROWER OF THE COUNTERSIGNED LETTER OF ADVICE, PLEASE NOTIFY PRE/H BY CABLE AND SEND ONE ORIGINAL SIGNED COPY OF BOTH THE AUTHORIZATION AND THE LETTER OF ADVICE TO AID/DA/PM/LM:ONEWMAN WITH COPIES TO PRE/P.

5. GUARANTY AUTHORIZATION
PROGRAM NO. 596-HG-310
(AUTHORIZATION NO. 596-HG-310)

FOR: CENTRAL AMERICAN BANK FOR ECONOMIC INTERATION

PURSUANT TO THE AUTHORITY VESTED IN THE MISSION DIRECTOR BY THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED (FAA) AND THE DELEGATIONS OF AUTHORITY ISSUED THEREUNDER, I HEREBY AUTHORIZE THE ISSUANCE TO ELIGIBLE U.S. INVESTORS

USAID/DA/PM/LM:ONEWMAN
AUG 20 1993
RHUDO

34

(INVESTORS) ACCEPTABLE TO A.I.D. OF GUARANTIES PURSUANT TO SECTION 222 OF THE FAA OF NOT TO EXCEED UNITED STATES DOLLARS FIVE MILLION ONLY (U.S. DOLS 5,000,000) IN FACE AMOUNT. THE GUARANTIES SHALL ASSURE AGAINST LOSSES AS PROVIDED IN THE FOLLOWING GUARANTY STANDARD TERMS AND CONDITIONS: (22 C.F.R. PART 224) WITH RESPECT TO LOANS, INCLUDING ANY REFINANCINGS THEREOF. THESE GUARANTIED LOANS SHALL BE MADE TO THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (BORROWER) TO SUPPORT THE PROVISION OF SHELTER-RELATED INFRASTRUCTURE FOR THE URBAN POOR.

THESE GUARANTIES SHALL BE SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

-1. TERM OF GUARANTY: THE LOANS AND ANY REFINANCING THEREOF SHALL EXTEND FOR A PERIOD OF UP TO THIRTY (30) YEARS FROM THE DATE OF EACH DISBURSEMENT OF THE LOANS AND MAY INCLUDE A GRACE PERIOD OF UP TO TEN (10) YEARS ON REPAYMENT OF PRINCIPAL, DURING WHICH TIME INTEREST SHALL ACCRUE AND BE PAYABLE, AND CONTAIN SUCH OTHER TERMS AND CONDITIONS AS ARE AGREED TO BY THE BORROWER AND THE INVESTOR, SUBJECT TO THE APPROVAL OF A.I.D. THE GUARANTIES OF THE LOANS SHALL EXTEND FOR A PERIOD BEGINNING WITH THE FIRST DISBURSEMENT OF THE LOANS AND SHALL CONTINUE UNTIL SUCH TIME AS THE INVESTOR HAS BEEN PAID IN FULL PURSUANT TO THE TERMS OF THE LOANS.

-2. INTEREST RATE: THE RATE OR RATES OF INTEREST PAYABLE TO THE INVESTOR PURSUANT TO THE LOANS SHALL NOT EXCEED THE ALLOWABLE RATE OF INTEREST PRESCRIBED PURSUANT TO SECTION 223 (F) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED (FAA), AND SHALL BE CONSISTENT WITH THE RATES OF INTEREST GENERALLY AVAILABLE FOR SIMILAR TYPES OF LOANS MADE IN THE

LONG-TERM U.S. CAPITAL MARKETS.

-3. THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION GUARANTY: PRIOR TO DISBURSEMENT OF ANY LOAN AMOUNTS PURSUANT TO THIS GUARANTY AUTHORIZATION, A WRITTEN GUARANTY TO INDEMNIFY A.I.D. AGAINST ALL LOSSES ARISING BY VIRTUE OF A.I.D.'S GUARANTIES TO THE INVESTOR OR FROM NON-PAYMENT OF THE A.I.D. FEE SHALL BE PROVIDED IN A FORM SATISFACTORY TO A.I.D. BY THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION.

35c

-4. FEE: THE FEE OF THE UNITED STATES SHALL BE PAYABLE IN U.S. DOLLARS AND SHALL BE EQUAL TO ONE-HALF OF ONE PERCENT (1/2 PERCENT) PER ANNUM OF THE OUTSTANDING GUARANTIED AMOUNT OF THE LOANS PLUS A FIXED AMOUNT EQUAL TO ONE PERCENT (1 PERCENT) OF THE AMOUNT OF THE LOANS AUTHORIZED OR ANY PART THEREOF, TO BE PAID AS A.I.D. MAY DETERMINE UPON DISBURSEMENT OF THE LOANS.

-5. OTHER TERMS AND CONDITIONS: THE GUARANTY SHALL BE SUBJECT TO SUCH OTHER TERMS AND CONDITIONS AS A.I.D. MAY DEEM NECESSARY.

IN ACCORDANCE WITH THE PROVISIONS OF THE FEDERAL CREDIT REFORM ACT OF 1990, I HEREBY AUTHORIZE THE OBLIGATION OF UNITED STATES DOLLARS THREE MILLION TWO HUNDRED AND FIFTY TWO THOUSAND (DOLS 3,252,000) TO COVER THE SUBSIDY COST OF AUTHORIZATION NO. 596-HG-310 AND FOR USE OF UNITED STATES DOLLARS FIVE MILLION (DOLS 5,000,000) IN GUARANTY AUTHORITY. ACTION MUST BE TAKEN TO OBLIGATE THESE FUNDS BY NO LATER THAN AUGUST 31, 1993 BY RECEIVING FROM THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION THE COUNTERSIGNED LETTER OF ADVICE. THE GUARANTIED LOANS MUST BE DISBURSED BY NO LATER THAN SEPTEMBER 30, 1998, AFTER TWICE TIME THE OBLIGATED FUNDS EXPIRE.

FOR SIGNATURE BY: TERRENCE J. BROWN
ACTING REGIONAL DIRECTOR, DATE.

-6. LETTER OF ADVICE
DATE

FEDERICO ALVAREZ, EXECUTIVE PRESIDENT
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
APARTADO POSTAL 772
TEGUCIGALPA, M.D.C. HONDURAS, C.A.

DEAR PRESIDENT ALVAREZ:

SUBJECT TO THE TERMS OF THIS LETTER OF ADVICE AND SUCH TERMS AND CONDITIONS TO BE FURTHER AGREED UPON IN A

PROGRAM IMPLEMENTATION AGREEMENT AND IN CONSIDERATION FOR SUCH PROGRAM IMPLEMENTATION MEASURES AND OTHER COMMITMENTS TO BE MADE BY THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION ("BOFOR") AS SET FORTH BELOW, THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.") HAS AGREED TO GUARANTY LOANS TO THE BOFOR OF UP TO FIVE MILLION UNITED STATES DOLLARS (US\$5,000,000) TO FINANCE COSTS ASSOCIATED WITH SHELTER-RELATED MUNICIPAL INFRASTRUCTURE INVESTMENTS IN CENTRAL AMERICA.

AS SET FORTH IN DETAIL IN THE APPROVED PROJECT PAPER FORMING THE BASIS FOR THE AUTHORIZATION OF THE GUARANTY, WHICH WILL BE COMBINED WITH U.S. \$15,320,320 IN AN EXISTING GUARANTY, THE PURPOSE OF THIS PROJECT IS TO CONTRIBUTE TO THE TRANSFER OF AUTHORITY AND CONTROL OVER

FINANCIAL AND HUMAN RESOURCES FROM CENTRAL TO LOCAL GOVERNMENTS' WHILE HELPING TO IMPROVE LOCAL GOVERNMENTS' RESPONSE TO CITIZEN DEMANDS FOR IMPROVED SERVICES AND POLITICAL ENFRANCHISEMENT. THE PROJECT WILL PROMOTE DEMOCRACY THROUGH MUNICIPAL DEVELOPMENT, FOCUSING ON MUNICIPAL FINANCE TO PRODUCE IMPROVED DELIVERY OF URBAN SERVICES TO LOWER INCOME HOUSEHOLDS. THE LOCAL CURRENCY EQUIVALENT OF THE LOANS WILL BE USED TO IMPROVE THE SHELTER-RELATED MUNICIPAL INFRASTRUCTURE OF HOUSEHOLDS BELOW MEDIAN INCOME IN PARTICIPATING CENTRAL AMERICAN COUNTRIES.

A.I.D.'S COMMITMENT TO GUARANTY THE LOANS IS VALID FOR A PERIOD OF 24 MONTHS FROM THE DATE THIS LETTER OF ADVICE IS COUNTERSIGNED. SHOULD THE BORROWER FAIL TO EXECUTE A LOAN AGREEMENT WITHIN THAT PERIOD, A.I.D. RESERVES THE RIGHT TO CANCEL ITS COMMITMENT TO GUARANTY.

PRIOR TO ANY DISBURSEMENT OF THE A.I.D. GUARANTIED LOAN, THE BORROWER WILL COMPLETE, OR, IN THE CASE OF ADVANCES, AGREE TO COMPLETE, EXPENDITURES SATISFACTORY TO A.I.D. WHICH WILL DIRECTLY BENEFIT BELOW-MEDIAN-INCOME FAMILIES. PROCEDURES WITH RESPECT TO SUCH EXPENDITURES AND ADVANCES SHALL BE SET FORTH IN A PROGRAM IMPLEMENTATION AGREEMENT TO BE NEGOTIATED BETWEEN A.I.D. AND THE BORROWER. A.I.D.'S ISSUANCE OF A GUARANTY IS FURTHER DEPENDENT ON THE BORROWER'S COMPLIANCE WITH THE FOLLOWING PROGRAM PARAMETERS CONTAINED IN THE PROJECT PAPER:

THE HOUSING GUARANTY RESOURCE WILL BE USED WITHIN THE CONTEXT OF A.I.D.'S LOCAL GOVERNMENT REGIONAL OUTREACH STRATEGY (LOGROS) PROJECT, TO INCLUDE:

- PROMOTION OF MUNICIPAL FINANCIAL AUTONOMY
- CITIZEN PARTICIPATION
- SOUND MUNICIPAL FINANCIAL PRACTICES

ELIGIBILITY CRITERIA FOR PROJECTS TO BE FINANCED UNDER THE PROGRAM WILL INCLUDE:

- SHELTER-RELATED MUNICIPAL INFRASTRUCTURE, SUCH AS WATER, SEWER AND SANITATION, SOLID WASTE, LOCAL STREETS, ELECTRICITY
- AFFORDABILITY OF PROJECTS TO HOUSEHOLDS BELOW THE MEDIAN INCOME
- ENVIRONMENTAL SOUNDNESS
- COST RECOVERY AT MUNICIPAL/LOCAL LEVEL

BORROWER AGREEMENTS WITH FINANCIAL INTERMEDIARIES:

- PRIVATE SECTOR LENDERS WHERE FEASIBLE
- PUBLIC SECTOR LOAN PROGRAMS TO BE FINANCIALLY SOUND AND SUSTAINABLE
- ALL PROGRAM INTEREST RATES TO BE AT LEAST POSITIVE

WE APPRECIATE YOUR COMMITMENT TO SUCCESSFUL PROJECT IMPLEMENTATION AND LOOK FORWARD TO CLOSE COLLABORATION WITH YOU IN THIS IMPORTANT EFFORT. WE ESPECIALLY WISH TO RECOGNIZE THE HIGH QUALITY OF THE COLLABORATION AND COOPERATION WE HAVE RECEIVED FROM YOUR STAFF IN OUR JOINT DEVELOPMENT OF THIS PROJECT.

TERRENCE J. BROWN
ACTING REGIONAL DIRECTOR

ATTACHMENT:
ANNEX A: TERM SHEET

ACCEPTED:
FEDERICO ALVAREZ HERNANDEZ
EXECUTIVE PRESIDENT

DATE:

-7. TERM SHEET
HOUSING GUARANTY SUPPLEMENT TO LOCAL GOVERNMENT REGIONAL OUTREACH STRATEGY PROJECT

PROJECT NO. 596-HQ-217
AUTHORIZATION NO. 596-HQ-217

BORROWER: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

- 1. TERMS AND CONDITIONS:

- 1. TERM OF GUARANTY: THE LOANS (INCLUDING ANY REFINANCING THEREOF) SHALL EXTEND FOR A PERIOD OF UP TO THIRTY (30) YEARS FROM THE DATE OF EACH DISBURSEMENT AND MAY INCLUDE A GRACE PERIOD OF UP TO TEN (10) YEARS ON REPAYMENT OF PRINCIPAL AND SUCH OTHER TERMS AND CONDITIONS AS MAY BE AGREED BY THE BORROWER AND THE INVESTOR, SUBJECT

TO THE APPROVAL OF A.I.D. THE GUARANTIES OF THE LOANS SHALL EXTEND FOR A PERIOD BEGINNING WITH THE DISBURSEMENT OF THE LOANS AND SHALL CONTINUE UNTIL SUCH TIME AS THE

INVESTORS HAVE BEEN PAID IN FULL PURSUANT TO THE TERMS OF THE LOAN AGREEMENT.

- 1. INTEREST RATE: THE RATE OR RATES OF INTEREST PAYABLE ON THE LOANS PURSUANT TO THE LOAN AGREEMENT SHALL NOT EXCEED THE APPLICABLE RATE OR RATES OF INTEREST PRESCRIBED PURSUANT TO SECTION 228(F) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED ("FAA"), AND SHALL BE CONSISTENT WITH THE RATES OF INTEREST GENERALLY AVAILABLE FOR SIMILAR TYPES OF LOANS MADE IN THE LONG-TERM U.S. CAPITAL MARKETS.

- 2. BORROWER'S INDEMNITY: THE FULL FAITH AND CREDIT OF THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION SHALL BE OBLIGED TO INDEMNIFY A.I.D. IN U.S. DOLLARS AGAINST ALL LOSSES ARISING BY VIRTUE OF A.I.D.'S GUARANTIES TO THE INVESTORS OF FROM NON-PAYMENT OF THE A.I.D. FEE. THE INDEMNITY OBLIGATIONS OF THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION SHALL BE SET FORTH IN THE LOAN AGREEMENT.

- 3. FEE: THE A.I.D. FEE SHALL BE PAYABLE BY THE BORROWER IN U.S. DOLLARS AND SHALL BE EQUAL TO ONE-HALF OF ONE PERCENT (1/2 PERCENT) PER ANNUM OF THE OUTSTANDING GUARANTEED AMOUNT OF THE LOANS PLUS A FIXED AMOUNT EQUAL TO ONE PERCENT (1 PERCENT) OF THE AMOUNT OF THE LOANS AUTHORIZED OR ANY PART THEREOF, TO BE PAID AS A.I.D. MAY DETERMINE UPON DISBURSEMENT OF THE LOANS.

- 4. SELECTION OF INVESTORS: AT A TIME AGREED TO BY A.I.D. AND THE BORROWER, A.I.D. WILL PUBLISH AN ANNOUNCEMENT INVITING INTERESTED AND ELIGIBLE U.S. INVESTORS, AS DEFINED IN SECTION 228(C) OF THE FAA, OF THE A.I.D. INCORPORATION AND INVITING SUCH INVESTORS TO COMMUNICATE WITH THE BORROWER DIRECTLY. THE TEXT OF THE

34

ANNOUNCEMENT WILL BE AGREED UPON BY A.I.D. AND THE BORROWER PRIOR TO ITS PUBLICATION.

- 6. APPROVAL OF INVESTORS: A.I.D.'S CONCURRENCE IN THE SELECTION OF INVESTORS IS NECESSARY PRIOR TO THE BORROWER'S SIGNING A LOAN COMMITMENT. THIS CONCURRENCE WILL BE BASED UPON RECEIPT OF COPIES OF LOAN PROPOSALS, INCLUDING NAME, INTEREST RATE, RELATED FEES, SPECIAL CONDITIONS, AND THE REASONS FOR THE BORROWER'S PROPOSED SELECTION AS WELL AS A COPY OF THE COMMITMENT THE BORROWER PROPOSES TO SIGN.

- 7. TERMINATION OF COMMITMENT: A.I.D.'S COMMITMENT TO GUARANTY LOANS TO THE BORROWER IS VALID FOR A PERIOD OF 24 MONTHS FROM THE DATE OF THIS LETTER. SHOULD THE BORROWER FAIL TO EXECUTE A LOAN AGREEMENT WITHIN THAT PERIOD, A.I.D. RESERVES THE RIGHT TO TERMINATE ITS COMMITMENT TO GUARANTY.

- 8. OTHER TERMS AND CONDITIONS: THE GUARANTY SHALL BE SUBJECT TO SUCH OTHER TERMS AND CONDITIONS AS A.I.D. MAY DEEM NECESSARY.

- B. IMPLEMENTATION DOCUMENTS

- 1. IMPLEMENTATION AGREEMENT COVERING THE PROJECT BETWEEN BORROWER AND A.I.D.

- 2. LOAN AGREEMENT (OR EQUIVALENT AGREEMENT) COVERING THE LOAN BETWEEN INVESTORS AND BORROWER.

- 3. A LOAN-ASSOCIATED PAYING AND TRANSFER AGENCY AGREEMENT, BETWEEN THE BORROWER AND THE A.I.D.-APPROVED PAYING AGENT (THE RITTS NATIONAL BANK OF WASHINGTON, D.C.) TO FACILITATE LOAN SERVICING.

- 4. STANDARD TERMS AND CONDITIONS (CODIFIED AT 22 C.F.R., PART 214) COVERING THE GUARANTY OF THE LOANS BETWEEN THE INVESTORS AND A.I.D.
WILMINGTON