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A.I.D. PROJECT NO. 633-HG-003

HOUSING PROGRAM AGREEMENT
BETWEEN
THE GOVERNMENT OF BOTSWANA
AND
THE UNITED STATES OF AMERICA
FOR
BOTSWANA HOUSING FINANCE

Dated as of November 25, 1985

Only Signed Copy

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HOUSING PROGRAM AGREEMENT

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HOUSING PROGRAM AGREEMENT

Housing Program Agreement ("Agreement"), dated as of November 25, 1985, between the Government of Botswana ("Borrower"), acting through the Ministry of Finance and Development Planning ("MFDP") and the United States of America, acting through the Agency for International Development ("A.I.D."), Consisting of this document together with Annexes A and B attached hereto.

ARTICLE I

THE AGREEMENT

Section 1. Background and Purpose

- A. This Agreement describes a housing program (the "Program") to be carried out in Botswana, with the cooperation and assistance of A.I.D.; and sets forth the implementation arrangements agreed to by the MFDP and A.I.D. for accomplishing the purposes of the program. In carrying out this program, the parties to this Agreement (the "Parties") seek to address, among other things, the following goals and objectives:
1. to improve the capacity of town councils and Government of Botswana agencies to manage the financial aspects of low-cost shelter programs, with emphasis on the Town Council of Francistown and the Self Help Housing Agency ("SHHA"); and,
 2. to stimulate increased private sector involvement in and mobilize domestic capital for low-cost shelter programs.
- B. To implement this specific Program, the following steps will be undertaken:
1. the Borrower will borrow funds, as specified in Article III, from a private U.S. lender or lenders ("Investor") pursuant to a Loan Agreement approved by A.I.D.;
 2. A.I.D. will guaranty the Borrower's payment obligation to the Investor under a Contract of Guaranty between the Investor and A.I.D.;
 3. the Government of Botswana will agree to reimburse A.I.D., pursuant to a Botswana Guaranty Agreement, for any losses that A.I.D. may incur by virtue of the A.I.D. guaranty to the Investor; and,

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4. the Borrower and a U.S.-financed institution designated by A.I.D. will enter into a Paying and Transfer Agency Agreement, as further described in Article VI, providing for certain payment and other financial services relating to the Loan Agreement.

This Agreement shall be read in conjunction with, and subject to the provisions of, the documents described above when such documents are executed and/or approved.

ARTICLE Ii

THE PROGRAM

Section 2.01 Program Description The Program, which is further described in Annex A attached hereto, will consist of:

- A. Implementation of the Francistown Phase IV project, including the following components:
 1. Serviced sites allocated to Eligible Beneficiaries through Certificate of Right ("COR") or Fixed Term Grant ("FTG").
 2. Related Infrastructure and Community Facilities.
 3. SHHA Offices and Capital Equipment.
 4. Building loans for material and labor for home construction by Eligible Beneficiaries.
 5. Small enterprise plots for Fixed Term Grant or lease.
- B. Mortgage loans issued by the Botswana Building Society ("BBS") or other private financial institutions for Eligible Beneficiary purchase of homes or serviced sites, or for home construction.
- C. Project planning, architecture and engineering work associated with the program.
- D. Upon mutual agreement of the borrower and AID and subject to the execution of a Project Implementation Letter, funds planned for the Francistown Phase IV Project may be used for similar projects in other urban areas of Botswana.

Within the limits of the Program Description in this Section, Program details set forth in Annex A may be changed by written agreement of the parties pursuant to the procedures set forth in Section 7.01.

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ARTICLE III

FINANCING

Section 3.01. Financing and Payment Provisions. Financing of the Program described in Article III will be provided as follows:

A. AID Resources

1. United States Government Guaranteed Loan

(a) A.I.D. will provide, on behalf of the Government of the United States, a guaranty of payment of principal and interest for United States dollar loans of up to \$14 million in principal amount made by private United States Investors to the Borrower to finance the Program. The Borrower shall select the Investors and negotiate the guaranteed loan in accordance with criteria and procedures acceptable to A.I.D. The selection of the Investor and the terms and conditions of the Loan Agreement (including any amendments) are subject to A.I.D.'s approval.

(b) Prior to seeking an Investor, the Borrower shall submit, in form and substance satisfactory to A.I.D., a Program Implementation Plan in accordance with Section 5.01 and shall have satisfied the conditions precedent set forth in Section 4.04. Thereafter, with approval of A.I.D., the Borrower may seek an Investor and enter into the series of agreements referred to in Section 1.01 B.

2. Additional A.I.D. Resources Pursuant to separate agreement(s) A.I.D. will make available resources in support of the Program, for long and short-term technical assistance and training related to implementation of the Program or the overall efficiency of shelter and urban management.

B. Borrower Resources

1. Borrower Resources The resources provided by the Borrower and the Botswana Housing Corporation ("BHC") specifically for the Program will be approximately P26 million (equivalent to U.S. Dollars 18.2 million using the exchange rate of one Pula equals U.S. Dollars 0.70 applied during program development) together with necessary land for the Francistown Phase IV project and administrative personnel costs.

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2. Other Necessary Resources The Borrower agrees to provide or cause to be provided for the Program, in addition to the Loan and the resources specified above, all other resources required to carry out the Program effectively and in a timely manner, including but not limited to those resources necessary to the viability of the overall Program and the successful development of the Francistown Phase IV project.

ARTICLE IV

LOAN CONTRACTING DISBURSEMENT

Section 4.01 Disbursements A.I.D. shall authorize disbursement of guaranteed loan funds to cover advances and/or reimbursement for Eligible Expenditures, as defined in Section 4.02, incurred by the Borrower for the Program. Except as A.I.D. may otherwise agree, the Borrower shall have met the conditions precedent set forth below and in the applicable Loan Agreement prior to each disbursement.

Section 4.02. Eligible Expenditures

- A. Eligible Expenditures shall include reasonable costs incurred by the Borrower for the Program to the extent such costs are allocable to projects, facilities and other approved activities under the Program which are affordable to and for the benefit of Eligible Beneficiaries, as described in Section 5.02.
- B. With respect to infrastructure, community facilities, and small enterprise plots, AID will consider partial reimbursement or liquidation of advances based on work in place. Full reimbursement or liquidation of advances shall be authorized on the basis indicated below:
 1. Cost of serviced sites -- issuance of COR or FTG to Eligible Beneficiary and substantial completion of site development and necessary supporting infrastructure.
 2. Building loans -- disbursement for purchase of materials and/or hiring of builder to construct all or part of the house.
 3. Community facilities, SHHA office and capital equipment and infrastructure costs -- substantial completion of facility or infrastructure system, or purchase of equipment.

4. BBS mortgage loans -- execution of mortgage for home purchase or completed home construction.
 5. Planning, architectural and engineering work -- payments under contracts approved by A.I.D.
 6. Small enterprise plots -- sale or rental of the plot and substantial completion of supporting infrastructure.
- C. Eligible Expenditures may also include fees and charges approved by A.I.D. in connection with this Agreement, the Loan Agreement and the Paying and Transfer Agency Agreement, together with such other reasonable costs of goods and services as may be mutually agreed upon.

Section 4.03. Advances and Retentions

- A. A.I.D. may approve requests for advance disbursement for working capital up to an amount not in excess of \$1.5 million and may approve requests for subsequent replenishments of amounts previously advanced. Such advances and subsequent replenishment shall be based upon the agreed cash flow needs of the Program, as appear in the Program Implementation Plan, for periods not to exceed four (4) months.
- B. Reimbursement shall be approved and advances liquidated upon presentation of evidence of Eligible Expenditures in accordance with Section 4.02. When a total amount of \$10 million has been disbursed, whether as advance or reimbursement, there shall be no further advances except as A.I.D. may otherwise agree.
- C. Except as A.I.D. may otherwise agree, no more than \$12.5 million shall be disbursed hereunder until the Conditions Precedent for Final Disbursement have been met.

Section 4.04. Conditions Precedent to Investor Selection Prior to seeking an Investor for a loan and entering into the series of agreements referred to in Section 1.01, the Borrower shall, except as A.I.D. may otherwise agree in writing, deliver to A.I.D., in form and substance satisfactory to A.I.D., the following:

- A. A Program Implementation Plan pursuant to the guidelines set forth in Section 5.03 showing projected construction activity and other uses of the loan over the duration of the Program;



- B. Evidence that the Francistown Town Council has through public proclamation stated:
1. its adoption of a policy of enforcing the principle of cost recovery for SHHA housing, including enforcement of the requirement that SHHA ploholders pay service levy and building loan installments at full cost recovery rates, and
 2. its support of all reasonable efforts on the part of the Francistown SHHA, and through the Magistrates' Courts and Customary Courts to collect outstanding service levies and building loan payments.
- C. A plan and schedule for reducing arrears on service levy and building loan payments, including quarterly quantitative targets for achieving this objective.

Section 4.05. Conditions Precedent to First Disbursement Prior to A.I.D.'s authorization of the First Disbursement under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. a legal opinion of the Attorney General of Botswana attesting to the validity and enforceability of the Botswana Guaranty Agreement, and stating that such Agreement has been duly authorized, executed and delivered, and constitutes a legal, valid and binding obligation of Botswana;
- B. a legal opinion of counsel satisfactory to A.I.D., attesting to the validity of the Loan Agreement, the Paying and Transfer Agency Agreement, and this Agreement and stating that such Agreements have been duly authorized, executed, delivered by the Government of Botswana, and constitute legal, valid and binding obligations of Botswana;
- C. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- D. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of the funds requested;
- E. an updated Program Implementation Plan prepared in accordance with Section 5.01;
- F. evidence that the Francistown Town Council has made substantial progress in achieving its targets for reduction of service levy and building loan arrears as specified in the schedules prepared in satisfaction of Section 4.04C.

- G. an agreement between the Government of Botswana and the BBS as to the loan terms and conditions for beneficiary participation in the BBS mortgage loan component of the Project;
- H. a plan for the overall distribution of land uses and types of residential plots in the Francistown Phase IV project;
- I. evidence that MLGL has employed an urban development coordinator for Francistown with adequate skills and experience; and,
- J. such other documents and representations related to this project as A.I.D. may reasonably request.

Section 4.06. Conditions Precedent to Additional Disbursements
Prior to A.I.D.'s authorization of additional disbursements under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- B. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of the funds requested;
- C. an updated Program Implementation Plan prepared in accordance with Section 5.01;
- D. evidence that the Program Reviews provided for in Section 5.04 are being conducted as scheduled;
- E. evidence that the Francistown Town Council has made substantial progress in achieving its targets for reduction of service levy and building loan arrears as specified in the schedules prepared in satisfaction of Section 4.04C;
- F. evidence that the Borrower has approved a simplified system for conversion of Certificate of Rights plots to Fixed Term Grant, and is making information on such conversion available to holders of plots with Certificates of Rights; and,
- G. such other documents and representations related to this project as A.I.D. may reasonably request.

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Section 4.07. Conditions Precedent to Final Disbursement Prior to A.I.D.'s guaranty of the Final Disbursement under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- B. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of funds requested;
- C. a certification that the Program as defined in Article II and in Annex A has been completed in accordance with this Agreement, the Program Implementation Plan, and all other documents, plans, specifications, contracts, schedules or other arrangements approved by A.I.D. under this Agreement;
- D. evidence that the sites financed hereunder have all been allocated to Eligible Beneficiaries and are substantially all occupied; and,
- E. such other documents and representations related to this project as A.I.D. may reasonably request.

Section 4.08. Exchange Rate The rate of exchange used for the purpose of preparing a Request and Certificate for Disbursement (Annex B) shall be a mutually agreed-upon, lawful rate of exchange for foreign exchange lending transactions of the type contemplated hereunder in Botswana on any date specified by the Borrower within thirty (30) calendar days prior to the disbursement.

ARTICLE V

SPECIAL COVENANTS

Section 5.01. Program Implementation Plan - Promptly after the execution of this Agreement, the Borrower with the assistance of A.I.D., shall prepare a Program Implementation Plan, which shall indicate:

- A. Current cost estimates and cash flow schedules for the Program, with specific reference to Eligible Expenditure categories;
- B. A time-phased implementation plan to indicate the expected progress on important project elements of the program;

- C. updated Beneficiary eligibility criteria, allocation procedures and selection plans for SHHA plots, including small enterprise plots;
- D. a schedule of plot, infrastructure, sanitation, and land use standards for the Francistown Phase IV project;
- E. a plan for implementation of the BBS mortgage loan component of the project, showing eligibility, application procedures, Government on-lending procedures and rates, and specific responsibilities of the GOB, including the Housing Section of MLGL;
- F. an updated cost recovery plan demonstrating both FTC and MFDP's plans for recovery of recurrent and capital costs;
- G. a statement of the on-lending rates, terms and conditions applicable to funds made available by the Borrower for the Francistown and other Town Council housing projects in Botswana; and,
- H. such other data as may be mutually agreed upon by the parties to this Agreement.

The Borrower agrees to implement the Program in accordance with the Program Implementation Plan, and to promptly inform A.I.D. should there be substantial change in procedures, criteria or other data which would affect the accuracy of the Plan during program implementation.

Section 5.02. Standards, Affordability and Eligibility of Beneficiaries

- A. It is understood that United States legislation governing A.I.D., requires that the benefits of the Program, to the extent financed by the Loan, flow directly to households earning less than the median income in the applicable urban or rural area in Botswana. Such households are referred to in this Agreement as "Eligible Beneficiaries." It is mutually agreed that as of 1985 the applicable median income is approximately 200 Pula per month.
- B. The Borrower agrees (a) to manage the Program so that its benefits, to the extent financed by the Loan, flow to Eligible Beneficiaries, and (b) to assure that Program benefits are affordable to the Eligible Beneficiaries. For purposes of determining affordability to Eligible Beneficiaries, the Borrower and A.I.D. shall agree to the maximum percentage expenditure of monthly income for SHHA and BBS housing.

- C. The median income figure may be revised from time to time by mutual agreement of the parties to this Agreement through Project Implementation Letters pursuant to Section 7.01.

Section 5.03. Implementation

- A. The Borrower shall ensure that the Francistown SHHA is adequately funded, staffed and housed in a manner to permit proper implementation of the Francistown Phase IV project and efficient communication and liaison with other departments and agencies involved. The SHHA Principle Housing Officer shall be supported by an adequate number of qualified subordinate staff.
- B. The Borrower shall assure that the Francistown Town Council ("FTC") will undertake the following responsibilities:
1. Require that the SHHA develop and apply fair allocation procedures and educate beneficiaries with respect to their rights and responsibilities under their Certificates of Rights (including the consequences of late payment and default).
 2. Ensure that the SHHA with guidance from MLGL, shall provide adequate technical assistance and group workers throughout the period of housing consolidation.
 3. Provide the SHHA full support in taking every step practicable to reduce service levy and building material loan delinquency rates to a level acceptable to the Borrower and A.I.D. Collections and accounting activities will be conducted according to procedures acceptable to the parties hereto.
 4. Ensure regular timely removal of rubbish from pick-up areas as well as proper maintenance of public spaces and storm water drains, and regulate and control disposal of building debris during the house consolidation stage of the Project.

Section 5.04. Program Review

- A. During implementation of the Program, project reviews shall be conducted by the Borrower and A.I.D. periodically, but not less frequently than every six (6) months. During each review, the progress toward completion will be compared against the then current Program Implementation Plan. At each review, MLGL, FTC and BBS will be represented, as well as any other organizations or departments requested by the Borrower or A.I.D.

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In the event that progress is not being achieved in a manner that is mutually satisfactory and after reasonable efforts have been made to achieve such progress, it is agreed that A.I.D. may take whatever legal remedies may be required, including, but not limited to, declining to permit further disbursement until such time as there is mutual satisfaction as to the progress of the Project.

- B. In addition, during such program reviews or at such other times as may be mutually convenient, the Borrower shall establish periodic consultations with A.I.D. on housing matters. A.I.D. will be kept apprised of such matters as:
1. Mobilization of domestic capital as a future source of funding for low-income housing.
 2. Government of Botswana policy of moving toward economic rentals.
 3. Any other issues agreed upon by the parties.

Section 5.05. Public Tendering and Other Procurement

- A. The Borrower and the FTC shall conduct all public tendering and other procurement in accordance with appropriate established procedures and regulations acceptable to A.I.D.
- B. A.I.D. shall be consulted in determining whether project consultants financed under this Agreement have appropriate qualifications and experience.

Section 5.06. Allocation of Plots

- A. Allocation of SHHA Residential Plots Residential allottees must be Eligible Beneficiaries who do not own residential property in the urban area. Security of tenure shall be provided to such Beneficiaries through a Certificate of Rights, or Fixed Term Grant. SHHA shall allocate plots according to the fair allocation procedures described pursuant to the Program Implementation Plan.
- B. BBS-Financed Housing The BBS will provide long-term financing for purchase of residential plots and construction of housing on those plots by Eligible Beneficiaries who do not own residential property in the urban area. Title shall be provided as Fixed Term Grant.

- C. Allocation of Small Enterprise Plots The Borrower, in conjunction with such other entities as shall be appropriate, shall adopt detailed eligibility criteria and allocation procedures for these plots. These procedures shall enhance employment opportunities for residents of the Francistown Phase IV area and shall be set forth in the Program Implementation Plan.

Section 5.07. Land Tenure Secure land tenure shall be provided to all Project Beneficiaries. MLGL shall establish an easily understood, reasonable, and efficient process for transfer of Certificate of Rights titles to Fixed Term Grants. The Borrower will make a concerted effort to avail SHHA plottolders of this information and encourage those who have fully developed their plots to convert to rate-paying Fixed Term Grants.

Section 5.08. Capital and Recurrent Cost Recovery The Program shall be implemented on the basis of an effective capital and recurrent cost recovery plan described in the Program Implementation Plan and approved by A.I.D. In order for the Beneficiaries in Francistown Phase IV to develop equity in their plots, the Borrower covenants that capital expenditures for infrastructure on this project shall be recovered over a fixed period of time from the Beneficiaries, and that early repayment of capital costs by the Beneficiaries will be permitted with no penalty.

Section. 5.09. Training Training of key Program and other pertinent staff and officials is crucial to the success of the Program in strengthening the capacity of the Borrower and local authorities to manage the housing and urban development process, and of the private finance sector to expand its role to lower cost housing. It is understood that MLGL and FTC will work with A.I.D. in identifying and assigning priority to various training activities in financial, technical, social, and administrative aspects of shelter and urban development.

Section 5.10. Coordination with Other Donors The Borrower shall consult with A.I.D. and the various other donors in an effort to ensure the maximum degree of cooperation and coordination of projects.

Section 5.11. Support for the Housing Section of MLGL The Borrower covenants to continue to support the work of the MLGL Housing Section, through provision of sufficient and qualified staff, secretarial support, and office space.

Section 5.12. Private Financial Sector's Involvement in Shelter Production The Borrower covenants that it will work with the BBS to reduce or eliminate any unnecessary legal, administrative, or procedural barriers to expanding the role of the private finance sector in lower cost housing.

Sector 5.13. Implementation of the GOB Housing Policy The Housing Policy, approved by Parliament in 1982, will serve as the guiding document on shelter policy. The Borrower covenants to expedite implementation of all aspects of this Policy. A.I.D. and the Borrower will periodically review progress made in housing policy implementation.

ARTICLE VI

LOAN SERVICING AND FEES

Section 6.01. Paying and Transfer Agency Agreement. In order to assure efficient administration of payment and other financial requirements for the servicing of Housing Guaranty Programs, A.I.D. has established a standard arrangement for these services. In accordance with these arrangements, the Borrower shall enter into a standard Paying and Transfer Agency Agreement with the Riggs National Bank of Washington, D.C. ("Paying Agent") at the time of signing the Loan Agreement. The cost for the services of the Paying Agent shall be borne by the Borrower. The Paying Agent shall distribute the Borrower's payments on the Notes, transmit periodic A.I.D. fee payments, transfer Notes to new Noteholders, and otherwise provide the necessary servicing of such Notes.

Section 6.02. A.I.D. Guaranty Fees. The Borrower shall pay to A.I.D. the following fees:

- A. Initial Fee. The Borrower shall pay A.I.D. a fixed initial fee equal to one percent (1%) of each Loan as defined in the Loan Agreement(s) approved by A.I.D. for the Project. Such fee shall be paid to A.I.D. upon the first disbursement of the A.I.D.-Guaranteed Loan. This fee shall be non-refundable, notwithstanding the failure of the Borrower to subsequently receive additional disbursements or the full amount of the Loan. The fee is payable by electronic fund transfer to the Federal Reserve Bank of New York by specifying "credit to the U.S. Treasury, New York City, A.I.D. Agency Location Code 7200001, A.I.D. Housing Guaranty Project No. 633-HG-003, in payment of the A.I.D. Fee." The fee may be deducted from the amount disbursed upon instruction to the Investor in the "Request for Borrowing" as required by the Loan Agreement.
- B. Semi-annual Fee In addition, the Borrower shall pay to A.I.D. a semi-annual fee calculated at the rate of one-half of one percent (1/2%) per annum of the aggregate unpaid principal amount of all A.I.D.-Guaranteed Notes issued and outstanding under the Loan Agreement. This Fee shall

accrue from the date each guarantied Note is issued under the Loan Agreement, and shall be payable to A.I.D. on the same due dates as provided on the Notes until each Note is fully repaid.

Section 6.03. Place of Payment The Borrower agrees to remit all principal and interest payments due to the Investor and semi-annual fee due to A.I.D. to the Paying Agent, at the address specified herein, or as otherwise provided in the Paying and Transfer Agency Agreement. It is understood that the Paying Agent shall apply such remittances in accordance with the Agreement, the Paying and Transfer Agreement and this Agreement. Other fees due to the Investor, such as the Investor's commitment fee, shall be paid as directed by the Investor.

Section 6.04. Late Payment Charge In the event of late payment of amounts due to A.I.D. either directly or by way of reimbursement, a Late Payment Charge will accrue on the unpaid installment. This Late Payment charge on the unpaid installment will accrue to A.I.D. on a semi-annual basis at the interest rate of the Loan and will be calculated from the date it was due to the date it was received by A.I.D. The Late Payment Charge will be computed as if each year consisted of three hundred and sixty-five (365) days.

Section 6.05. Reimbursement and Subrogation The Borrower agrees that if A.I.D. makes any payment on the Borrower's behalf to the Investor pursuant to the Contract of Guaranty, whether or not the Investor has applied to A.I.D. for such payment and whether or not an Event of Default has occurred under the terms of the Loan Agreement, the Borrower will reimburse A.I.D. for such payment. In such event, by operation of this Agreement and any existing applicable common law rights as may exist, A.I.D. shall become subrogated to all the rights of the Investor against the Borrower.

ARTICLE VII

GENERAL PROVISIONS

Section 7.01. Program Implementation Letters. To assist in the implementation of this program, A.I.D. from time to time will issue Program Implementation Letters which will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Program Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program 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 Program in Annex A, or waivers of rights by Parties for whose benefit such rights exist.

Section 7.02. Project Evaluation The Parties agree to establish an evaluation program as part of the Program. Except as the Parties may otherwise agree in writing, the Program will include, during the implementation of the Program and at one or more points thereafter: (a) an evaluation of progress toward attainment of the objectives of the Program; (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 Program.

Section 7.03. 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 any party, will exchange views on the progress of the Program, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Program, and other matters relating to the Program.

Section 7.04. Execution of the Program The Borrower and other Parties implementing this Agreement will:

- A. carry out the Program 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;
- B. provide qualified and experienced management, and train such staff as may be appropriate for the maintenance and operation of the Program and as applicable for continuing activities, and cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program; and,
- C. use the proceeds of the Loan, or any and all currencies exchanged for the United States Dollars received under the Loan, for the sole purpose of financing the Program in accordance with and subject to the provision of this Agreement.

Section 7.05. Reports, Books and Records, Audit and Inspection. The Parties will:

- A. furnish A.I.D. such information and reports relating to the Program, the Loan and this Agreement as A.I.D. may reasonably request;

- B. maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Program, the Loan, and this Agreement, adequate to show, without limitation, the receipt and use of funds, the relending of such funds, and 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 (3) years after the date of Program completion, and books and records regarding the Loan shall be maintained for three (3) years after the Loan has been fully repaid by the Borrower; 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 Program toward completion;
- C. afford authorized representatives of any Party the opportunity at all reasonable times to inspect the Program, the utilization of goods and services financed by the Loan or by the Parties, and sites, books, records and other documents relating to the Program, to the Loan, and to this Agreement; and,
- D. until the Loan is fully repaid, arrange to have such books and records audited annually by independent auditors in accordance with generally accepted auditing standards. Such audit shall provide segregated accounting and comments regarding the Loan and shall be submitted annually to A.I.D.

Section 7.06. Completeness of Information The Borrower and other Parties to this Agreement confirm:

- A. 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 this Agreement are accurate and complete, and include all facts and circumstances that might materially affect the Program, the Loan, and the discharge of the Borrower's and other Parties' responsibilities under this Agreement; and
- B. that they shall inform A.I.D. in a timely fashion of any subsequent change of fact or circumstance that might materially affect, or that it is reasonable to believe might so affect, the Program, the Loan, or the discharge of responsibilities under this Agreement.

Section 7.07. Publicity As may be described in Implementation Letters, the Borrower and other Parties to this Agreement will give appropriate publicity to the Loan and to the Program as an activity to which the United States has contributed, and shall indicate at appropriate project sites that A.I.D. has facilitated financing for the Program.

Section 7.08. Other Payments The Borrower and other Parties to this Agreement affirm that no payments have been or will be received by any official of the host country, Borrower or other such Parties in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the territory of the host country.

Section 7.09. Reasonable Prices for Procurement No higher 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 7.10. Governing Law This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia of the United States of America.

ARTICLE VIII

RIGHTS AND REMEDIES OF A.I.D.

Section 8. Suspension and Acceleration

A. (i) If the Borrower materially breaches this Agreement, the Loan Paying Agreement, or any escrow agreement, or if the borrowing country breaches its Guaranty Agreement (whether or not such breach is a breach under the Loan Agreement), and such breach is not rectified within a period of ninety (90) calendar days from the delivery of notice by A.I.D. with respect thereto, or (ii) if the Borrower materially breaches the Loan Agreement and such breach is not rectified before it becomes an Event of Default under the Loan Agreement, then A.I.D. may take any or all of the following actions:

- (1) decline to execute an A.I.D. Guaranty Legend on any additional Notes for disbursements under the Loan Agreement or the Contract of Guaranty, except when such Notes are issued pursuant to the provisions for assignment or replacement of Notes under the Contract of Guaranty; and/or,

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- (2) require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal of the Notes with accrued interest and any Guaranty Fee due to the date such payment is made, as well as any Late Payment Charge which may have accrued.
- B. In the event that the guaranty of further Notes is contrary to U.S. legislation governing A.I.D., then A.I.D. may exercise the remedy specified in paragraph A.(1) above.
- C. In the event the Borrower fails 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, then A.I.D., after notice to the Borrower, may exercise the remedy specified in paragraph A.(1) above.
- D. In the event that the conditions precedent set forth in this Agreement have not been met as of the dates specified in the Loan Agreement for related disbursements (or such later date as A.I.D. may agree to in writing), A.I.D., at its option may terminate, in whole or in part, its own obligations under this Agreement by written notice to the Borrower. Such termination may include, inter alia, the termination of any obligation of A.I.D. to guaranty Notes issued by the Borrower to the Investor, except when such Notes are issued pursuant to provisions in the Contract of Guaranty for assignment and replacement of Notes. In connection with such termination, A.I.D. may also require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal on Notes outstanding, together with accrued interest, accrued Fees payable to the date of such payment and accrued Late Payment Charges.

Section 8.02. Non-waiver of Remedies. The making of any Note by A.I.D., the payment by A.I.D. to the Investor of any amounts pursuant to the Contract of Guaranty, the delay or failure of A.I.D. to make any claim for payment, or the delay or failure of A.I.D. to give its written approval to an acceleration of such Notes by the Investor shall not operate as a waiver by A.I.D. of any rights accruing to A.I.D. under this Agreement, the Loan Agreement, the Contract of Guaranty, or Guaranty Agreement.

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ARTICLE IX

MISCELLANEOUS

Section 9.01. Communications. Any notice, request, document, or other communication submitted by any Party to any other under this Agreement shall be in writing or by telegram or cable, and shall refer to Botswana: A.I.D. Housing Program No. 633-HG-003, and shall be deemed duly given or sent when delivered to such party at the following addresses:

To Borrower

Mail Address:

Permanent Secretary
Ministry of Finance and Development Planning
Private Bag 008
Gaborone, Botswana

Cable Address:

Finance
Gaborone, Botswana

Telex Nos.:

BD 2401
Gaborone, Botswana

With copies (but failure to receive such copies shall in no way affect the validity of such notice) to:

Permanent Secretary
Ministry of Local Government and Lands
Private Bag 006
Gaborone, Botswana

To A.I.D.:

Mail Address:

RHUDO/East and Southern Africa (copy)
P.O. Box 30261
Nairobi, Kenya

USAID/Botswana (original)
P.O. Box 90
Gaborone, Botswana

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Telex Nos.:

BD 2336
Gaborone, Botswana

22964
Nairobi, Kenya

Copy to:

Agency for International Development
Office of Housing and Urban Programs
PRE/H, Room 625, SA-12
Washington, D.C., 20523
Attention: Botswana
A.I.D. Housing Guaranty Project No. 633-HG-003

To Paying Agent:

Mail Address:

The Riggs National Bank of Washington, D.C.
Trust Department Office
800 17th Street, N.W.
Washington, D.C. 20006
Attention: Botswana
A.I.D. Housing Guaranty Project No. 633-HG-003

Cable Address:

RIGGSBANK WASH

Telex Nos.

ITT: 44-01-03: Answer back - RIGGS BK
RCA: 28-83-63: Answer Back - RIGG UR
Western Union: 64-11-0: Answer Back RIGGS WASH

All communications shall be in English, unless the parties otherwise agree in writing. Other addresses may be changed upon written notice to the other Parties to this Agreement.

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IN WITNESS WHEREOF, this Agreement is signed and executed by the authorized representatives of the Borrower and A.I.D.

GOVERNMENT OF BOTSWANA

BY: *P. S. Mmusi*

NAME: Peter S. Mmusi
Vice President and Minister
TITLE: of Finance and Development
Planning
DATE: November 25, 1985

UNITED STATES OF AMERICA

BY: *Natale H. Bellocchi*

NAME: Natale H. Bellocchi
TITLE: Ambassador
DATE: November 25, 1985

PROJECT DESCRIPTION

The goal of this project is to improve shelter and urban services for low-income families.

The purpose of the project is to support GOB shelter sector policy so as:

- (1) to improve the capacity of town councils and GOB agencies to manage the financial aspects of low-cost shelter programs, with emphasis on Francistown and the Self Help Housing Agency (SHHA); and,
- (2) to stimulate increased private sector involvement in and mobilize domestic capital for low-cost shelter programs.

AID assistance to this project will consist of HG and grant funds. HG funds totalling \$14 million will be loaned to the Ministry of Finance and Development Planning in two tranches. Most of these funds will be on-lent to the Town Council of Francistown to contribute to the successful implementation of the Phase IV development. Specifically, the funds will be for the low-cost SHHA plots and related infrastructure and community facilities in the area. The balance of the HG funds, approximately \$2.5 million, will be on-lent to the Botswana Building Society, an entirely privately-owned institution, for long-term financing of below-median-income housing throughout Botswana. Repayment of each tranche of the HG loan will be up to 30-years, with a 10-year grace period on repayment of the principal.

Grant assistance of up to \$200,000 also is expected to be provided in support of the program. The grant funds will be used for recurrent short-term technical assistance as well as training in the areas of municipal financial management and local revenue generation, and low-cost house design.

The Government of Botswana will contribute approximately P20 million (equivalent to U.S. Dollars 14.0 million using the exchange rate of one Pula equals U.S. Dollars 0.70 applied during program development) over the life of this project. These funds will be used for installation of primary infrastructure, partial funding of SHHA low-cost shelter areas and community facilities, servicing of middle and upper income residential plots (which will be sold at cost plus a cross subsidy to reduce the price of lower cost plots), and a sewage effluent irrigation scheme. Another P6 million (equivalent to U.S. Dollars 4.2 million) will be contributed by the GOB through the Botswana Housing Corporation, a parastatal, for construction of middle and upper-income housing. The GOB is also contributing the land and personnel time of MLGL and the Francistown Town Council (and other town councils with respect to BBS-financed housing) for project planning, implementation, and monitoring.

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The overall physical, institutional, and policy outputs of the project are noted below:

Physical

- 1,125 squatter plots upgraded with roads, drainage, water standpipes, and improved pit latrines.
- 2,325 new site and service plots, provided with roads, drainage, water standpipes, and improved pit latrines.
- 1,700 - 2,000 building loans for SHHA plotholders.
- 600 low/medium-income sewered site and service plots.
- 600 loans through the Botswana Building Society for plot purchase and house construction.
- 315 Botswana Housing Corporation completed houses.
- primary schools.
- Community facilities.
- SHHA ward office.
- Small enterprise plots.
- Sewage effluent irrigation scheme.
- Project maintenance equipment.

Approximately 350 of the loans through the BBS will be for housing units in towns other than Francistown. The remainder of the project will be Francistown.

Institutional

- Improved cost recovery through reduction in SHHA program arrears.
- Increased capability of Francistown SHHA to allocate low-cost plots and facilities their development.
- Organizational development of municipal treasury departments.
- Capacity of the private sector to provide long-term mortgage lending to low/middle-income families nationwide.

Policy

- Effective national cost recovery procedures for shelter expenses.
- Better access to secure land tenure for mortgage lending.
- Complementary participation of the private sector in Government-initiated land development projects.

Beneficiaries

The beneficiaries of this project will be lower-income families in Francistown and other Botswana towns. The squatter upgrading area of 1,125 plots will cater entirely to families already resident in the Town, and living in substandard conditions without adequate access to services. A sizable portion of the sites and services plots will be allocated to existing Francistown squatter families from outside the project area. These families are now squatting on land that cannot be upgraded due to environmental or site characteristics, or, in a few cases, on land designated for commercial or industrial use. The remainder are mostly living in rented quarters on existing SHHA plots. The median household income for this project is estimated at P2,400 per year. The Francistown component of this project will contain 50-100 small enterprise plots financed out of the HG funds. These will be designed with minimum services, and will be made available on a full cost-recovery basis by the Town Council to area residents for starting small businesses. The Francistown project area will also contain an industrial area, fully financed by the GOB, for medium and large-scale industries. Creation of jobs in both areas will be monitored during this project.

National level management of the Project, including design and tendering, will be through MLGL. In Francistown, the Town Council and the SHHA will be responsible for plot allocations, assisting families with house consolidation, community development, revenue collection, and overall project maintenance.

In the private sector component funds will be on-lent from MFDP to the BBS. MLGL, through its Housing Section and in consultation with A.I.D., will have general oversight of BBS performance, and will monitor housing costs and affordability. The various town councils will be responsible for approving all building plans for this Project component.

REQUEST AND CERTIFICATE FOR DISBURSEMENT

The Government of Botswana ("Borrower") hereby requests, through the Ministry of Finance and Development Planning, pursuant to the Housing Program Agreement dated as of _____, that the United States Agency for International Development (A.I.D.) authorize the disbursement of \$ _____ from the A.I.D. Guarantied Loan No. 633-HG-003:

In connection with this request, the Borrower hereby certifies as follows:

1. The Borrower is in full compliance with all the terms and conditions of the Loan Agreement dated _____ and the Housing Program Agreement dated _____.
2. The Botswana signatories to the Housing Program Agreement referred to above are in full compliance with the terms and conditions of such Agreement.
3. The Schedules attached hereto for purposes of justifying the requested disbursement are completely accurate and fully reflect the facts existing as of the date of this Request and Certificate for Disbursement.
4. The rate of exchange used in preparation of this Request and Certificate for Disbursement is _____ as of _____.

THE GOVERNMENT OF BOTSWANA

BY: _____

TITLE: _____

DATE: _____

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DISBURSEMENT SCHEDULE

PULA

US \$

I. HG Funds

A. Total Contracted

B. Total Borrowed

C. Total Disbursed

D. Balance in Escrow (IB-IC)

II. Eligible Expenditures

A. Total Eligible Expenditures to
Date of Last Disbursement Request

B. Total Eligible Expenditures since
Date of Last Disbursement Request*

1. Architectural and Engineering
2. Off-Site Infrastructure
3. On-Site Construction (latrines)
4. Community Facilities
5. Small Enterprise Facilities
6. Vehicles and Equipment
7. SHHA Building Loans
8. BBS Mortgage Loans
9. Other (_____)

10. Total (sum of 1 - 9)

III. Anticipated Expenditures Next 4 Months

IV. Disbursement Request (IIB.10. but not more than III)

*See Section III.F. of Project Paper for allocation of costs to AID Housing Guaranty Loan Financing.

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